

SEE CAO Auction Rules

Revised version 1.1

– Common Position of the Energy Community Regulatory Board –

I. BACKGROUND

Common Auction Rules for allocation of available transfer capacities applicable are the backbone for the operational start of capacity allocations executed by the for the Coordinated Auction Office for South East Europe (SEE CAO)¹. Having in mind that the concept of a regional project should require harmonised regulatory treatment across borders, the Energy Community Regulatory Board (ECRB) at its 11th meeting on 9 July 2009 related to regulatory approval of SEE CAO related documents decided that

- as long as an NTC approach is pursued, the ECRB will issue non-binding recommendations on SEE CAO related documents, even if not all TSOs participate in the SEE CAO in a first step;
- NRAs shall maintain the right to formally approve the SEE CAO related documents on national level but shall take the ECRB recommendation into utmost account. If the national decision should deviate from the ECRB recommendation the ECRB, members shall justify the modification to the ECRB.

The ECRB has issued a common position on the first version of the SEE CAO Auction Rules (version 1.0) in December 2013. The SEE CAO Company submitted a revised version (version 1.1) in August 2014. The adjustments made are due to harmonisation with the auction processes in the Region and the implementation of the auction platform². Also, the stepping out of MEPSO of the project required according update of the list participating TSOs³ and borders.

The ECRB reviewed the adjusted version 1.1 of the SEE Auction rules, in particular analysing the incorporation of the ECRB position of December 2013 and paying due attention to the compliance of the Auction Rules with the Energy Community *acquis communautaire*⁴ and their consistency with the European and Energy Community Electricity Target Model⁵, as well as with the (draft) Network Code for Capacity Allocation and Congestion Management (CACM NC) and the (draft) Network Code for Forward Capacity Allocation (FCA NC).

¹ www.seecao.com.

² Harmonization with the Auction Platform was needed since the Auction Rules v 1.0 were finalised prior to the Auction Platform integration - tender for the Auction Platform was published in May 2013, the implementation of the Auction Platform started at the very end of November 2013 and was completed in June 2014.

³ These are the TSOs of Albania, Bosnia and Herzegovina, Croatia, Greece, Kosovo*, Montenegro and Turkey.

⁴ In particular, Regulations (EC) 1228/2003 and (EC) 714/2009.

⁵ The Regional Action Plan for Wholesale Market Opening in SEE defines an Electricity Target Model for the Energy Community that is (with slightly deviating implementation deadlines) streamlined with the European Electricity Target Model and legislative developments.

II. COMMON POSITION OF THE ENERGY COMMUNITY REGULATORY BOARD

The ECRB welcomes the SEE CAO Auction Rules as important step for further regional integration and harmonisation of cross border trade in electricity. With reference to the procedures agreed by the 11th ECRB, **the ECRB recommends national regulators** whose TSOs are involved in the SEE CAO to

1. **Approve the draft Auction Rules** on national level; but
2. **Suspend approval of Annex 3** until an operational agreement between EMS and KOSTT provides technically correct basis for allocating capacities at source sink pairs “KOSTT – [other border]”⁶. Alternatively, national regulators might decide to suspend the approval of the entire Auction Rules (including Annex 3) until such agreement has been reached. With a view to allow for sufficient negotiation time, the ECRB invites national regulators to grant approval of Annex 3 within 30 days before operational start of the SEE CAO; and
3. **Require the following adjustments to the Auction Rules**
 - a. **Elements of the ECRB common position of December 2013 not included in the adjusted version 1.1**
 - Definitions: definitions “SSI”, “UIOLI” should be added for purpose of reader-friendliness (even if mentioned in the text)
 - Article 2.3.5: a clarifying sentence should be added that in case of curtailment of PTR, daily auctions will not be held⁷
 - Articles 5.7.1: the limitation of bid numbers should be reconsidered; while such limitation exists for CASC⁸, it discourages the development of cross-border transactions.
 - b. **Additional comments on version 1.1**
 - Definition and throughout the text: the concept of cross-border capacity was introduced without a new definition; ATC definition was deleted. Better approach would be to apply concept of cross-zonal capacity (cp. CACM Network Code), define it, and relate to capacity between bidding zones, not control areas.
 - Article 2.2.1: unclear wording.
 - Articles 2.3.2, 2.3.4, 10.2.2: deadlines/formulations for actions or publication were removed or made unclear.
 - Article 10.2: the A to N scheduling concept needs to be clarified.
 - Article 10.4.1: more harmonisation is needed.

⁶ Annex 3 includes source-sink pairs that are currently allocated by *Elektromreža Srbije* (EMS); references of Annex 3 to source sink pairs “KOSTT – [other border]” therefore do not correctly reflect the current technical situation until a, currently negotiated, operational agreement between EMS and KOSTT clarifies differently.

⁷ Market participants holding a PTR before curtailment are supposed to receive initial price compensation for curtailed capacity (Art. 2.3.5). After curtailment, having in mind an emergency situation, the price on the daily auction may drastically increase in comparison to the initially paid price. In that case initial PTR holder may be negatively affected and market abuse may be exercised whenever a situation close to emergency situation happens. It should be clarified that that in case of curtailment of PTR, daily auctions will not be held.

⁸ Not for the CEE CAO, though.

- Article 15.3.1: preconditions for resale need to be softened.

The review of the Auction Rules version 1.1 provides concrete proposals for adjustment of the shortcomings addressed in chapter 3.b of the present ECRB position.