DRY-RUN Coordinated Auction in South East Europe Project

Energy Community Secretariat
www.energy-community.org

Presentation for the 6th PHLG Meeting 17th October 2007, Vienna
• Currently, no flow-based capacity allocation scheme in Europe

• Testing the concept of a load-flow based coordinated capacity allocation system in the SEE area (supra-national approach)

• Commercial transactions converted into physical flows

• Optimisation of energy bids and related cross-border capacity by a central entity (“Auction Office”)

• 8 participating TSOs:
  ATSO (Albania), NOS BiH (Bosnia-Herzegovina), NEK (Bulgaria),
  HTSO (Greece), MEPSO (FYR of Macedonia),
  TRANSELECTRICA (Romania), EPCG (Montenegro), EMS (Serbia)

• The project has been developed in two phases
FIRST PHASE OF THE DRY-RUN

• Development of the simulation software DrCAT by Verbund APG (www.drcat.at)

• Involvement of 8 SEE TSOs as Coordinated Auction participating parties

• 8 TSOs and Turkish TSO (TEIAS) simulating Coordinated Auction Office work on monthly rotation basis

• Neighbouring TSOs (UA, HU, HR, SI, AT) modelled for load-flow purposes

• Auction simulation: monthly auction + one daily auction per month

• Consultants: Consetec (Germany) and Austrian Power Clearing and Settlement (APCS) financed by KfW
FIRST PHASE OF THE DRY-RUN

Participating Parties

Trade (TSOs)

Explicit Bids for Capacity

Settled Capacity

‘Settlement’

Participating TSOs in Dry-Run

TSOs

Max. Cross Border Capacities

Load Flow (PTDF-Matrix)

Auction Office

No legal entity, each month another TSO performed the “role” of the coordinated Auction Office!

8 SEE-TSOs and Turkey have performed that Dry-run in 2006.

(www.DrCAT.at)
SECOND PHASE OF THE DRY-RUN

• Basis: Contract concluded between VERBUND Austrian Power Grid and Energy Community on 3 July 2007 for the of amount EUR 263.500 for Services needed for improvement and extension of the coordinated auction office tool for South East Europe region for enabling the Dry-Run and participation of Traders

• Change the structure to include traders to bid for physical transmission rights
  – Rounds 1-7 finalized, round 8 in progress
  – Around 40 traders participated, however with decreased interest observed

• Develop of the software to include additional functions (Risk management, Billing, Secondary Trading and Scheduling)

➔ On 18 September 2007, Croatian TSO (HEP) announced the joining of the Dry-run simulations with two borders (towards Serbia and Bosnia and Herzegovina)!
SECOND PHASE OF THE DRY-RUN

Regulators

SETSO

EFET

Trader

TSOs

PTDF-calculation

BC-coordination

Auctioning

Risk-Management

Billing

Secondary Trading

Scheduling

“NACMPF SG“

Clearing

Not necessary for the Dry-run, but precondition for “real” run!
## MILESTONES AND STATUS AS OF OCT. 2007

<table>
<thead>
<tr>
<th>Milestone no.</th>
<th>Milestone name</th>
<th>Work package involved</th>
<th>Expected date</th>
<th>Achievement*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adaptation of Dry-Run software for inclusion of traders</td>
<td>WP1</td>
<td>Nov 07</td>
<td>95%</td>
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<tr>
<td>2</td>
<td>Development of combined border concept</td>
<td>WP2</td>
<td>Aug 07</td>
<td>100%</td>
</tr>
<tr>
<td>3</td>
<td>Development of automatic email communication with traders</td>
<td>WP3</td>
<td>Nov 07</td>
<td>100%</td>
</tr>
<tr>
<td>4</td>
<td>Development of partial netting possibilities</td>
<td>WP4</td>
<td>Nov 07</td>
<td>50%</td>
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<tr>
<td>5</td>
<td>Development of interfaces with capacity-coordination and PTDF-calculation tool</td>
<td>WP5</td>
<td>Nov 07</td>
<td>80%</td>
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<tr>
<td>6</td>
<td>Implementation of different bid types</td>
<td>WP6</td>
<td>Sep 07</td>
<td>95%</td>
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<tr>
<td>7</td>
<td>Implementation of different products</td>
<td>WP7</td>
<td>Sep 07</td>
<td>100%</td>
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<tr>
<td>8</td>
<td>Design of concepts for secondary market, risk management and billing</td>
<td>WP8</td>
<td>Nov 07</td>
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<tr>
<td>9</td>
<td>Investigation of curtailment options</td>
<td>WP9</td>
<td>Nov 07</td>
<td>50%</td>
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<tr>
<td>10</td>
<td>Documentation</td>
<td>WP10</td>
<td>Nov 07</td>
<td>10%</td>
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<tr>
<td>11</td>
<td>Optimizing processes and systems</td>
<td>WP11</td>
<td>Nov 07</td>
<td>80%</td>
</tr>
</tbody>
</table>

**Legend:**

- 100% achievement
- > 80% achievement
- < 80% achievement
1. Inception Report draft – submitted for comments in July 2007
   - Analysis of state of play
   - Open issues for the second phase
   - Methodological aspects

2. Interim Report – expected by end of October 2007
   - Progress in reference with the additional functions for Dry-Run auction tool
   - Update of project plan and time schedule
   - Problems within the implementation and testing phase
   - Proposal for potential solutions to overcome these problems

   - Description of the progress results
   - Description of additional functions
   - Feed-back by involved parties and consultants
   - Outlook on the implementation of Coordinated Auction System
OPEN ISSUES AND NEXT STEPS

• Need to restore trader’s interest to get proper results (e.g. of revenue distribution)
  - Performing full scale of auction simulations - daily auctions
  - Auctioning software upgrades under development (DrCAT)
  - Calculating software for PTDF/BC
  - Setting more concrete project timetable

• Full involvement and commitment of the stakeholders of the process is expected
  - Regulatory Authorities
  - Implementation Group for SEE Coordinated Auction Office
  - TSOs
  - Traders

• Daily capacity calculation tool for the so called $F_{max}$ approach is missing

• SETSO TF agreed that the Serbian entity (EKC) will develop such a test tool

• SETSO NACMPF SG is already in discussion with Donors to finance this development
  (principle commitment of USAID)
THANK YOU FOR YOUR ATTENTION!

ENERGY COMMUNITY

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