

CONCLUSIONS

XXV. ELECTRICITY REGULATORY FORUM

MILAN, 12 – 13 November 2013

1. Target model implementation: early implementation process and network codes

(1) The Forum acknowledges the efforts of the involved parties working on the early implementation of market coupling in Europe. However, it notes the delays in the process, mainly caused by disagreements between the partners on indispensable implementation steps. The Forum therefore calls upon the Commission to keep these implementation risks in mind when finalising the network codes and to aim at enforceable obligations on each party to avoid similar delays in the future.

Early implementation: NWE day-ahead project

(2) The project group in charge of the NWE implementation project explained that the announced deadline for the start of the NWE day-ahead market coupling of 26.11.2013 cannot be met. They explained that the reasons for the delays were of technical nature and would not put into question the likelihood to finalise the project in due course. They also presented their detailed planning to overcome the existing problems. The launch of the project is now envisaged for 4th February; the decision will be communicated by 17th December 2013. The Forum expressed its concerns about the unexpected further delays in the delivery of the NWE day-ahead project and urges the parties to avoid further delays.

(3) Despite the current delays, the Forum looks forward to SWE joining the day-ahead project by Q1 2014, CSE and parts of the CEE region (joining PCR) in 2014, and to Ireland, Bulgaria and Croatia reporting on progress in this respect at the next Forum.

Early implementation: Flow-based capacity calculation

(4) The Forum notes some stakeholder concerns regarding the robustness of the flow-based capacity calculation project and invites the relevant TSOs to address these concerns. The Forum underlines the importance that CWE TSOs launch flow-based market coupling in the first half of 2014 and invites CEE TSOs to provide a progress update at the next Forum.

Early implementation: Long-term capacity allocation

(5) On long-term capacity allocation, the forum welcomes the CASC-CAO joint initiative which should pave the way for the future single EU allocation platform. The Forum expects the concerned TSOs to harmonise the auction rules by the end of 2014 under the coordination of ENTSO-E, and to harmonise the necessary IT tools.

Early implementation: Intraday

(6) The Forum takes note of the repeated inability of power exchanges involved in the process to find agreements on key elements needed to implement the intraday project. As the problems causing the repeated delays to find agreements between power exchanges seem to be of a structural nature, the Forum now asks the Commission to intervene and develop an alternative solution. As announced in the Fora of November 2012 and May 2013, the Commission should inter alia explore the possibility of TSOs to take over the early implementation process and take a decision on the way forward by the end of the year. The involved power exchanges noted that more certainty about the governance framework would be beneficial for the process and explained that they are ready to continue working on finalising the early implementation of the intraday project in 2014 together with the TSOs.

Loop flows and cross-border redispatch

(7) The Forum takes note of the consultant report on loop-flows and encourages Member States, Regulators and TSOs to continue the work on solutions for the loop-flow problem. It also invites ENTSO-E and ACER to continue their work on solutions for more coordinated redispatch at the European and regional level, including, if appropriate, cross-border solutions, aiming at solving the loop flow problem and paving the way for the upcoming legislation on coordinated redispatch in the CACM code. The forum emphasised the importance of the ENTSO-E and ACER review on bidding zones and asked them to report on the preliminary findings in the next forum.

Capacity Allocation and Congestion Management Network Code

(8) The Forum urges the European Commission and all involved parties to agree on solutions for the outstanding issues that allow to submit a text proposal into the Comitology procedure as soon as possible. However, the Forum stresses – in particular with a view to the lessons learned from the difficulties with the early implementation projects - that the rules and obligations for the implementation of market coupling should be made as clear and enforceable as possible under the existing legal framework. It invites the Commission to develop in particular well-defined procedures for collective decisions between TSOs or Power Exchanges, as a number of such agreements are indispensable to successfully implement the CACM and other Network Codes.

Forward Capacity Allocation Network Code

(9) The Forum acknowledges concerns of network users regarding the firmness provisions in the Forward Capacity Allocation Network Code proposed by ENTSO-E and invites ACER to carefully examine in its reasoned opinion how these, together with the corresponding cost recovery solutions can be addressed. The Forum invites ACER, ENTSO-E and the Commission to work together now in a trilateral approach to ensure a satisfactory solution.

Electricity Balancing Network Code

(10) The Forum is concerned about the lack of ambition in terms of harmonisation in the Balancing Network Code. Not least with a view to the increasing importance of balancing markets for the smooth integration of intermittent energy, it reiterates its request from the previous meeting for the institutions to develop an ambitious network code to achieve more integrated balancing markets, while taking into account national specificities where necessary. The forum invites ENTSO-E to take into account stakeholders' and ACER's comment before final submission to ACER; the forum welcomes pilot projects and invites ENTSO-E to ensure a convergence process towards the target.

2. Network Codes on Grid Connection and System Operation

Grid Connection Network Codes

(11) The Forum welcomes the Commission's initiative to clarify open issues through stakeholder consultations and invites the Commission to submit text proposals on the network codes on grid connection to Comitology as soon as possible and to make the text available to stakeholders.

System Operation Network Codes

(12) The Forum takes note of ACER's reasoned opinions and recommendations on the system operation network codes (OS, OP&S and LFC&R) and invites all involved parties to collaborate closely during the finalisation of the Commission proposal of the codes for Comitology.

3. Commission communication "delivering the internal electricity market and making the most of public intervention"

(13) The Forum welcomes the Commission's "State Interventions Package" and its main messages to Member States concerning efficient and market-compatible renewable support schemes and capacity mechanisms as well as ideas to foster demand side measures.

(14) The Forum welcomes the EC's intention to elaborate by mid-2014 a detailed cost analysis for all direct and indirect subsidies currently given to new and conventional energy technologies.

(15) It emphasises that some State interventions distorting the internal market are already a reality in many Member States, leading to a tendency to re-nationalise and re-regulate the electricity market. The Forum stresses that the project to create an Internal Electricity Market is currently at a tipping point, as national State interventions have the potential to put into question the idea of an integrated Internal Energy Market. The Forum therefore urges Member States take the necessary measures to reform those distortive interventions taking into account the guidance to bring them in line with the principles of the Internal Energy Market. The Forum also stresses the importance that new State interventions should

be designed in a manner that they are, to the extent possible, market-based, open to cross-border solutions and neutral towards technologies and supply or demand driven solutions.

(16) The Forum welcomes CEER's consultation on demand side flexibility. It encourages stakeholders to contribute and invites CEER to report to the next forum.

4. The future of European electricity market design

(17) The Forum underlines that the implementation of the ongoing reform of the EU Market Design, i.e. the "Electricity Target Model" is crucial to meet future challenges.

(18) The Forum acknowledges the need to start a reflection process about the question whether adaptations to the EU market design may be warranted on a mid-term perspective. In this respect, it welcomes the Commission's call to avoid isolated discussions on national market designs and to steer the debate more into a co-ordinated discussion on a market design that takes into account the realities and interdependencies of the Internal Electricity Market and maximises its potential.

(19) The Forum welcomes the "Bridge to 2025" initiative of ACER to review the current Electricity Target Model, to identify the additional features required to address the challenges to 2025.

(20) The Forum invites the Commission and all stakeholders to continue the work to develop ideas for perspectives for a future EU electricity market design and to report on the results to the next Florence Forum.

5. Infrastructure challenge

(21) The Forum welcomes the adoption of the Union list of projects of common interest and invites the Commission to discuss possibilities to further improve the PCI selection process with stakeholders. The Forum calls on all involved parties to do what is necessary within their remits to enable the implementation of the PCIs in the affected Member States as swiftly as possible.

6. REMIT implementation

(22) The Forum welcomes the progress on the REMIT implementing rules and encourages the Commission to finalise its work and submit the text to Comitology for adoption as soon as possible. The Forum also urges those Member States which have not done so yet to provide their national regulatory authorities with appropriate enforcement powers and notify the Commission thereof as required by REMIT.