

**Verslag werkgroep
European Market Design
29/6/2015**

Present:

H. Robaye (EFET)
B. De Wispelaere (FEBEG)
J. Mortier (FEBEG)
M. Van Bossuyt (FEBELIEC)

R. Bourgeois (RBO), V. Illegems (VIL) - partially
I. Gerkens (IGE)
V. Saenz de Miera (VSA)
M. Verelst (MVE, President ad interim)

Excused:

P. Claes (FEBELIEC)
W. Gommeren (AGORIA)
S. Harlem (FEBEG)
B. Massin (FEBEG)
G. Meynckens (FEBELIEC)
N. Pierreux (BELPEX)
P. Fonck (ELIA)

MINUTES

Agenda

1. *Welcome & agenda*
2. *Approval of Minutes of last meeting 27/04/2015*
3. *Status update on European Harmonised Auction Rules - Viviane Illegems*
4. *CWE Flow Based : first results - Raphaël Bourgeois*
5. *Interconnection Belgium-Luxembourg – Thomas Oldenhove*
6. *Status update on NWE+ Intraday Project and Quick Wins/intermediates – Martine Verelst*
7. *AOB & Closing remarks*

1. Welcome & agenda

P. Fonck being excused, Martine Verelst assures the presidency of the meeting.
The agenda of the meeting is approved.

2. Approval of Minutes of last meeting 27/04/2015

The minutes of 27/04/2015 are approved, with one adaptation (addition of the FEBELIEC representative in the list of participants).

The language of the Minutes will be in English as from now, as decided during the meeting of 27/04/2015.

3. Status update on European Harmonised Auction Rules

VIL gives the status of the future « European Harmonised Auction Rules » (EU HAR), after the ENTSO-E consultation, on the text applicable to the long term auctions and the specific annexes applicable for a specific region or Bidding Zone border. The current stage is the ENTSO-E approval of the EU HAR (ENTSO-E's Market Committee approved the EU HAR on 30/6/2015) after which it will be submitted to the relevant NRAs (15/7/2015 for the Belgian Bidding Zone Borders). The EU HAR will be submitted for approval by the CREG together with the shadow allocation rules – explicit fallback auction for MRC (after a separate consultation organized by CASC.EU last May). The EU HAR that will be sent to NRAs for approval will be published on the ENTSO-E website (<https://www.entsoe.eu/major-projects/network-code-implementation/Harmonisation-of-Allocation-Rules/Pages/default.aspx>).

The new version of the EU HAR takes into account the numerous comments received during the public consultation, public workshop and input collected during meetings with EU HAR stakeholder advisory group. The TSOs have analysed every remarks and have either adapted the text or justified why no adaptation took place. Modifications were introduced regarding the allocation algorithm rules, the level of credit collateral and settlement, the curtailment reasons and compensation rules as well as some varia (see slides used during the presentation). The annexes related to the regional borders are adapted as well. VIL pointed out that annex 8 – specific for the Dutch Borders in the public consultation version will disappear in the long term, after an adaptation of the Dutch grid code.

The EU HAR is drafted in such way that it takes into account the various regulatory approval processes. It states that some elements of the rules can be changed without the approval of every NRA if it concerns only some Bidding Zone borders. Furthermore the Allocation Platform has the liberty to publish a consolidated version of these Allocation Rules including the annexes thereto as they enter into force in accordance with the applicable national regulatory regime.

VIL notes a product switch on the Belgian borders from PTRs with UIOSI towards FTR Options from delivery date 1/1/2016 on. Also all yearly auctions for all Belgian Borders will take place in December 2015 and no additional one will be organized for BE-NL border early

October 2015 (annex 8 in the EU HAR for public consultation – specifications for the Dutch Bidding Zone Borders). The elimination of this Bidding Border specific feature will, beside a step towards the European harmonization of the Allocation Rules, also answer several preoccupations: more time for the approval process of the new Allocation Rules for Long Term Transmission rights, possibility for market parties to have a consolidation of the yearly allocation of all Long Term Transmission Rights for the CWE Bidding Zone and the consolidation process at CWE level to assess the actual capacities available for the different CWE Bidding Zone borders is only completed just before the allocation of yearly capacity in December.

Annex 2 applicable for all CWE Bidding Zone borders, will contain the following adaptations due to the consultation process :

- Long Term Firmness Deadline (LTFD) in line with new flow-based market coupling processes
- harmonization of compensation for Emergency Situations and System Security

No discrimination between FTRs options/PTRs with UIOSI regarding the LTFD. In day-ahead, the gate of 8:30 AM is now compliant with FCA.

Finally VIL explained that only one remark was raised during the separate shadow allocation rules' consultation, but not relevant for CWE region or the shadow allocation rules (the input was regarding the nomination process on the FR-ES border). Each adaptation of the EU HAR due to the consultation process and also relevant for the shadow allocation rules was also used to adapt the shadow allocation rules in parallel to the EU HAR.

One representative of FEBEG asked the results of the consultation regarding the introduction of FTR options on the CWE bidding Zone borders. According to VIL, only 4 responses were collected. Based on this limited and partial feedback of only negatively impacted stakeholders no adaptation of the roadmap of the introduction of FTR Options in the CWE region was introduced, since no new arguments were raised by these limited respondents. VIL repeats that CWE NRAs indicated in their common decision regarding the introduction of FB in the CWE region that FTR options should be introduced for the Belgian borders. The CWE NRAs have not indicated a review of this position. Although some market parties indicate their worries regarding the introduction of FTR options, more and more bidding zone borders are considering a move into this direction (for instance DE-DK and IE-GB).

The question was raised during the meeting whether FTR options are financial instruments and whether it is not advisable to wait with the introduction of FTR options.

FTR options are considered by the financial regulation as the same instrument as PTR with UIOSI. The FTR options are also based on the available physical capacities but contrary to PTR with UIOSI eliminates the option to physically use these rights if the nomination requirements are fulfilled and as such improves the liquidity of the market in day-ahead.

At the moment PTR with UIOSI as well as FTR options are classified as financial instruments by MIFID II (= Directive on markets in financial instruments). MIFID II already foresees an exemption for TSOs and allocation platforms acting on their behalf as long as the activities are concentrated on the primary market. The technical advice of ESMA (the EU financial regulator), which is an important input for the delegated acts of the EC regarding this topic, classified all types of Long Term Transmission Rights (PTR with UIOSI as well as FTR Options

and FTR Obligations) as financial instruments as such these should be compliant with different EU financial regulation such as MIFID II, EMIR, MIFIR, MAD, etc.

However ENTSO-E has taken action to view the EC regarding this topic to express the need to have all Long Term Transmission Rights exempted as financial instrument in the delegated act of the EC. The EC have indicated they would integrate this exemption in the final delegated acts however this will only be confirmed when the delegated act of the EC are finalized (indicative deadline : Q3 2015). These delegated acts need to be approved by the European Parliament and Council 3 months after submission by the EC (extendable with 3 months). So this issue will be clarified in the worst case in March 2016.

Remark after the meeting – the exemption will be introduced in the delegated act - Article 8: Derivatives under Section C(10) of Annex I to Directive 2014/65/EU (Article 4(1)(2) of Directive 2014/65/EU).

The FTR options allocated on the Bidding Zone border Portugal – Spain falls today under the financial regulation not due to the nature of the product but because the allocation is organised by a power exchange. As such the exemption will not be applicable for this Bidding Zone border. Since the allocation of Long Term transmission Rights for the CWE region are not organised by a power exchange but a specific allocation platform acting on behalf of the TSOs the exemption will be applicable for the Belgian borders.

4. CWE Flow–Based market Coupling: First Operational results

RBO gives the first operational results and prices after the launch of the CWE FB capacity calculation and allocation on 20 May 2015. There is clearly an increase of the price convergence. Partial convergence between the hubs is also observed when there is no full convergence. The reasons are the use of the intuitive patch and the constraints added on top of the grid constraints (external constraints), explained in the approval package. Regarding the net position on BE hub, we see more import possibilities (in comparison with the ATC methodology) and a BE-NL price spread positive for Belgium market. Regarding the net positions of the hubs (to be found in the Belpex report and on Entso-e website) the two small hubs are clearly importing from the two others. The maximum BE import (4500MW, about 42% of the total load) appears on 22/6 for one hour, more than what would have been possible with ATC calculations. The price was not high, but no conclusion can be drawn based on this short period of time. On that day, strong coordination efforts were necessary to ensure grid security.

A representative of EFET asks when the intuitive patch is activated. According to RBO, it is possible to know when it is activated when comparing with “FB plain” results, but it is not analysed on a daily base. It will be included in the ex-post monitoring.

The members of the WG EDM realise that, as foreseen, prices are far more volatile than in the past and it is more and more difficult to anticipate them. EFET asks how to have more data and information available for performing market analyses and forward calculations. Project Partners would be interested to know precisely what the stakeholders need as

typical data and information required. It could already be communicated on 30/6 during the CWE Consultative Group.

The representative of FEBELIEC highlights the fact that capacities in day-ahead should not be reserved for intraday. Elia precises that on scarcity situations, it is less a question of welfare than of security and of limiting the risk of load shedding. But TSOs are working on solutions for intraday Capacity Calculations.

5. Interconnection Belgium-Luxembourg

TOL presents a project launched between Elia and Creos to develop the first direct interconnector between the Belgian and German bidding zones and strengthen the Luxembourgian grid. The commissioning of the infrastructure regarding the interconnector is currently scheduled for end 2015, for capacity of 400 MVA. This phase of the project does not represent major infrastructure for Elia grid. Regarding grid situations, the project will have several phases between end 2015 and end 2017 to upgrade the Creos grid and create a full interconnection. The enduring solution is still under investigation.

Answering to a question of a representative of FEBEG, Elia precises the Elia grid will not be impacted and the flows coming from Germany through this interconnection are acceptable. The representative of EFET wants to know the status of the power unit Twinerg: during phase 1, it stays in the Belgian market but, at the end of phase 3, it will switch into the Creos zone and not be allowed to participate to the Belgian strategic reserve mechanism.

The new BE-LU interconnection will be integrated in the CWE FB allocation methodology. The common grid model will always take into account the full grid during each phase of the project, ensuring correct grid calculation. Simulations are currently done and first results show that the new interconnection has neutral impact on the day-ahead market welfare, when using the PST, mainly due to the congestions in Creos grid. Extra simulations were asked by the NRAs.

NRA approval package will be delivered by TSOs after the summer and a market consultation is foreseen mid-September. Go live date is still to be determined but probably early 2016.

6. Status update on NWE+ Intraday Project and Quick Wins/intermediates

MVE gives the status update of the XBID NWE+ project. All power exchanges have signed the Development contract with the service provider, who already started the development beginning of April.

In parallel to the 'Local Implementation Projects' (LIPs) for BE-NL and BE-FR borders, the parties have agreed to work on quick wins and intermediates on the Belgian borders, which should be implemented between now and the launch of the XBID project (currently foreseen by mid-2017). The different steps, which still need to be approved by the concerned NRAs, are explained. The first step will take place in September with the switch in trading solution on Belgian and Dutch hubs : Elbas will be replaced by 'Eurolight' (trading solution already

used by APX/Belpex members for day-ahead trading and for intraday trading in UK). The implicit allocation functionality will be implemented for the BE-NL border.

More information will be given during next meeting of the Belpex Users' Group (on July 22nd). However the method of allocating the capacity on the BE-NL border will not change. Possible further intermediates are under investigation and communication is foreseen after summer 2015. There is an agreement between the TSOs to implement 24 gates but the exact planning to launch them is still being discussed with the service provider and the concerned TSOs. On the BE-NL border, the Eurolight trading solution is able to treat 24 gates, however the neutralisation time should remain 1,5h (until the migration to the ComXerv trading platform of EPEXSPOT). Anyhow the implementation of 24 gates on the BE-NL border can only be foreseen at the earliest in Q1/2016. The members of the EMD WG raise that market parties would have appreciated a launch of 24 gates already before the winter of 2015-2016. Therefore they request the implementation of 24 gates as soon as possible. The fact that the neutralisation time would remain 1,5 hour in such case is of less importance for them.

Elia announces that CREG can accept an explicit FCFS principle as intermediate step on FR-BE border if there is clear engagement for the implementation of an implicit allocation afterwards. The explicit allocation can then be used as a fallback solution in case the implicit allocation is out of service. The representative of EFET explains the message given by EFET during the Florence Forum : EFET supports the target model and they only request the parallel existence of implicit and explicit allocation until a viable integrated continuous intraday trading solution is in place. For such a viable solution they propose the rollout of the EPEX Spot and DBS system in the full CWE region.

7. AOB

Nihil