Bringing market guidelines in the Energy Community

Energy Community Secretariat
Agenda

1. Procedures
2. Introduction
3. Geographical scope
4. CCRs
5. Methodologies – existing vs new | pan-European vs regional
6. Voting
7. Others
1. Procedure
Procedural aspects

Scope of committees’ work
→ Agree on adapted NC / GL versions ready for proposal for PHLG adoption

EC | ECS | Party → proposal → MC → MC Decision

2/3 majority
Incl positive EU vote
one vote per CP

Transposition into national legislation
Governance proposal

Secretariat (coordination and chairing)

Prepare adaptation proposals for discussion by:

EWG ECRB (advisory)

Connection Codes Committee

- TSOs of CPs
- NRAs of CPs
- TSOs/NRAs of MSs (if required)

System Operation Committee

- TSOs of CPs
- NRAs of CPs
- TSOs/NRAs of MSs (if required)

Market Committee

- TSOs and MO/PXs of CPs
- NRAs of CPs
- TSOs/NRAs of MSs (if required)

All: open for participation by DG ENER, ACER, ENTSO-E

Report

Secretariat to coordinate with

DG ENER, ACER, ENTSO-E

PHLG
General

- **Standard adaptations**
  - EC → ECS | ACER → ECRB | MS → CP
- **ad-hoc adaptations**
- **Implementation in one step**
- **Implementation deadlines**
- **Reciprocity relevant**
  - Title III
  - Alternative Title IV
2. Introduction
Towards completion of the framework …

- Electricity Regulation 714/2009 (part of 3\textsuperscript{rd} package) adopted by the MC in October 2011
  - Third package sets the basis for a liberalized market (unbundling, non-discriminatory access, etc.)

- **Network codes and guidelines** established according to EU 714/2009 sets to target model for European market
  - Requirements for forward cross-zonal transmission rights
  - DAM through single and IDM through continuous market coupling algorithm
  - European and regional balancing platforms and close system operation coordination
  - … and technical and operational requirements
Target model = market network codes

FCA  <= interlinked =>  CACM

BAL  <==>  SO

capacity

Monthly (M+1)
Yearly (Y+n)

Forward Market
(Long term Physical/Financial rights)

Day Ahead Market

Delivery of Long term and Day ahead allocated rights

Intraday market

Intraday implicit

Delivery of intraday

Balancing

Allocation of forward rights on long-term basis through auctions as PTRs or FTR (tradable rights), Single allocation office for capacity allocation.

Price coupling - auction mechanism managed by PXs with capacity module. Flow-based or NTC-based.

Countinous mechanisms with complementary auctions (PXs+capacity) Flow-based or NTC-based

Exchnage of balancing products offered by MPs

Real-time reserve activation, re-dispatch, countertrading...

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Electricity Market Network Codes

**FCA**

**Forward Capacity Allocation**

*In force in the EU*

Establish a framework for the calculation and allocation of cross-zonal capacity, and for cross-zonal trading, in **forward markets**

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**CACM**

**Capacity Allocation and Congestion Management**

*In force in the EU*

Establish cross-border EU electricity markets in the **day-ahead and intraday** timeframes, as well as methods for the calculation of cross-zonal capacity.
Approach discussed so far for EnC

• Discussed with stakeholders from the Contracting Parties:
  • Geographic scope and how to deal with reciprocity (EU-CP)
  • Transfer of pan-EU methodologies
  • Regulatory oversight

• Outcome of discussions:
  • A scope that integrates EU-CP interconnections with legal certainty
  • Harmonized and using EU solutions for pan-European processes
    • Regional processes incorporating EU-CP interconnections
  • ACER for MSs / ECRB for CPs / for MS-CP interconnections [?]
3. Geographical scope
Cross-zonal applicability

"switching on" of CPs and CP-MS interconnections
4. CCRs
Definition of CCR – key for implementation

- EU CACM required TSOs, within 3 months from the entry into force of CACM, to develop a proposal for determination of CCRs
  - CCRs = geographic areas in which coordinated capacity calculation applies
  - Each bidding-zone border attributed to a CCR
- 17 Nov 2016 ACER decided on EU CCRs after failure by NRAs to reach an agreement on the CCRs proposals submitted by the TSOs
- 10 CCRs are defined (only MS-MS borders)
- ACER’s decision and ENTSO-E’s explanatory document provides for future SEE CCR 10th which includes also MS-CP borders in SEE
EU’s relevant CCRs

CCR 3: CORE

CCR 5: GRIT

CCR 10: SEE
• ACER’s decision on CCRs (pursuant to Article 9.11 of the CACM)

• Article 14: CCR SEE includes bidding zone borders between: GR-BG and BG-RO

• Recital 84: “Since the CACM Regulation aims at extending market coupling beyond the EU borders (ref to CACM Article 20.4), the Agency stresses the importance to prepare the future extension of CCRs to third countries well in advance. The Agency therefore welcomes that the CCRs Proposal provides for a planning for the future extension of the current CCRs, including to third countries (ref to “Explanatory document to all TSOs’ proposal for Capacity Calculation Regions - CCRs” of 29.10.2015).”

• “CACM Art. 20.4: No later than six months after at least all South East Europe Energy Community Contracting Parties participate in the single day-ahead coupling, the TSOs from at least Croatia, Romania, Bulgaria and Greece shall jointly submit a proposal to introduce a common capacity calculation methodology using the flow-based approach for the day-ahead and intraday market time-frame. The proposal shall provide for an implementation date of the common capacity calculation methodology using the flow-based approach of no longer than two years after the participation of all SEE Energy Community Contracting Parties in the single day-ahead coupling. The TSOs from Member States which have borders with other regions are encouraged to join the initiatives to implement a common flow-based capacity calculation methodology with these regions.
Explanatory document to all TSOs’ proposal for CCR

- **Future composition of CCRs including non-EU bidding zone borders** (Annex 1 to the Explanatory … document)
  - Establishes the basis for the future implementation of the CACM Regulation by non-EU TSOs/non-EU regulatory authorities
  - Facilitates the early implementation by non-EU TSOs and the cooperation of the EU and non-EU NRAs;
    - Involved TSOs (EU and non-EU) will start working together based on the CCR composition presented in Annex 1 to achieve the targets set in the CACM
  - CCR SEE including non-EU bidding zone borders as fig below (excluding HU-RO and HU-HR)

- **The bidding zone borders will be included in the CCR SEE in the future, subject to the fulfilment of the legal requirements for the application of CACM Regulation**

- **The bidding zone border IT-ME will be included in the CCR SEE when the interconnection between Italy and Montenegro is commissioned (expected to be in 2017/2018) and subject to the fulfilment of any other legal requirements for the application of the CACM Regulation by Montenegro**
**Exemption from the general approach**

- Article 15 of CACM requires **definition of CCRs**
  - As ACER’s decision covers only MSs, the decision cannot be incorporated in the Energy Community acquis as such
  - Title III specific decision is needed by the Ministerial Council/PHLG in order to set the basis for CACM and FCA implementation
  - This could come together with the CACM/FCA Regulation or subsequent to that

- Article 48 of FCA requires **establishment of the single allocation platform**
  - SEE CAO is already established and operational, which includes most of CPs and two MSs
  - SEE CAO would be the single allocation platform for the CPs, open to MSs participation on MS-CP borders
  - Separate Title III specific decision is needed for this (MC or PHLG)
**Title III CCRs**

- CCRs include only the CP-CP & CP-MS borders
- MS-MS borders are covered in CCRs defined by ACER
5. Methodologies
EU: high-level structure of market network codes

- All TSOs/(NEMOs) and All NRAs
- Pan-European terms & conditions / methodologies / platforms
- Relevant TSOs/(NEMOs) & NRAs
- Regional (CCR) terms & conditions / methodologies / platforms
- Example of a region
- Relevant TSOs/(NEMOs) & NRAs
- National (CCR) terms & conditions / methodologies / platforms

EC intervenes when no agreement is reached on proposals by TSOs/NEMOs

ENTSO-E’s role in assessments, drafting, facilitation, coordination, reporting, etc.

ACER’s role in adopting methodologies in case of failure by TSOs/NRAs
Adapted approach for the EnC

All TSOs /(NEMOs)  
All NRAs

Pan-European  
terms & conditions /  
methodologies /  
platforms

Transfer through PHLG decision  
applicable on Title III (CP-CP, CP-MS)

Relevant TSOs  
(NEMOs) & NRAs

Regional (CCR)  
terms & conditions /  
methodologies /  
platforms

Developed on regional level and  
applicable on Title III (CP-CP, CP-MS)

Example of  
a region

Relevant TSOs  
(NEMOs) & NRAs

National (CCR)  
terms & conditions /  
methodologies /  
platforms

National  
implementation  
applicable on CPs

Example of  
a region

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6. Voting
Agreeing on methodologies: Voting

**Pan-European methodologies:**
- Qualified majority
  55% of MS + 65% of population of the EU

**Regional methodologies:**
- Qualified majority of the region
  72% of MS + 65% of population of the region

*Region <5: consensus*

**Pan-European methodologies:**
- Unchanged taken as part of EU acquis, applicable under PHLG decision requiring national transposition in CPs

**Regional methodologies:**
- Qualified majority of the region
  2/3 of the CPs/MSs of the region

*Region <3: consensus*
Agreeing on methodologies: Approval

**EU CACM**
NRA’s approval

Failure to agree on proposal by TSOs/NEMOs, first NRAs, ACER and then EC intervenes

**Pan-European & regional methodologies:**

Approval by all relevant NRA (opinion by ACER)

If no agreement, ACER adopts the decision

**EnC CACM**
NRAs approval

Failure to agree on proposal by TSOs/NEMOs, first NRAs, ECRB and then ECS (+EC as necessary) intervenes

**Pan-European come as decisions under Title III**

**Regional methodologies:**

Approval by all relevant NRA (opinion by ECRB)

If no agreement, ECRB adopts the decision

TSOs/NEMOs agree on methodologies

4 months

TSOs/NEMOs fail to agree/submit within deadline

Provide relevant draft and reasons to NRAs, ACER and ECRB

6 months

ECRB informs ECS and EC with the reasons

6 months

ECS and/or EC intervenes to make the adoption possible

4 months

NRAs shall take decision

If no agreement by NRAs, ECRB decides
Roles

**Standard adaptation**

- **ECS (+EC as necessary)** intervenes when no agreement is reached on proposals by TSOs / NEMOs

- **ECRB’s role in adopting methodologies in case of failure by TSOs/NRAs**
  - ACER’s role is for information only

- **ENTSO-E’s role in assessments, drafting, facilitation, coordination, reporting, etc.**
  - Requirements coordinated with EU CACM
Pan-European methodologies

- MCO functions (Article 7)
- CCRs (Article 15)
- G & L data methodology (Art. 16)
- Common grid model (Article 17)
- Harmonised CC (Article 21)
- Back-up methodology (Article 36)
- Requirements and algorithm (Article 37)
- Products for DAM and IDM (Art. 40 & 53)
- Min and Max prices (Art. 41 & 54)
- ID capacity pricing (Article 55)

- ID cross-zonal GOT and GCT (Article 59)
- DAM firmness deadline (Article 69)
- Congestion income distrib. Art. 73]
- G & L data methodology (Article 17)
- Common grid model (Article 18)
- Allocation platform (Art. 49)
- Harmonised allocation rules (Article 51)
- Congestion income distrib. Art. 57]
- Sharing costs of establishing, developing & operating the platform (Article 59)
- Sharing incurred to ensure firmness and remuneration of transmission rights (Article 61)

- Pan-European methodologies as part of acquis (with standard adaptations only)

- CACM
- FCA
- Specific
- Deleted – ref. to EU CACM

Specifically developed as new acquis

EC Proposal → MC EnC
MC EnC Decision (Title III)

Transposition

EC Proposal → MC EnC
MC EnC Decision (Title III)

Transposition
Examples of adaptations (pan-European)

CACM

Article 15
Capacity calculation regions
1. By three months after the entry into force of this Regulation all TSOs shall jointly develop a common proposal regarding the determination of capacity calculation regions shall be defined as listed in the Annex of this Regulation. The proposal shall be subject to consultation in accordance with Article 12.

Article 16
Generation and load data provision methodology
1. By 10 months after the entry into force of this Regulation all TSOs shall jointly develop a proposal for implementing the single methodology for the delivery of the generation and load data required to establish the common grid model as adopted by [xxx]. Which shall be subject to consultation in accordance with Article 12. The proposal shall include a justification based on the objectives of this Regulation for requiring the information.

FCA

Article 17
Generation and load data provision methodology
1. No later than six months after the approval of the generation and load data provision methodology established for the day-ahead and intraday time frames referred to in Article 9(6) of Regulation (EU) 2015/1222, all TSOs shall jointly develop a proposal for the single generation and load data provision methodology for delivering the generation and load data required to establish the common grid model for long-term time frames as adopted by [MC decision [xxx]]. The proposal shall be subject to consultation in accordance with Article 6. The methodology shall take into account and complement the generation and load data provision methodology according to Article 16 of Regulation (EU) 2015/1222.
2. When developing for the generation and load data provision methodology, the requirements set in Article 16 of Regulation (EU) 2015/1222 shall apply.

Article 51
Introduction of harmonised allocation rules
1. Within six months after the entry into force of this Regulation, all TSOs shall jointly develop a proposal for implement harmonised allocation rules for long-term transmission rights in accordance with [MC decision [xxx]] pursuant to Article 52(2). A month before the expiry of the deadline for national transposition of the harmonised allocation rules and if necessary, TSOs shall develop regional and bidding zone border specific requirements of each capacity calculation region pursuant to Article 52(3). The proposal shall be subject to consultation in accordance with Article 6. This proposal shall include regional and bidding zone border specific requirements if developed by the TSOs of each capacity calculation region pursuant to Article 52(3).

Article 57
Congestion income distribution methodology
1. Within six months after the expiry of the deadline for national transposition of approval of the methodology for sharing congestion income referred to in Article 9(6) of Regulation (EU) 2015/1222, all TSOs subject to this Regulation shall jointly develop a proposal for implement a methodology for sharing congestion income from forward capacity allocation as adopted by the [MC decision [xxx]].
**Regional methodologies**

- **Common CC methodology** (Article 20)
- **Decision on flow-based** (Art. 20)
- **Methodology for coordinate redispatch and countertrading** (Article 35)
- **Methodologies for calc. of scheduled exchanges** (Art. 43, 56)
- **Fallback procedures** (Art. 44)
- **Complementary regional auctions** (Art. 63)
- **Transitional explicit access on ID** (Art. 64-67)
- **CACM**
- **FCA**

**Methodology for sharing costs of redispatch and countertrading** (Article 74)

**Splitting cross-zonal capacity methodology** (Article 16)

**Regional design of long-term TRs** (Article 31)

**Fallback procedures** (Art. 42)

**Regional annexes to HAR** (Article 52, 55)

Developed and agreed by the relevant TSOs/NEMOs of the region

Submit

Applicable for the relevant region

*If no agreement by NRAs*

ECRB adopts the decision

**ECRB (+ACER) should inform ECS (+EC)**

NRAs inform ECRB (+ACER)

If no agreement to submit by the deadline

ECS (+EC) steps to make possible adoption

Approved

Relevant NRAs of the region

Deleted – not needed
### Examples of adaptations (regional)

**CACM**

**Introduction of flow-based capacity calculation methodology**

1. For the day-ahead market time-frame and intraday market time-frame the approach used in the common capacity calculation methodologies shall be a flow-based approach, except where the requirement under paragraph 7 is met.

2. No later than 10 months after the approval of the proposal for a capacity calculation region in accordance with Article 15(1), all TSOs in each capacity calculation region shall submit a proposal for a common coordinated capacity calculation methodology within the respective region. The proposal shall be subject to consultation in accordance with Article 12. The proposal for the capacity calculation methodology within regions pursuant to this paragraph in capacity calculation regions defined in accordance with Article 15(1) based on the ‘North-

**Article 35**

**Coordinated redispatching and countertrading**

1. Within 16 months after the regulatory approval on capacity calculation regions referred to in Article 15, all the TSOs in each capacity calculation region shall develop a proposal for a common methodology for coordinated dispatching and countertrading. The proposal shall be subject to consultation in accordance with Article 12.

**Article 44(1)**

**Establishment of fallback procedures**

By 16 months after the expiry of the deadline for transposition, entry into force of this Regulation, each TSO, in coordination with all the other TSOs in the capacity calculation region, shall develop a proposal for robust and timely fallback procedures to ensure efficient, transparent and non-discriminatory capacity allocation in the event that the single day-ahead coupling process is unable to produce results.

The proposal for the establishment of fallback procedures shall be subject to consultation in accordance with Article 12.

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**FCA**

**Article 10**

**Capacity calculation methodology**

1. No later than six months after the approval of the common coordinated capacity calculation methodology referred to in Article 9(7) of Regulation (EU) 2015/1224, all TSOs in each capacity calculation region shall submit a proposal for a common capacity calculation methodology for long-term time frames within the respective region. The proposal shall be subject to consultation in accordance with Article 6.

**Article 16**

**Methodology for splitting long-term cross-zonal capacity**

1. No later than the submission of the capacity calculation methodology referred to in Article 10, the TSOs of each capacity calculation region shall jointly develop a proposal for a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different long-term time frames within the respective region. The proposal shall be subject to consultation in accordance with Article 6.

**Single allocation platform**

**Article 48**

**Establishment**

1. All TSOs subject to this regulation shall ensure that the single allocation platform is operational and complies with the functional requirements specified in Article 49 within 12 months after the approval of the proposal for a common set of requirements and for the establishment of the single allocation platform. The competent regulatory authorities may extend this period upon request from the relevant TSOs due to delays relating to public procurement procedures by a period of no more than 6 months.

(4) ‘single allocation platform’ means the European platform established by all TSOs of Contracting Parties, and as the case may be Member States, for forward capacity allocation of interconnection under the scope of this Regulation.
7. Others
**NEMOs under CACM**

- National requirement
  - The adapted (EnC) part will be applicable only to Contracting Parties
- CPs designate NEMO(s) by 4 months after transposition deadline
- At least 1 NEMO for initial term of 4 years / if monopoly annual designation
- Designation body – NRAs, also monitoring of compliance etc. / if monopoly approval of fees
- Designation criteria:
  - Has adequate resources (financial, technical, infrastructure, communication, contractual,…)
  - Allow open access to info regarding NEMO’s tasks / non-discriminatory access
  - Unbundled accounts of activity under this regulation with other activity, including business separation from market participants
  - Able to provide/contract clearing & settlement service
  - Recognition of NEMO designation (if no monopoly) – only among CPs (Title II) – NRAs need to exchange info among them

List of designated NEMOS maintained by ECRB
Biennial report by ENTSO-E

- After two years from transposition, ENTSO-E drafts the report on capacity calculation and allocation – submitted to ECRB (CACM Art. 31; FCA Art. 26)
- ENTSO-E to draft such report on every second year – if requested by ECRB
  - ECRB shall aim to coordinate such request with ACER (effectively requested when ACER requests it)
- Requirements what the report should contain are the same as for EU CACM/FCA
- For reporting TSOs should use the statistical and quality indicators agreed by the TSOs of the EU MSs.
**Bidding zone configuration**

- Applicable only to CPs (CACM Chapter 2, FCA Chapter 3).
  - All details and process specified in CACM

- Review may be launched by ECRB, NRAs, TSOs, CP, etc.

- The same bidding zone borders should apply in all timeframes

- ECRB should assess the efficiency of the existing bidding zone configuration in the CPs every 3 years.

- ECRB requests ENTSO-E for technical report. Request to be coordinated with ACER (for EU MSs)

- ENTSO-E to deliver to ECRB the technical report 9 months after the ECRB request
Thank you!

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Background slides
Network codes and guidelines in the EU

- A set of rules drafted by ENTSO-E
  - Connection codes (RfG, DC, HVDC), system operation codes (SO, E&R) and market network codes (CACM, FCA, EB)

- ACER’s role – guidance to facilitate the harmonization, integration and efficiency of the European electricity market.

- EC works on and adopts proposals - then NCs are adopted by the Council and the EU Parliament before becoming legally binding & directly applicable for MSs

https://electricity.network-codes.eu/network_codes/