



## Cross-regional roadmap for Day-Ahead Market Coupling

XXI Florence Forum  
Florence, 5 December 2011

### Background

- Target model is a single European Price Coupling (EPC) by 2014
- Purpose of cross-regional roadmaps:
  - to identify key milestones, both at EU and regional level, and accountabilities
  - to increase consistency between and across the regions and thus efficiently pave the way for the completion of the Internal Electricity Market by 2014
- Draft cross-regional roadmap based on:
  - regional consultation and contribution to the European energy work plan;
  - Input from AESAG;
  - Stakeholder comments to earlier drafts;
  - Discussion at ACER coordination group for ERI;
  - FG on CACM.

## Towards European Price Coupling by 2014

- **General approach:**
  - » focus on NWE price coupling implementation by 2012
  - » open to other borders if ready and if no delay for NWE project
  - » Flexible parallel/stepwise process towards European Price Coupling (EPC)
- **NWE project:**
  - NRAs from NWE (CWE, NE, GB) established Cross-Regional Coordination Committee (CRCC) to lead the NWE process.
  - Lead regulators of all other regions, ACER and one NRA per additional market coupling project (e.g. CZ-SK-HU) have observer status.
  - TSOs, PX, NRAs discussion on NWE price coupling advanced.
  - Project initiation (TSOs/PX) ongoing with documents under negotiation (All Party Cooperation Agreement; Project Initiation Terms; Non-Disclosure Agreement).
  - Resources already planned.

3

## Basic components of European Price Coupling (I)

- **EU-wide level**
  - **Coupling solution:**

PCR algorithm being developed by PXs with support of all Europex members (using COSMOS as starting point) and assessed by ENTSO-E. PCR to be available to all Europe.

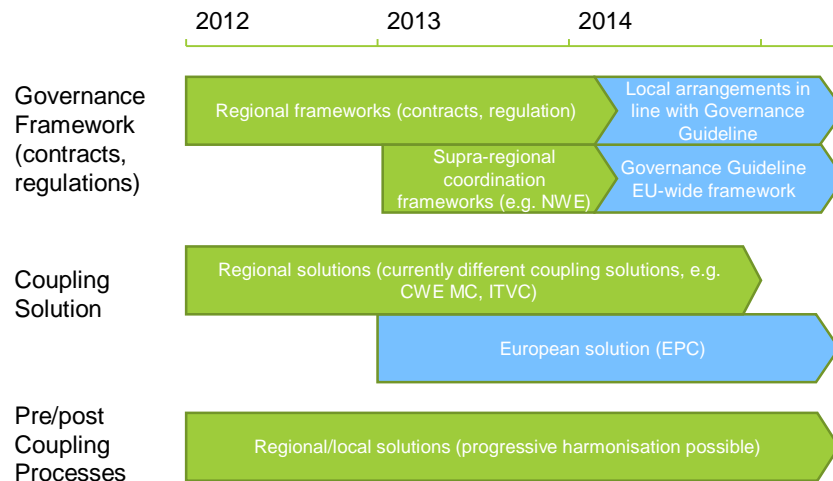
Approval process in every country coordinated by ACER.

MS involvement insured by NRAs where appropriate and necessary.
  - **Governance:**

Governance Guideline under preparation. Implementation of EPC should start in parallel using interim governance solutions.
- **NWE and other Regions' level**
  - Interim governance arrangements basis for launching NWE price coupling and other regional market coupling solutions; based on existing solutions in other regions/countries parallel/stepwise process towards EPC.

4

## Basic components of European Price Coupling (II)



5

## Basic principles to avoid stumbling in progress (I)

- Common information level necessary to ensure smooth integration of additional borders;
- Adjacent borders may adopt PCR algorithm in parallel and/or join NWE price coupling from the beginning if this does not delay overall progress towards EPC;
- For a smooth and efficient achievement of the target model the approaches of this cross-regional roadmap and the one for capacity calculation need to be in line. This will be ensured by NRAs and TSOs;
- Existing/forthcoming bilateral market coupling initiatives
  - need to be compatible; and
  - should not delay implementation of the EPC day-ahead target model.
- **Ensuring this will at least require the submission of a detailed action plan, explaining how coherence and consistency with the overall project and the 2014 target model can be achieved.**

6

## Basic principles to avoid stumbling in progress (II)

- Algorithm starting point (PCR) shall be the same for all borders.
- Not all arrangements need to be the same throughout the coupled region
  - In particular pre/post coupling and governance arrangements (TSO-TSO, TSO-PX, PX-PX) may differ.
- **NWE shall concentrate on what is needed to implement NWE price coupling in 2012, be transparent, flexible and open to enlargement via arrangements/structures differing from NWE.**

7

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procedural steps	⌘	•	•	•	•	•	•	•	•	•	•	•	•	•
NWE price coupling (CWE, NE, GB borders)						•								
Integration of SWE borders						*								
Integration of CEE borders						*								
Integration of remaining Baltic borders														
Integration of CSE borders														
Integration of remaining FUI borders													**	•
Single European Price Coupling (EPC)													★	
Integration of SEE	Integration of SEE not later than 2015 ➤													

★ MIBEL, Hungary, Slovakia, and Czech Republic are willing and committed to join EPC by end of 2012  
 \*\* SEM may provide for transitional arrangements which are defined in section 1.2 of FG CACM.

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procedural steps	Ⓔ	•	•	•	•	•	•	•	•	•	•	•	•	•

Ⓔ **ACER** requested

- NWE (TSOs and PXs) to define a very concrete proposal on flexible high-level interim governance arrangements for the NWE project incl. description for which borders differences in approaches may be appropriate
- ENTSO-E to validate PCR algorithm starting point and to agree with Europex on one single algorithm
- Europex to demonstrate the efficiency, manageability and reliability of the system design
- ENTSO-E and Europex to propose cost-sharing between NWE and non-NWE countries for the costs associated to the PCR algorithm development

**NWE NRAs** requested TSOs and PXs to prepare a detailed proposal regarding the cost recovery for NWE costs

9

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procedural steps	Ⓔ	•	•	•	•	•	•	•	•	•	•	•	•	•

- **ENTSO-E** sends algorithm-requirements to Europex and assesses starting point PCR algorithm

Ž **Europex** demonstrates the efficiency, manageability and reliability of the system design to ACER and NRAs

- **ENTSO-E** and **Europex** propose cost-sharing between NWE and non-NWE countries

10

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procedural steps	Ⓔ	• Z •	• • • •	"	†	μ	†	μ	†	μ	†	μ	†	μ

- **ENTSO-E and Europex** consult market participants on starting point PCR algorithm as validated by ENTSO-E and report outcome to ACER and NRAs
- **NWE (TSOs and PXs)** submit to **ACER/NWE NRAs** for review/validation:
  - flexible high-level interim governance arrangements for the NWE project
  - cost-recovery proposal for the NWE costs
- **ACER** coordinates NRAs' "endorsement" (e.g. through letter of comfort) of:
  - starting point of the PCR algorithm
  - cost-sharing between NWE and non-NWE countries for the costs associated to the PCR algorithm development
  - flexible high-level interim governance arrangements for the NWE project

11

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Procedural steps	Ⓔ	• Z •	• • • •	"	†	μ	†	μ	†	μ	†	μ	†	μ

- **All NRAs**
  - agree on common, coordinated approval/review process for the algorithm
  - involve MS where appropriate and necessary
  - start national review processes (possibly consultation) in parallel
- **NWE NRAs** approve cost recovery proposal regarding NWE costs
  - Once the **Commission** adopts Governance Guideline interim governance arrangements may need to be revised (date still unclear)
- **TSOs/PXs** ask NRAs for national approval/review of national specificities to the final algorithm; starting in NWE and regions formally committed to join in 2012, this step is repeated for every additional border amongst respective NRA/TSO/PX
- **TSOs and PXs** regularly inform all NRAs and stakeholders on implementation steps

12

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
NWE price coupling (CWE, NE, GB borders)						*								

- n NWE comprises CWE, NE (+SwePol and Estlink) and GB (IFA, BritNed);
- n Already today there exists a market coupling covering this area except IFA;
- n Swiss TSO announced interest in joining CWE Market Coupling by mid 2012; this must not delay the start of the NWE price coupling;
- n Final implementation of price coupling planned for Q4 2012;
- n To coordinate this process NRAs organise NWE CRCC meetings and NWE implementation group meetings (NRAs, TSOs and PXs) on a regular basis;
- n Inclusion of other borders via bilateral agreements between PXs, TSOs and NRAs possible.

13

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of SWE borders						*								

- n Iberian Peninsula already coupled via MIBEL;
- n Start of testing phase (operational changes) foreseen for Q1 2012;
- n Preparation of regulatory changes start in Q3 2011;
- n Planning for adoption of PCR algorithm and harmonisation of organisational process, start in 2012;
- n \* MIBEL is willing and committed to join EPC by end of 2012; this must not not delay the start of the NWE price coupling.

14

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of CEE borders						*								

- n Market coupling projects in CEE countries:
  - Czech Republic and Slovakia coupled since 09/2009;
  - Hungary plans to couple with Czech Republic and Slovakia in the first half of 2012;
  - \* These project partners are willing and committed to join EPC by end of 2012; this must not delay the start of the NWE price coupling;
- n CEE NRAs and ACER will evaluate and decide on implementation path beginning 2012;
- n Final implementation of price coupling covering the entire region foreseen for end 2013.

15

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of remaining Baltic borders										*				

- n Currently two different PXs operate the separated markets of Estonia (part of NPS Nordic Elspot) and Lithuania (Baltpool);
- n A common electricity market, based on NPS will be introduced in the Baltic countries;
- n Implementation of price coupling in the Baltic region at the latest in 2013.

16



Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

Integration of CSE borders

- n The CSE region starts discussion on potential implementation paths for market coupling in Q4 2011;
- n Gradual adoption of PCR algorithm; adaptation of market features to comply with coupling needs 2012/2013;
- n Implementation of price coupling within the CSE region Q1 2014.

17

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4

Integration of remaining FUI borders

- n GB (IFA, BritNed) will already be part of the NWE price coupling end of 2012;
- n In order to start Market Coupling between SEM (Single Electricity Market in the Republic of Ireland and Northern Ireland) and GB certain changes in the SEM market design are needed;
- n Implementation of price coupling between SEM and GB (i.e. participation in EPC) is foreseen by end of 2014;
- n \* \* SEM may (as part of FUI) provide for transitional arrangements for day ahead which are defined in section 1.2 of FG CACM.

18

Project milestones	2011		2012				2013				2014			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Integration of SEE borders	Integration of SEE Region not later than 2015 ⌚													

- The SEE region foresees the implementation of price coupling not later than 2015;
- Romania and Bulgaria need to implement the price coupling before end of 2014;
- Bulgarian TSO, Romanian TSO and Romanian PX coordinated a roadmap for implementation of market coupling on their border with the target date – Q1 2013
- The Romanian TSO, PX and NRA expressed their willingness to join the Czech Republic, Slovakia, Hungary – market coupling project that means to respect the deadline and compatibility with CWE/NW solutions.

19

## Disclaimer

ACER and the Electricity Regional Initiative coordination group have completed the elaboration of a European Energy Workplan 2011-2014. The European Energy Workplan consists of four cross-regional roadmaps which identify milestones and responsibilities for implementation of a common European approach to cross-border electricity trading by 2014.

To agree the four cross-regional roadmaps, the seven electricity regions developed a regional input to the European Energy Workplan. The seven regional inputs were developed in discussion with TSOs and member states and consulted on with regional stakeholders. The regional inputs explain each regions contribution to completing the internal electricity market. The four cross-regional roadmaps have been developed and agreed on the basis of the regional inputs.

As a result of this process the cross-regional roadmaps and regional inputs may not be completely consistent. However, **ACER and the National Regulatory Authorities have agreed that the European Energy Workplan consists of only the four cross-regional roadmaps. This means that, if any inconsistency remains between the seven regional inputs and the four cross-regional roadmaps, stakeholders should consider that the cross-regional roadmaps prevail.**

20



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