



Recent development on CACM GL implementation: November 2017- February 2018

Vienna, 43° ECRB EWG meeting

February 27, 2018



Outline

Approved methodologies

- **Congestion income distribution methodology (Art. 73)**
- **Products (Art. 40 & 53)**
- **Back-up procedures Methodology (Art. 36.3)**

Methodologies to be approved

- **Intra Day Cross Zonal Gate Time (Art. 59.1)**
- **Algorithm Methodology (Art. 37.5)**
- **Intraday Cross Zonal Capacity Pricing (Art. 55.3)**
- **Scheduled Exchanges Methodology (Art. 43.1 & 56.1)**

Other approval processes

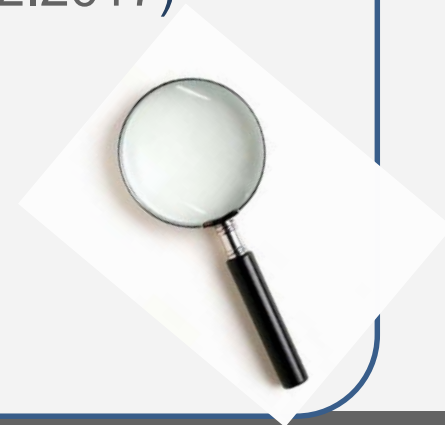
- **Report on Costs (Art. 80)**
- **Capacity Calculation Methodology (Art. 20)**

Possible impacts on CPs



Approved methodologies: 9 out of 13

1. Capacity Calculation Region Configuration (ACER decision on 17.11.2016)
2. MCO plan re-amended (NRAs approval 26.06.2016)
3. Generation and load data provision (NRAs approval 11.01.2017)
4. Common Grid Model amended (NRAs approval 14.06.2017)
5. Day Ahead Firmness Deadline (NRAs approval 14.06.2017)
6. Maximum and minimum prices (ACER decision 14.08.2017)
7. Congestion Income Distribution (ACER decision 20.12.2017)
8. Back-up (NRAs approval 1.02.2018)
9. Products (NRAs approval 1.02.2018)
10. Amendment to CCR (NRAs approval 14.02.2018)





Price limits (ACER)

Background:

All NEMOs submitted the proposal on 14th February 2017.

In August NRAs agreed on referring to ACER

ACER draft decision

DA maximum price = 3000 €/MWh with automatic adjustment mechanism (if $p \geq 60\%$ of the limit, then the limit increase by 1000 €/MWh and so on, with no possibility to go back)

DA minimum price = -500 €/MWh (NO automatic adjustment mechanism)

ID maximum and minimum price = +9999 and - 9999 €/MWh with automatic alignment to DA maximum price



Congestion Income Distribution Methodology (ACER decision)

CI attributed to each bidding zone border = | commercial flow x market spread |

Commercial flow = allocated capacity (NTC) or **additional aggregated flow** (FB)

Additional aggregated flow = bidding zone net positions x PTDF matrix

Market spread = price differential between bidding zones

CI attributed to each interconnector on a bidding zone border = bidding zone border CI x interconnector sharing key (based on contribution to allocated capacity or exemption decision)

CI attributed to each TSO = 50% bidding zone border CI (or interconnector CI)
(as an alternative: ownership shares or investment costs shares)



Back-up procedures methodology (All NRAs approval of amended proposal)

The amended proposal is in line with the request for amendment.

In particular:

- The timescale for implementation is justified.
- All the expressions used in the proposal are now properly defined and the provisions are clearly enforceable.
- In case of incident, only the NEMO Trading Hub affected by the incident is closed in order to prevent the impact on other NEMO Trading Hubs.
- More flexibility in back-up communication for ID market has been introduced.
- Responsibilities for analyzing the arising issues and for deciding to activate the corresponding back-up procedure are clearly assigned.
- NEMOs have taken the obligation to execute national and regional coupling in case of partial decoupling, in accordance with regional and local procedures developed by TSOs within the fallback methodologies.



DA products

(All NRAs approval of amended proposal)

The amended proposal is in line with the request for amendment.

Orders supported by the DA algorithm are:

- Aggregated MTUs orders (lineal piecewise curves, stepwise curves, hybrid curves)
- Complex orders (Minimum Income Condition, Maximum Payment, load gradient)
- Block orders (sales, purchase, link, exclusive groups, flexible MTU)
- Merit orders and PUN orders



ID products

(All NRAs approval of amended proposal)

The amended proposal is in line with the request for amendment.

Orders supported by the ID algorithm are:

- Hourly
- Half-hourly
- Quarter-hourly
- User defined blocks (combinations of hourly, half-hourly, quarter-hourly)
- Execution restrictions (NON, Fill or Kill, Immediate or Cancel, All or Nothing, Good for session, Good till date)



Methodologies to be approved

1. Intra Day Cross Zonal Gate Time (ACER decision by 29.04.2018)
2. Algorithm (ACER decision by 1.08.2018)
3. Cross Zonal Intra Day Capacity Pricing (NRAs approval by 14.08.2018 – 6 months extend deadline)
4. Scheduled exchange (TSOs submission expected by 28.02.2018)



Intra Day Cross Zonal Gate Time (ACER decision)

On 29 October 2017 all NRAs agreed on referring to ACER the proposal, asking for the following amendments:

- Propose a IDCZGOT per CCR by setting a IDCZGOT at the earliest possible time in each CCR or justify duly in case a later IDCZGOT was set
- Set a future harmonised default IDCZGOT at the earliest IDCZGOT at CCR level as defined in the amended proposal, taking into account scheduling and balancing processes in relation to network and operational security
- Duly justify the proposed IDCZGOT per CCR against the proposed future default IDCZGOT in cases where the proposed IDCZGOT in a CCR is later than the future default IDCZGOT
- Set, within the proposal, a IDCZGCT per BZB at most one hour before the start of the relevant MTU. The IDCZGCT per BZB should be set taking into account the requirements of article 59(2) and 59(3) of Regulation 2015/1222 and therefore should be set closer than one hour to the start of the relevant MTU where appropriate

Algorithm Methodology (ACER decision)

On 1st February 2018 all NRAs agreed on referring to ACER the proposal, asking, among others, for the following amendments:

- Improvement of the quality of the text of the proposal (definitions, reference to other proposals, reference to CACM articles...)
- Introduction of geographical scalability (extension to all bidding zones)
- Clarification on the following topics:

How to ensure non-discrimination when some combinations of products in single bidding zone are not guaranteed or allowed

How to ensure non-discrimination when a “reasonable usage” of products is requested

How to calculate scheduled exchanges

- Description of metrics and thresholds to monitor the performance
- Specification of cost categories (common, regional, national) affected by each request for change



Intra Day Cross Zonal Capacity Pricing (All NRAs decision – extended deadline)

On 11 April 2017, all TSOs publically consulted the draft proposal.

On 14 August 2017 TSOs submitted the proposal

NRAs are still in the process of deciding whether accepting the proposal or requesting an amendment.

TSOs proposal

Hybrid model: combine the continuous trading with 1 implicit auctions to price capacity.

ID auction at 22:00 in D-1 for all 24 hours

All the capacity not allocated via the auctions will be traded afterwards via XBID

No automatic transfer of bids of market participants from the auctions to continuous trading is foreseen

No back-up and fallback of the auctions is envisaged: if the auction is not performed, then all the capacity is allocated via the continuous trading

Algorithm and products not explained.



Scheduled Exchanges Methodology

(All NRAs decision – not yet submitted by TSOs)

TSOs submitted a draft proposal, NRAs sent a shadow opinion. Informal feedback from TSOs on the SO:

The TSOs will not include the calculation of scheduled exchanges at NEMO trading hub level even though it was expressly requested by NRAs

TSOs will not provide a proper calculation of cost coefficients in the formula, as the cost coefficients are now determined by expertise by a task force within PCR.

The TSOs will submit the methodologies end of February 2018. It is unlikely that the proposal will be approved



Report on Costs (Art. 80)

Background:

NEMOs requested NRAs to give them guidance on how to implement art. 80 CACM GL concerning determination and sharing of common costs.

On 16 May 2017 the ERF chair, on behalf of all NRAs, sent a letter to all NEMOs providing a high level guidance.

In September 2017 NEMOs presented a Mock Report to check the assumptions with NRAs. NRAs agreed on using electricity consumption instead of traded volume for ID sharing key determination till continuous trading will not go live on all bidding zone borders.

NRAs agreed on sharing ID operational common costs only among MS where ID continuous trading is operational.

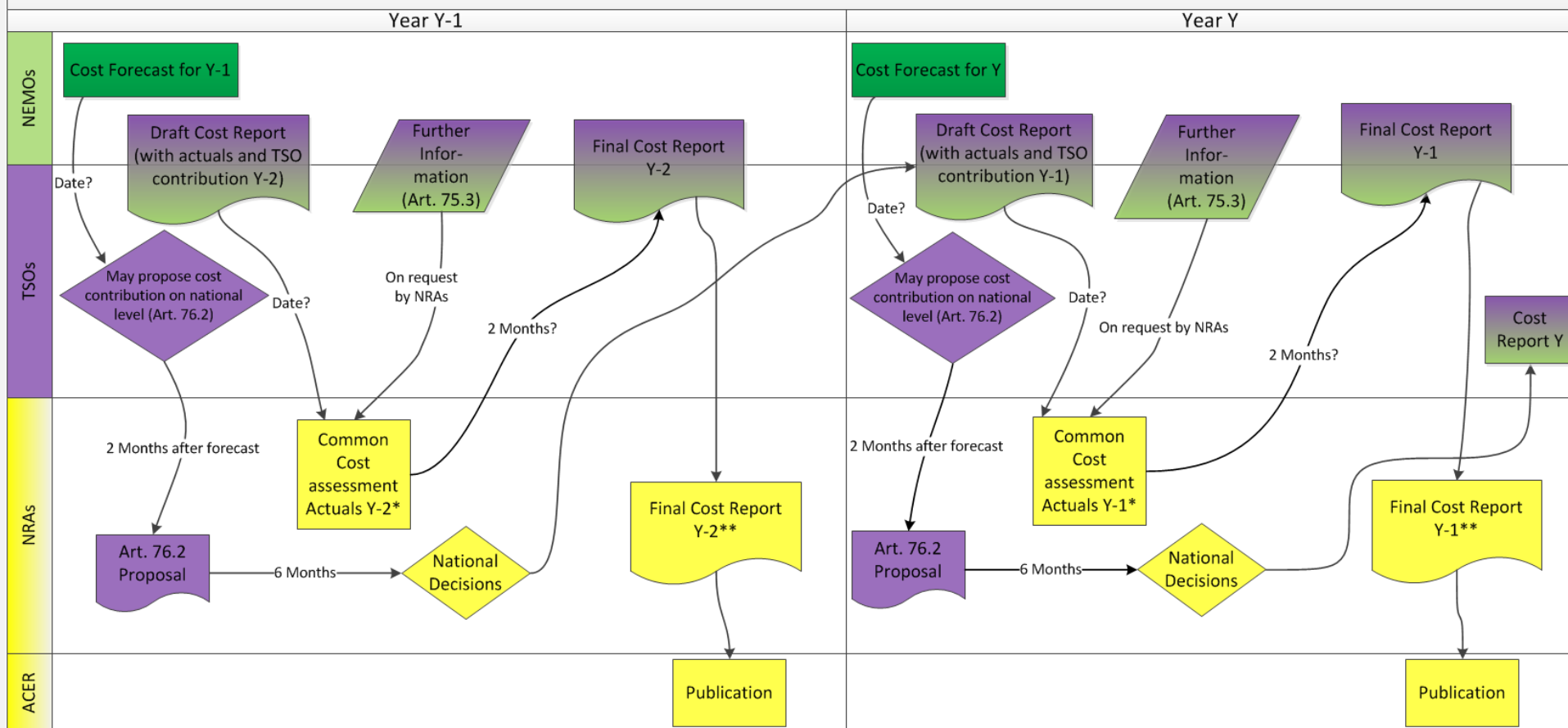
Next steps:

NEMOs and TSOs have to submit to NRAs a draft Cost Report for actual costs borne since 14.02.2017 to 31.12.2017 and forecasted costs for 2018.

The final Cost Report is expected by the end of this year.



Art. 80 CACM GL Cost Report Timeline



*Including correction of TSO contribution from forecast to actuals where applicable
 ** to be discussed what the nature of this step is; do the NRAs change something or just forwarding the report to ACER

Depending on national decision there might be one TSO proposal applying for more than one year



Capacity Calculation Methodology (Art.20)

(Regional process)

TSOs from each CCR submitted regional proposals of CCM in August/September 2017

ARAWG requested CACM TF to carry out a comparative analysis of different proposals

Two different approaches: FB (CORE and Nordic) and CNTC (all the others)

Some CCRs are still missing (Italy North)

A workshop on CCM among TSOs and NRAs took place in Brussels on 9th February.

With respect to many CCRs, request for amendment is expected



Possible impacts on CPs

The implementation phase of CACM is coming to an end (4 approval processes still pending)

Will the already approved terms and conditions or methodologies be transposed in the legal framework of EnC contracting parties along with CACM Regulation transposition?

If YES, are CPs' TSOs and PXs able to fulfill all requirements?

If NO, would different terms and conditions or methodologies apply in CPs legal framework?



CACM implementation meetings

	March	April	May	June	July	August	September	October	November	December	
CACM TF	27-28			16	20		29	20		7	18
ARA WG			10	22	28		5 & 27		23	20	
ERF	13-14		2-3			17-18	28-29	16-17	13-14		
MESC		6				8		4			5
NEMO CG		3-6(?)				21		6	24		19
CACM CG				30				14			11