Implementing the Memoranda of Understanding on market coupling and balancing – progress made | outlook

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21st Energy Community Electricity Forum

1st/2nd June 2016
Memorandum of understanding

of Western Balkan 6 on regional electricity market development and establishing a framework for other future collaboration

- **Annex1: Day-ahead Market Integration**
  - to lead to the coupling of national organised day-ahead markets with at least one neighbouring WB6 or EU country by **July 2018** and the finalisation of the project implementation agreements between the TSOs, NRAs and PXs until **November 2016**.

- **Annex2: Cross-border Balancing Cooperation**
  - design and implementation of a cross-border balancing cooperation between six countries of the so called WB6 with **31 December 2018** as a target date
Implementing WB6 MoU – Cooperation Environment

National actions

Identification and removal of internal obstacles: legal, regulatory, technical

Challenges:
1. Only one functional PX in WB6 at the moment
2. Not all national balancing mechanisms are market based yet ...

Regional actions

Establisment of strategy execution framework

Intermediate milestones

Final achievements

External stakeholders

Neighbouring EU Member states TSOs, PXs, Regulators.

EC, EnCS, ENTSO-E

WB6 Regulators
WB6 Ministries
WB6 TSOs
WB6 PXs

Jul 2016
Nov 2016
Dec 2016
Jul 2018
Dec 2018
Characteristics of WB6 MoU initiatives: regional cooperation, complex objectives, wide stakeholder community, voluntary approach

Programme management is the only approach

Programme Management:

- process of managing several related projects
- management of large (complex and interdependent) set of projects, where the integration aspect of project management is more important than managing single project
- Programs deliver benefits and projects deliver results
- “Program management is doing the right projects, whereas project management is doing the projects right”
Implementing WB6 MoU – Programme/Project Management

WB6 MoU Programme/Project Management:

- Programme ↔ WB6 MoU Annex ↔ Initiative
- top – down Programme objectives
- voluntary bottom – up Project execution
- at least two or more companies initiate Project under the Programme
Implementing WB6 MoU – Day-ahead Market Integration, Current state

New power exchanges

4MMC

MRC (PCR)

Non coupled

WB6
Implementing WB6 MoU – Day-ahead Market Integration, Programme Road Map

**Preparatory phase**
- Programme Initiation
- Programme and Project Plans development
- Programme Agreement drafting and signing

**Decision phase**
- PX Benchmark Regional/EU
- Gap analysis (technical/legal/regulatory)
- Feasibility study

**Implementation phase**
- Stakeholder consultations
- Market/Clearing design
- Legal&Regulatory framework
- Tendering service provision

**Establishment of new WB6 PX**
- Market/Clearing solution
- Organisational aspects
- Trading/Clearing system
- Training
- Testing

**Go-live**

**2016**
- Preparatory phase
- Decision phase
- Implementation phase

**2017**
- Establishment of new WB6 PX

**Joining an existing PX**
- Preparatory phase (shorter)
- Implementation phase
- Go-live

**SEEPEX - 4MMC (MRC?) Day-ahead Market Coupling Project**
Implementing WB6 MoU – Day-ahead Market Integration, PXs/NEMOs Establishment Work packages

Technical solution
- System design
- Specification
- Development, Config.
- Testing

Clearing
- CCP - Central Counterparty role
- Currency
- Clearing Members

Legal & Regulatory
- Market Rules
- Contracts
- License

Market Participant Readiness
- On-boarding
- Testing

Organizational aspects
- New PX establishment
- Existing PX reorganization

European Transparency and REMIT*

NEMO Designation*

Business Modelling and Pricing
- Liquidity, products
- List of prices
Implementing WB6 MoU – Day-ahead Market Integration, Programme Road Map

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<th>Jan</th>
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**Regional (Common) Tasks**

- **Prepare MCO Plan**
- **NRAs approval**
- **MCO Plan Implementation (max 12 months)**
- **MCO Go-live**

**Bilateral (Multilateral) Tasks**

- **Prepare adoption of DA Trading/Clearing Methodologies**
  - Algorithm
  - Products
  - Backup procedures
  - Max/Min prices
- **Stakeholder Consultation**
- **NRAs approval**
- **DA Market Coupling Implementation**
- **MCO Go-live**

Need to take into account i) work and solutions adopted in EU; ii) compatibility of MCO Plan with the EU one, adopted by “all EU NEMOs”.

PXs/NEMOs Established
Implementing WB6 MoU – Day-ahead Market Integration, Market Coupling Work packages

Technical solution
• System design, specs
• Development, config
• Testing

Clearing
• Shipping
• Dual Currency
• Clearing Members

Market Participant Readiness
• On-boarding
• Testing

Coupling
• European
• Regional

Legal & Regulation
• Market Rules
• Contracts
• License

CACM Implementation*
• MCO Plan
• CACM Obligations

European Transparency and REMIT*
Implementing WB6 MoU – Status

- MoU signature
- DAM Call for nominations
- CBB Call for nominations
- DAM & CBB Program Launching

Jul 2016 | Nov 2016 | Dec 2016 | Jul 2018 | Dec 2018
---|---|---|---|---
Establishment of strategy execution framework
Intermediate milestones
Final achievements