

# Joint PX Declaration on the Implementation of PCR

23 May 2012

# Background

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- EUROPEX members have been fully supportive of the Price Coupling of Regions (PCR) Project over the past two years;
- The PCR is the way PXs cooperate to deliver the single coordinated matching function necessary to implement by 2014 the European Day-Ahead Target Model (price coupling) described in ACER's CACM Framework Guideline;
- PCR doesn't cover any pre- or post- coupling steps (e.g. shipping or clearing). It is up to bilateral decision of relevant Parties;
- Regulators, TSOs and other stakeholders have officially endorsed the PCR concept;
- The NWE PXs and TSOs are about to sign a contract to start the implementation of PCR in this central region. Other regions in Europe (Iberia, CEE, Italy-Slovenia, etc..) are also progressing in parallel to the same implementation goal. All of these implementations are following the ACER Road-map;

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- Thanks to the work and dedication of some key experts from the PXs, the design phase of PCR is today finalized. Given the good progress on the development of the PCR matcher/broker system, the parties have confirmed the decision to proceed with this solution; the development agreements with the PCR software providers (algorithm and PCR Matcher/Broker) are almost ready to be signed;
- PCR is being pragmatically progressed by a limited task force of PXs but all spot PXs in Europe closely follow the developments;
- On 20 April 2012, 13 spot PXs covering all known day-ahead markets in Europe took part to a PCR workshop and agreed issue this Joint Declaration on the Implementation of Day-Ahead Price Coupling.

# 1. Need for more Recognition of PCR in the draft Governance Guideline

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- Delivery of the European Day-Ahead Target Model by 2014 through PCR is still achievable;
- Final implementation of PCR will be very challenging. It requires above all a high degree of mutual trust and cooperation spirit between TSOs and PXs;
- PXs are concerned that some parties are still trying to introduce concepts in the Governance Guideline which conflict with PCR and which have the potential to block progress in the PCR. In particular, draft Network Codes should be modified to ensure that they do not overlap with the Governance Guideline;
- The Governance Guideline should now bring a stable legal and regulatory framework that will safeguard trust between PXs and TSOs over time;

# 1. Need for more Recognition of PCR in the draft Governance Guideline

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- In line with PCR, all PXs are fully supportive of key concepts of Guideline such as:
  1. The establishing of NEMOs by the Member States (Nominated Electricity Market Operators), responsible for the price setting in their markets
  2. The fact that the NEMOs should be in charge of developing, maintaining and operating the PCR coordinated matching function for Europe
  3. The fact that the NEMOs, to coordinate the Operation of PCR each day, should appoint a few MCOs (Market Coupling Operators) to perform this task in a rotational manner

## 2. More involvement of all spot PXs in PCR

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- PCR has always been intended to be open to all PXs. There is the choice between two options for any PX to take part to PCR:
  1. Take part to every development and later operation of the PCR assets, provide high amounts of resources and bear all costs. This full membership option will also be available for any new PX at a transparent and auditable cost level after the development stage is finished
  2. Rely on a contract with one PX of its choice who is developing/operating the PCR assets for his Market or Markets with limited rights and lower costs.

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- The PCR Cooperation and Co-ownership Agreements were approved by the PCR Steering Committee on 11 May 2012. These agreements are in the process of being shared with ACER and the associate PCR members;
- The full concept of participation to PCR to be ready and open to all spot PXs as soon as possible after ACER expression to the agreements;
- All PXs are considering to already establish an embryo of “NEMO committee” with all PXs involved. The subset of PXs that wish to participate in the coordination of the daily operation of PCR (i.e. the embryos of the MCOs) would already regularly report into such “NEMO committee” while the Guideline is adopted;
- PXs will further analyze this solution during the next months keeping ACER and NRAs duly informed on progress.



*Thank you for your attention*