

Conclusions from the 9th IG meeting

South-West Electricity REM

Madrid, 3 November 2011

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1. The 9th IG meeting for the SW Electricity REM took place on 3 November in Madrid gathering representatives from the three NRAs of the region, the three TSOs, OMIE, EPEX Spot and the Spanish Ministry.
 2. The first and main point of the meeting was the informative session on the **Draft Cross-Regional Roadmaps** that have been developed by ACER in the context of the European Energy Work Plan 2011-2014. After the presentation of each Cross-Regional Roadmap, IG members proposed some changes mainly referred to our region that the RCC welcomed and will try to put forward in the next ERI coordination group meeting that will be held in Brussels in 7-8 November.

After the presentation of the **Draft Cross-Regional Roadmap for Long-Term Transmission Rights** by the RCC, TSOs proposed to make an explicit mention in the Roadmap about the inclusion of the IFE rules in the harmonised auction rules (together with CWE and CSE) by 2012. RCC welcomed this inclusion. REE proposed to separate in the Cross-Regional Roadmap IPE from Baltic and Nordic because the situations are different. TSOs also commented on the possibility to put IPE at the same level than IFE (transfer to CASC.EU) if there was an agreement between ERSE and CNE. Furthermore, according to TSOs, the question regarding the approval process of the HARs by NRAs should also be further analysed.

The **Cross-Regional Roadmap for Day-Ahead Market Coupling** establishes a stepwise/parallel approach to reach the PEC¹ by 2014 and foresees that SW would be ready to couple with NWE by the end of 2012. TSOs indicated that NWE region must ensure sufficient exchange with non-NWE countries in order to avoid a different approach by different regions. On the other hand, OMIE stressed the possibility of a parallel approach where MIBEL could implement the Price Coupling algorithm as soon as possible. TSOs indicated that the SWE regional Work Plan should be updated indicating that the new GCT at 12:00 CET

¹ PEC: Pan-European Coupling

of DA MIBEL Market will go live by June 2012. SWE is already working on the implementation, by mid 2012, of operational aspects regarding the GCT changes. OMIE proposed to delete from the Cross-Regional Roadmap the sentence “ENTSO-E timeline for NWE foresees the integration in 2013”. TSOs asked to replace from the cross-regional roadmap the sentence: “national approval/review of national specificities to the final algorithm” with “approval/review of national rules compatible with the algorithm” because it can be understood as different algorithms for each region. OMIE recalled that some European PXs are regulated entities and some others are not. This is why the implementation of the price coupling project must also be carefully studied at local level in order to adapt if necessary the national regulation to the project requirements.

Different members of the IG presented their position and doubts on the **Cross-Regional Roadmap for Intraday**. This project started in NWE but is extended to any other borders also ready to adopt the interim solution. For that reason, OMIE asked that “local implementation in NWE” of the interim solution (as the roadmap puts it) should be explicitly open to others ready to join. The RCC asked about the TSO/PX MoU that should have been signed last September. They explained that it was expected by the end of 2011, but that in any cases, the principles of cooperation have already been agreed in a common presentation Europex-ENTSOE of the 21st of September, and showed during the IG meeting (see point 6). TSOs in their joint reaction stated that the Intraday Continuous platform should include the IPE. REE proposed to delete the balancing from the Cross-Regional Roadmap for Intraday because is out of the scope. It was explained that due to the non harmonisation of European intraday gate closures, a cross-border trade could happen during what is the intraday market for one side when it is already the balancing mechanism on the other side. Furthermore, OMIE proposed to delete the dots in the roadmap that mention “unclear whether would join NWE”. PXs also pointed out that there was no reference to the possibility of keeping implicit auctions regionally in the enduring solution (as set forth by the CACM FG) and that it must be mentioned.

Cross-Regional Roadmap for Capacity Calculation does not affect SWE region directly because it is only for regions which foresee to implement Flow-based (FB) capacity calculation (i.e CWE and CEE). Anyway, IG members are concerned about how this method could affect the day-ahead and intraday

markets in all Europe. PXs explained that FB does not pose any incompatibility with the PCR algorithm. The implementation of FB in CWE is planned by Q2 2013.

The second part of the meeting was devoted to the deliverables of the **SW region Work Plan:**

3. The last point of the agenda (**Deliverable II.1 Regional Investment Plan** of the SW region) was moved forward. An update of the regional investment plans and its connection with the TYNDP was presented by the TSOs. An internal document within ENTSO-E on the draft plan will be available in December 2011 and in March 2012 the consultation process on the draft plan will be launched. These deadlines should be updated in the Work Plan as they slightly differ from the original timing foreseen. A workshop on the SW regional investment plan will take place in REE premises on 29 November.
4. The RCC presented the timetables of the **Deliverable I.1 Long Term** and made some questions to TSOs and PXs.

With regard to **IFE**, REE and RTE are committed to transfer the yearly and monthly auctions to CASC.EU by mid 2012. TSOs presented the steps needed for concluding this project. There is a need of changing the joint IFE Access Rules, as well as the Operational Procedure 4.1, the French Import/Export Rules for the nomination in France and probably high level Spanish regulation. The agreement on the perimeter of activities was reached during summer 2011 and a proposal on the amount and sharing of the fees. The MoU between REE, RTE and CASC.EU -needed to launch the implementation phase- is under analysis and will be signed once REE has obtained the formal approval of the project. Regarding CASC.EU there must be some data exchange modifications and the impact of these changes must be included in the Implementation Guides. There will be also a new Service Provision Agreement (SPA LT) between REE, RTE and CASC.EU. They announced a TSO workshop on 16-17 November to draft a proposal based on the Harmonised Auction Rules. This draft Auction Rules would be presented to NRAs by the end of 2011, before the Market Participant consultation in January 2012. TSOs considered approval processes as a critical point because due to the tight time schedule to start auctioning IFE products

through CASC no delay would be permitted. The IG supported the project and committed to contribute as required in order to launch IFE LT auctions in CASC.EU by mid 2012.

Concerning **IPE** LT transmission rights and following the invitation made by regulators, TSOs have investigated the possibility of auctioning FTRs in CASC.EU as a pilot project. As an interim measure, TSOs propose the possibility of implementing PTR + UIOSI. OMIE expressed that FTRs are more convenient than PTRs especially considering that all physical capacity in IPE is already implicitly allocated. There is no answer yet as the ongoing studies at ACER and ENTSOE side needs to clarify if CASC.EU can auction FTRs. Indeed, ACER and ENTSO-E are performing separate analysis on the implications of FTRs which should be ready by end 2011. The RCC recalled that the MIBEL Board of Regulators proposal (still valid) is FTR-options. In case this is not feasible, a new position of regulators would have to be justified and well informed by facts and findings. Finally, the IG members discussed on the pros and cons of FTRs (options and obligations) and PTRs. CRE indicated that within CWE, which is already coupled, there are LT PTRs (+UIOSI) and they are not causing inefficiencies. The RCC is looking forward to hearing the answer of CASC.EU to REN and REE.

5. **Deliverable I.2 Day-Ahead Market coupling.** The IG showed its commitment to couple with the NWE Region by end 2012. TSOs expressed that all technical and contractual features for the GCT changes at 12 o'clock would be ready for mid-2012. OMIE, REN and REE presented a detailed roadmap in order to change the GCT to 12:00 by June 2012. The RCC encouraged all parties involved to keep working on this project so as to comply with the deadlines.
6. **Deliverable I.3 Intraday** The RCC invited TSOs and PXs of the SW region to participate as much as possible in the European intraday project which is now open for all the EU (not only NWE). The MIBEL Council of Regulators still did not reach a formal position on the possibility to keep some intraday implicit auctions in IPE because they are liquid and have proved to work well so far. For CNE and ERSE, the eventual elimination of all intraday auctions must be duly justified in terms of overall efficiency and for OMIE eliminating something that works so well is a "hard decision". Anyway, this local issue should not impact on the regional

progress towards the pan-European intraday continuous model. PXs showed the joint presentation Europex - ENTSO-E on the way forward on cross-border intraday.

7. Last point of the meeting was an update of the **Deliverable I.4 Cross border balancing** by TSOs. The extension of BALIT platform to the SW region is ongoing and could be completed by September 2012. The contractual framework and implementation guides will be finalised by end 2011. The enduring solution, under design, was presented too. A detailed roadmap was presented and some questions about the possibilities of implementation were answered by TSOs.