



European Union Agency for the Cooperation
of Energy Regulators

CACM 2.0 workshop 1 on Market coupling governance & organisation

10:00 – 11:30

10th of May 2021

Public information

Opening

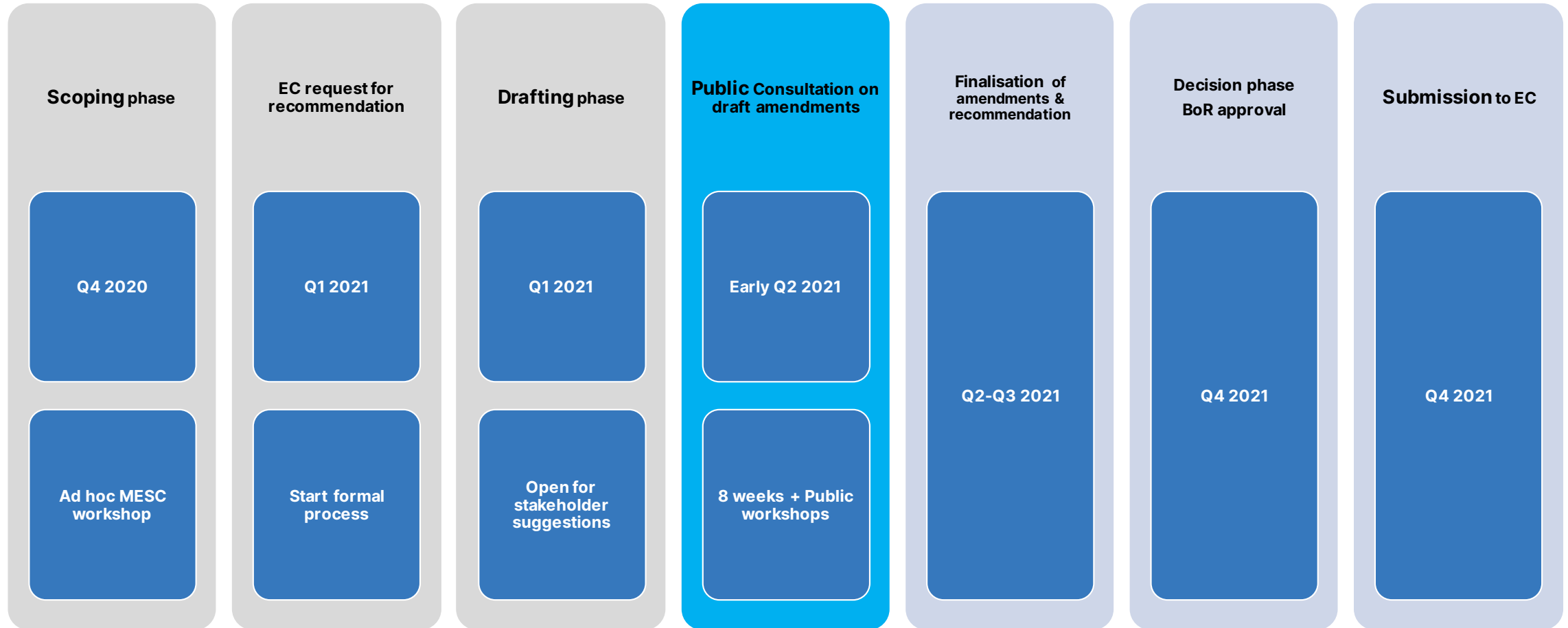
10:00 – 10:05

Christophe GENCE-CREUX, Head of Electricity Department, ACER

Planning

Agenda

Housekeeping rules



AGENDA		
9.45 - 10.00	Dial-in time	Starts promptly at 10.00
10.00 - 10.05	Opening	Christophe GENCE-CREUX, Head of Electricity Department, ACER
10.05 – 10.15	Presentation: Introduction to CACM amendments & public consultation <ul style="list-style-type: none"> ▪ Mathieu FRANSEN, ACER 	
10:15 – 10:40	Presentation: Market coupling organization & tasks <ul style="list-style-type: none"> • Salvatore LANZA, ARERA 	
10:40 – 11:00	Presentation: Market coupling development & operation <ul style="list-style-type: none"> • Pavel SVOBODA, ACER /Julio QUINTELA CASAL, CRE 	
11.00 - 11.25	Q&A (online submissions via chatbox)	Moderator: Christophe GENCE-CREUX, Head of Electricity Department,ACER
11.25 - 11.30	Closing	Christophe GENCE-CREUX, Head of Electricity Department,ACER

Opening – Housekeeping rules

- Please keep your **mic muted** and your **camera off** throughout the workshop.
- You may pose questions via **chat**; all attendees will view all questions (and if possible replies given in the chat).
- In case further clarifications are needed for a question you asked in the chat, you will be kindly asked to **open your mic**; please remember to **mute it** once clarifications have been provided.
- After the three agenda-items we have time for a **Q&A session** for this agenda-item (25 min) and go through the questions.
 - Please provide your questions for the Q&A in the chat during the presentations
- The slide pack will be shared with you after the end of the workshop and on the ACER website (including a recording of this workshop).

Introduction to CACM amendments & public consultation

10:05 – 10:15

Mathieu FRANSEN, ACER

structure, setup, main topics for consultation
how it works etc.

- Pursuant to Article 60(1) of the Electricity Regulation the Commission is empowered to amend the network codes within the areas listed in Article 59(1) and (2) in accordance with the relevant procedure set out in that Article. **In addition this article states that ACER may also propose amendments to the networks codes in accordance with paragraphs 2 and 3.**
- **Pursuant to Article 60(3) first sentence ACER may make reasoned proposals to the Commission for amendments, explaining how they contribute to market integration, non-discrimination, effective competition, and the efficient functioning of the market.**
- Pursuant to Article 60(3) second sentence states that where [ACER] **shall consult all stakeholders in accordance with Article 14 of Regulation (EU) 2019/942.**
- Pursuant to Article 14(1) ACER shall [...] in the process of proposing amendments of network codes under Article 60 of Regulation (EU) 2019/943 [...] **extensively consult at an early stage market participants**, transmission system operators, consumers, end-users and, where relevant, competition authorities, without prejudice to their respective competence, in an open and transparent manner, in particular when its tasks concern transmission system operators.
- **This public consultation is performed with the objective of providing input to a recommendation on reasoned amendments on the CACM regulation in accordance with Article 60(3) of the Electricity Regulation in accordance with Article 2(c) of the ACER Regulation and which was requested by the European Commission in accordance with Article 3(1) of the ACER Regulation.**

The consultation itself requests stakeholders to provide feedback in two ways for each section of the (new) CACM regulation:

Obligatory input on

- general opinion on the proposed amendments per article ranging from strong disagreement to strong agreement or no opinion;
- whether the reasoning is considered sufficient;
- how the proposed amendments contribute to the achievement of the objectives pursuant to Article 59(4) [market integration, non-discrimination, effective competition, and the efficient functioning of the market]; and
- Under the 'summary' tab, stakeholders are requested to signal the importance of each of the new sections in the (new) CACM regulation;

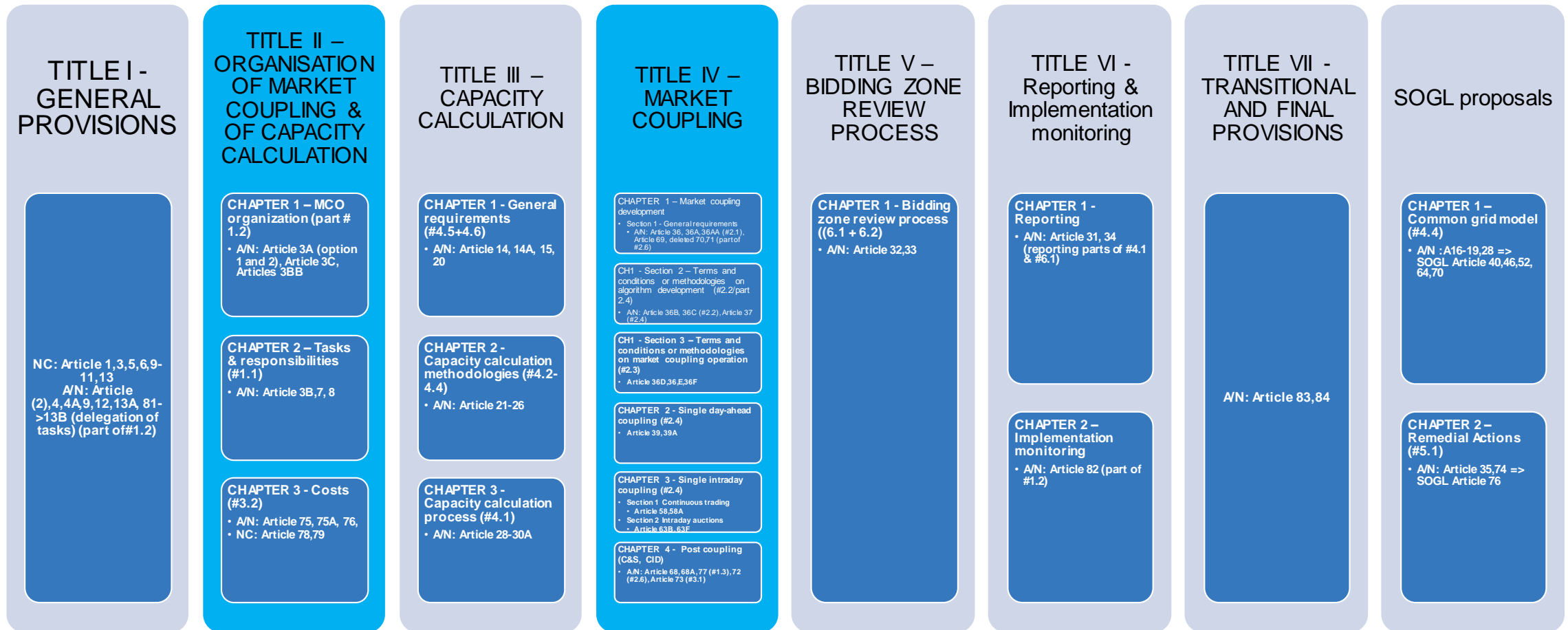
Optional input to

- Provide additional consideration on the reasoning provided;
- Provide additional proposals for amendments including reasoning for each article.

Although this approach requires stakeholders to provide their position on all amendments and in a more closed manner we hope that this approach provides a lower entry barrier to participation while at the same time allowing other stakeholders to make detailed suggestions. In the obligatory section stakeholders always have the choice of 'no opinion' if they have none.

ACER also considers that this approach allows it to quickly process the input to the consultation, providing publically at an aggregate level, the direction coming from this consultation.

New general structure of CACM regulation



Market coupling organization & tasks

10:15 – 10:40

Salvatore LANZA, ARERA

CH1 - MCO organisation

CH2 – tasks & responsibility

CH3 - Costs

Why change the organization?



- MCO tasks are not clearly identified
- Some tasks do not seem efficiently assigned
- There is no clear separation between competitive NEMO tasks and monopolistic MCO tasks
- TSOs are not sufficiently involved in the decision-making process concerning the development of market coupling solutions
- There are no clear requirements for identifying costs eligible for recovery
- Cost recovery schemes currently adopted differ among the Member States

Define a new governance structure based on:

- Clarity: identify unambiguously tasks and responsibilities
- Effective competition: separate NEMO competitive tasks from MCO monopolistic tasks and assign the latter to independent entity/entities
- Non discrimination: involve both NEMOs and TSOs in MCO strategic decisions (including TCMs proposals) on equal ground
- Transparency: elaborate a pan-EU methodology for cost determination, cost sharing and cost recovery



Decentralised approach

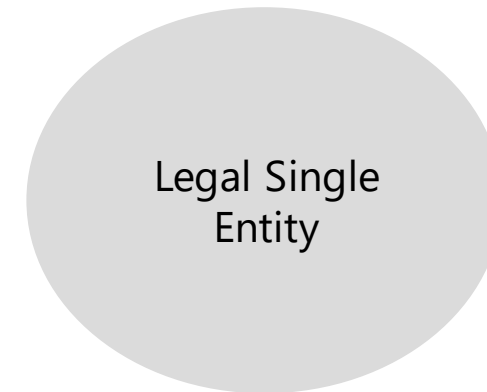
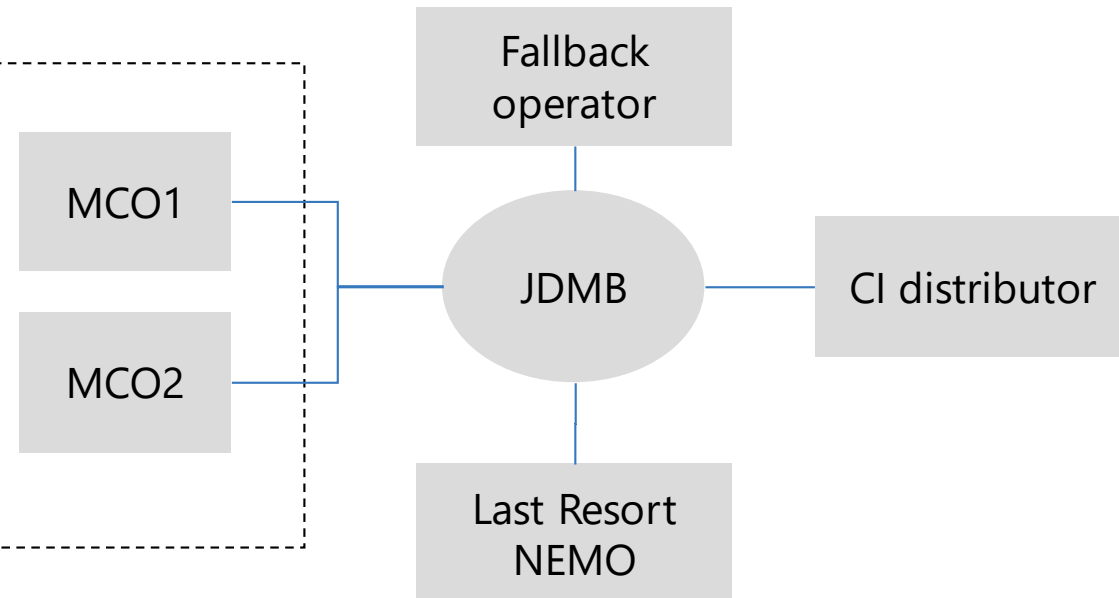
Some tasks are directly managed by the NEMO-TSO joint decision making body (JDMB) and some other tasks are assigned by the JDMB to other entities

Centralised approach

All tasks are managed by a single legal entity owned by all NEMOs and all TSOs

Network centric organisation

One-stop-shop organisation



Comparison between the two approaches

Features	Decentralized approach	Centralized approach
Joint NEMO-TSO proposals on TCM	Decisions based on qualified majority (55% of MSs and 65% of population, blocking minority 4 MSs, MS voting powers equally divided between NEMOs and TSOs)	
Other decisions	Qualified majority	As defined in the statute and rule of procedures
Unbundling	Accounting unbundling for JDMB Legal unbundling for MCO	Legal entity independent from NEMOs and TSOs interests
Assignment of tasks	MCO: rotational mechanism or tender Fallback operator, CI distributor, NEMO of last resort: defined in the MCO plan	All tasks are assigned to the LSE by the Regulation

TASKS	Decentralised approach	Centralised approach
<ul style="list-style-type: none"> Developing algos, systems & procedures Assessing impact of products and functionalities on performance 	<p>NEMO & TSO joint decision making body (JDMB)</p>	<p>Single legal entity</p>
<ul style="list-style-type: none"> Receiving inputs Operating coupling through algorithms Validating and publishing results Calculating scheduled exchanges Performing co-optimization Performing backup 	<p>Unbundled entities designated by the JDMB</p>	<p>Single legal entity</p>
<ul style="list-style-type: none"> Performing fallback Sharing congestion income Collecting congestion income Clearing and settlement between NEMO Trading hubs 	<p>Entity designated by the JDMB</p> <p>NEMOs</p>	<p>Single legal entity</p> <p>Single legal entity</p>
	<p>Development tasks</p>	<p>Operating tasks</p> <p>Post-coupling tasks</p>

TASKS	Decentralised approach	Centralised approach
<ul style="list-style-type: none"> Receiving & anonymising orders Sending orders to the MCO 	Individual NEMOs	Individual NEMOs
<ul style="list-style-type: none"> Validating results Accepting & rejecting orders Informing market participants on the results of their orders Clearing and settlement with market participants Providing commercial schedules to TSOs 	Individual NEMOs	Individual NEMOs
Last resort NEMO tasks	Entity designated by the JDMB	Single legal entity
Pre-coupling tasks		Post-coupling tasks

	Decentralised approach	Centralised approach
Methodology for eligible costs	To be submitted by all NEMOs and all TSOs to ACER	
Annual Cost Report	To be submitted by all NEMOs and all TSOs to NRAs/ACER	To be submitted by the LSE to NRAs/ACER
Approval of the Annual Cost Report	After 2 months from receipt, if no objections. Otherwise ACER decision	
Cost recovery	Through network tariffs, regulated NEMO fees and other appropriate mechanisms	Through MCO fees on NEMOs and TSOs, which in turn recover through network tariffs, regulated NEMO fees and other appropriate mechanisms
Cost sharing	Current formula	
Incentive schemes	YES	

Market coupling development & operation

10:40 – 11:00

Pavel SVOBODA, ACER /Julio QUINTELA CASAL, CRE

Title IV Market coupling

- CH 1 – Market coupling development
- CH 2 – Single day-ahead coupling
- CH 3 – Single intraday coupling
- CH 4 – Post coupling

Issues triggering the revision

Improvements
on Market
Coupling

Simplification &
Restructuring

Implementation
of CEP
provisions

Article

General provisions

Pricing of Cross-Zonal Capacity

Firmness of CZ Capacity

Algorithm Objectives

Reasoning for amendment

SIDC = Continuous Trading & IDAs

Consolidate DA + ID + IDAs

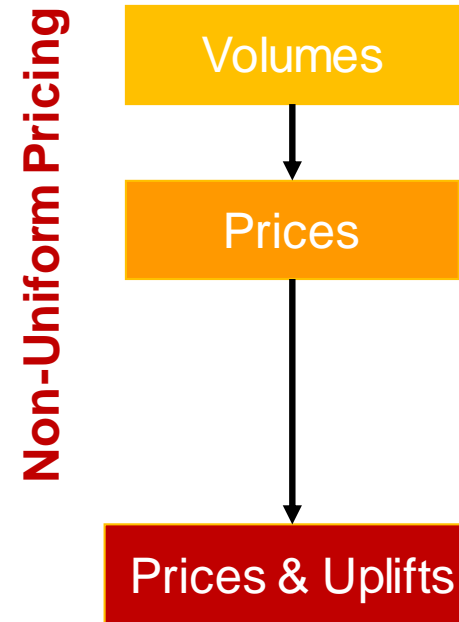
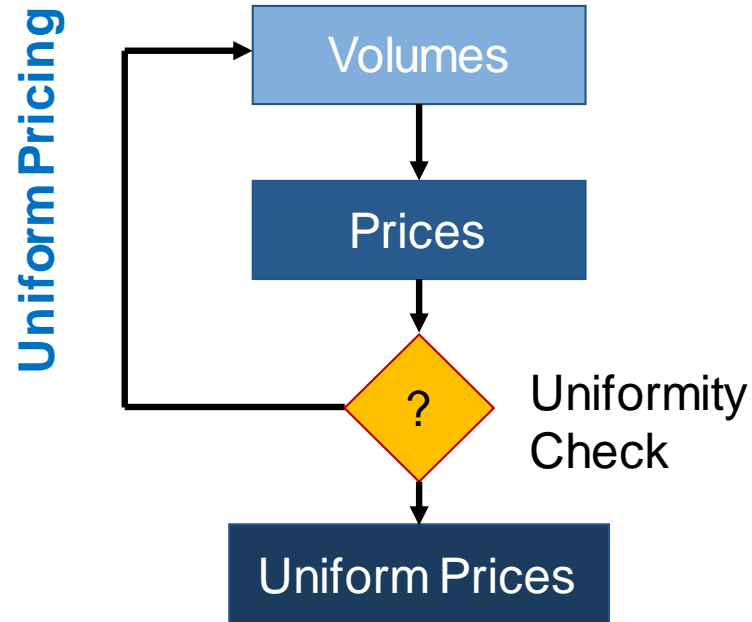
Consolidate DA + ID + IDAs

Consolidate DA + ID + IDAs

Define **scalability and repeatability**

Improve definition of **welfare maximization**

Opening to **non-uniform pricing approach**



- **Relaxing the constraint of Uniform Pricing could allow for a significant gain in performance** for the EUPHEMIA algorithm.
- The proposed amendment **opens the way for non-uniform pricing**, yet any implementation would be **made only after thorough study of the impacts on all stakeholders**.
- **Would stakeholders see any concerns about opening the way to non-uniform pricing?**

Article

Products accommodated

Harmonised technical price limits

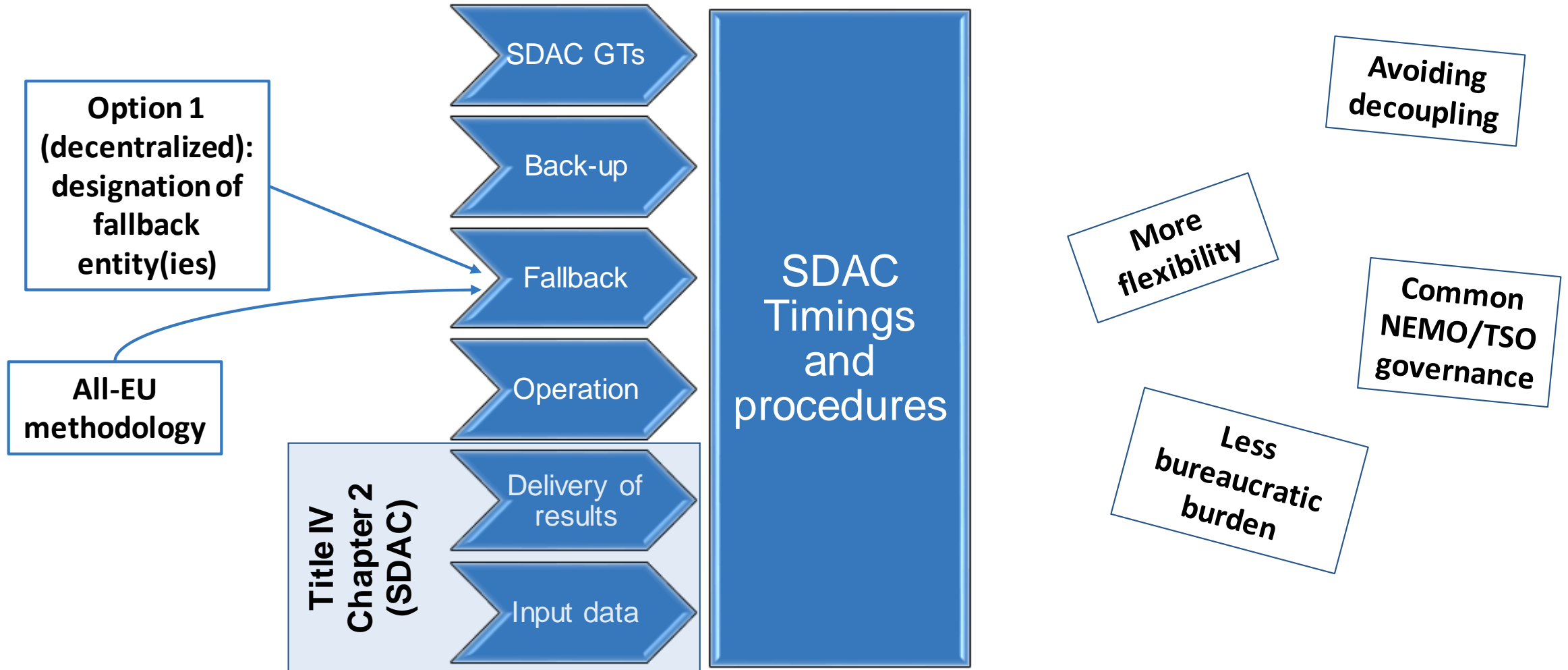
Algorithm methodology

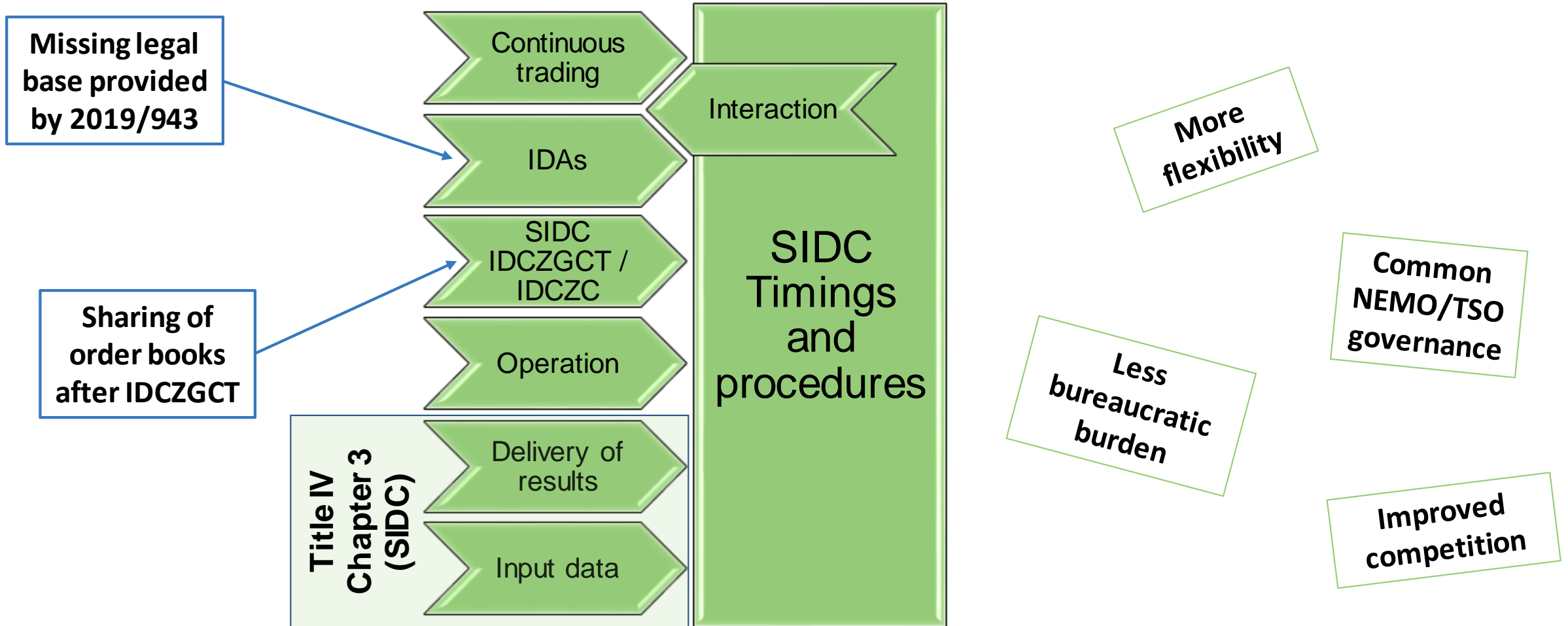
Reasoning for amendment

Consolidate DA+ ID + IDAs
Streamlining of MCO tasks v NEMO-only tasks
Alignment to 15m requirements as per the CEP

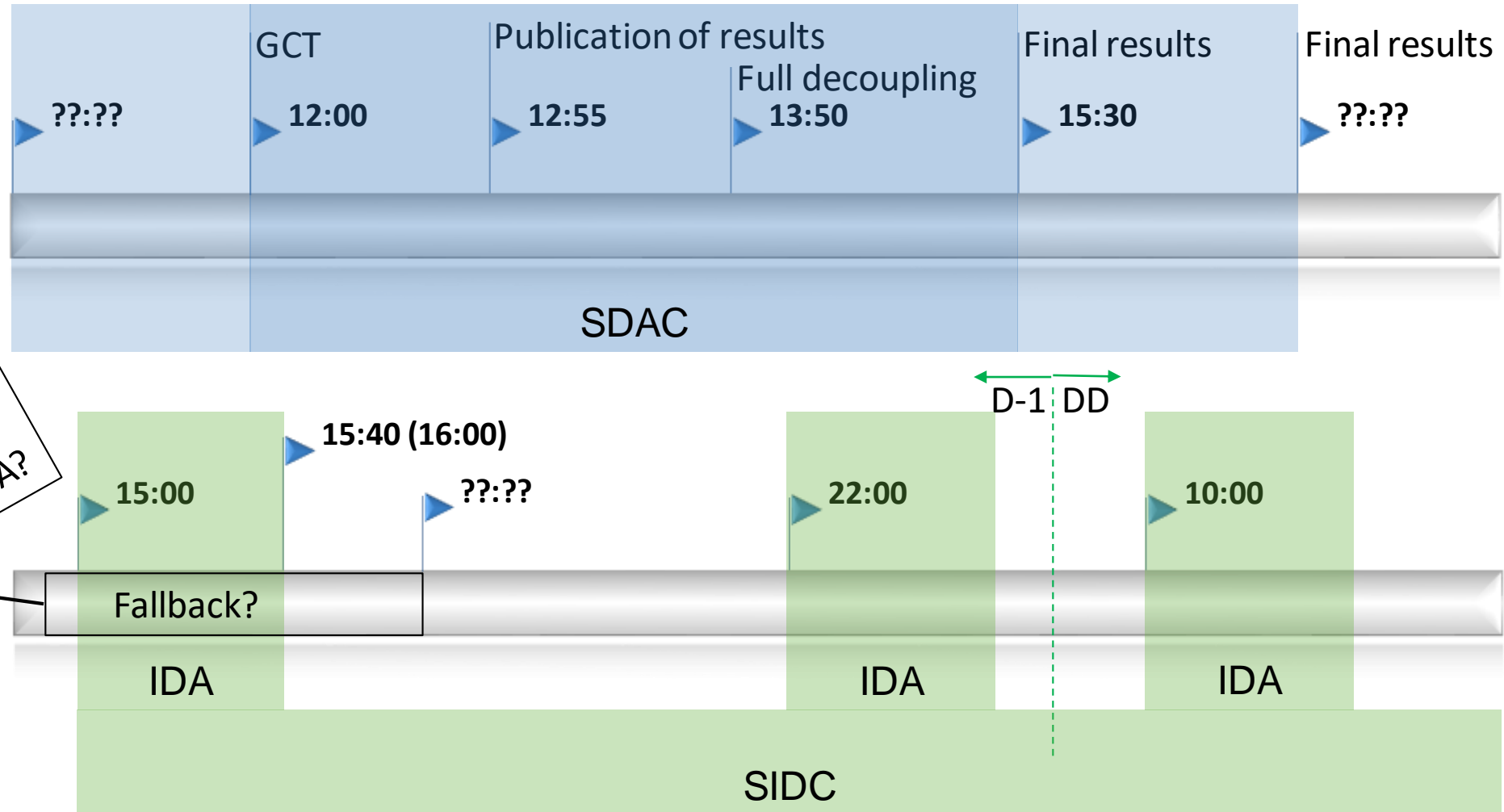
Consolidate DA+ ID + IDAs
No limits to bidding & clearing prices as per CEP

Streamlining governance of the Algorithm





Timings and procedures - flexibility



Improved procedures?
 Use of first IDA?
 Cancellation of first IDA?

Current status of the CACM Regulation

- Consequences of a financial default of a NEMO not envisaged
- Legal framework unclear and not consistent with the other regulations (EB, SOGL) for shipping and clearing and settlement
- Unclear tasks related to congestion income distribution (CID), which make it difficult to set and enforce responsibilities

Proposal

- Shipping agent removed
- Clearing and settlement and NEMO balance responsibility
 - Option 1 (decentralized): Tasks assigned to each NEMO to perform C&S and be BRP
 - Option 2 (centralized): Between NEMO trading hubs, the C&S and being BRP assigned to MCO
 - Inclusion of a new methodology for minimum requirements for clearing and settlement for counter parties to be proposed by all TSOs and all NEMOs
- Firmness of CZC in case of force majeure (no major changes)
- Congestion income distributor
 - Option 1 (decentralized): Designated by TSOs
 - Option 2 (centralized): Performed by MCO

Q&A

11:00 – 11:25



Provide your questions on the subject in the chatbox or raise your hand

We will group the questions and try to provide an answer or give you the floor to further explain your question if necessary.

Closing



If you have any further questions please send email to
ACER-ELE-2021-001@acer.europa.eu



Slide with planning after AEWG

- PC start on 15th of april till 10th of June
- 2 workshops in the week of the 11th of May (doodle to be shared to determine exact days)
- After 10th of June, processing of stakeholder responses, organise dedicated meetings with TSO and NEMO representatives



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