

8th PCG Meeting

30 November 2009 from 10:30 to 17:00 hours

CEER offices, Brussels

DRAFT MINUTES (V1)

Participants			
Asta	Sihvonen-Punkka	EMV (Finland)	Chair
Matti	Supponen	European Commission	
Ritva	Hirvonen	EMV (Finland)	
Tahir	Kapetanovic	E-Control (Austria)	
Alain	Marien	CREG (Belgium)	
Christophe	Gence-Creux	CRE (France)	
Pamela	Taylor	Ofgem (UK)	
Rafael	Gomez-Elvira	CNE (Spain)	
Thomas	Mueller	BNetzA (Germany)	
Peter	Styles	EFET	
Jonas	Tornquist	EFET	
Paul	Dawson	EFET	
Andrew	Mcintosh	ENTSO-E	
Cecilia	Hellner	ENTSO-E	
Marcel	Cailliau	EURELECTRIC	
Gunnar	Lundberg	EURELECTRIC	
Anne-Malorie	Geron	EURELECTRIC	
Andrew	Claxton	EuroPEX	
Rudolf	Schneider	EuroPEX	
Jean-Francois	Conil-Lacoste	EuroPEX Chairman	
Natalie	McCoy	CEER Secretariat	

1. Opening

The meeting opened at 10h42 Asta Sihvonen-Punkka (EMV, Finland) in the Chair.

1.1. Approval of the agenda

The Agenda was approved in the form shown in these minutes.

1.2. Review of agreed action points¹

Action	Description	Who	When Due	Status
D-091102-01	Following the initial feedback, the deadline for contributions from the workstreams for the Florence Forum will be 25 November, ahead of the next PCG meeting.	PCG workstreams	25 November 2009	DONE
D-091102-02	The Governance workstream will continue to work to produce a proposition and cross-check the roadmaps.	Governance WS	25 November 2009	PENDING
D-091102-03	At the 30 November meeting, PCG should finalise the slide presentation for the Florence Forum with written explanations and consider whether to propose a proposition on post-Florence steps (within each organisation and by stakeholders).	PCG	25 November 2009	DONE
D-091102-04	The intraday and day-ahead workstreams should outline how OTC is used in each and possible solutions.	Day-ahead and intraday workstreams	25 November 2009	PARTLY DONE
D-091102-05	The minutes of the 6 th PCG minutes will be circulated by email for comments by 5 November.	PCG members	5 November 2009	DONE
D-091102-06	The individual responses from the initial feedback will be made public following the agreement of the respondents.	ERI lead regulators	As soon as possible	DONE

1.3. Approval of the minutes of the last meeting

The 6th and 7th PCG minutes were approved with changes.

2. Discussion and approval of the contributions of each Workstream

The Chair welcomed the participants and congratulated everyone on the work done to date and the progress achieved. The present meeting aims to review the positions developed in each Workstream in preparation for a presentation to the December Florence Forum.

Forward market:

EFET (Paul Dawson) presented the slides on a proposal for a target model and roadmap for forward markets. One key element is that TSOs sell/offer/issue capacity on a forward basis. These transmission rights could be sold/offered/issued on a regional basis with a high level of compatibility (either as options or obligations or as physical or financial). In summary, the target

¹ These are outstanding points from previous meetings, for the present meeting's actions and decisions see the end of this document.

model can be physical transmission rights with UIOSI provision or financial transmission rights. The slide will be rephrased to reflect that either option is possible and that each implies particular issues which should be addressed (for example, physical rights require UIOSI principle). In addition, financial firmness is required in order to hedge cross-border positions and to have a secondary market for transmission rights. This also requires a definition of 'force majeure'. The costs of guaranteeing firmness should be met from TSO's allowed revenues with appropriate incentives. The slides also propose implementing the target model options as soon as possible. There is an open question about how much capacity is enough for day-ahead market coupling. A set of definitions of the key terms for forward markets is also provided in the slides prepared by the workstream.

Paul Dawson offered to prepare a shorter set of slides for the Florence Forum presentation. The Chair will then prepare the final version.

Capacity calculation

EuroPEX (Rudolf Schneider) introduced the target model proposals from the capacity calculation workstream. The workstream underlines the importance of increased coordination and cooperation in order to implement the flow-based allocation approach. It proposes the establishment of a European-wide common grid model, consisting of the same level of information; coordinated reliability assessment; coordinated security analysis (capacity assessment); and coordinated curative redispatch measures.

The workstream considered the next steps following the Florence Forum. It recommends implementation of the common grid model, coordinated capacity assessment and/or flow-based allocation (and their regional application). The workstream proposes an implementation project to be set up (in 2010) and led by ENTSO-E – to develop the common grid model and coordinated capacity assessment rules within 1 year. The rules would need to address each time frame. ENTSO-E would include this process in its work programme, and the task would undergo the same preparation and approval as other ENTSO-E activities (e.g. network codes).

The Chair pointed out that this would be closely linked to an ENTSO-E network code on capacity calculation. This in turn implies that regulators first develop a framework guideline on this issue. Therefore, this implementation project on a common grid model should feed into the framework guideline/network code process. The project should also include 'design' – as practical implementation must follow the guideline/code process.

Day-ahead market

The Commission (Matti Supponen) presented a proposal for a possible sequence of European single price market coupling between now and 2015. One important issue to be addressed is the process for coupling – in terms of the linkages, will all markets be 'dependent' on the progress in other regions (which could in practice have the potential to delay more advanced markets)? The regions and countries should 'couple' as and when they are ready.

Eurelectric (Marcel Caillau) proposed the establishment of a project to guide through this process of coupling.

Intraday market

Eurelectric (Marcel Caillau) introduced the workstream's proposal.

The target model for intraday is implicit continuous allocation (i.e. continuous trading). Where appropriate, specific national/regional trading solutions can be developed, which must be compatible with the inter-regional target model of implicit continuous allocation. The model includes a number of features – the model must allow block bids and additional available capacity should be allocated using a market-based mechanism.

Balancing

ERGEG (Tahir Kapetanovic) presented the workstream's proposal. The balancing target model concerns manually-activated reserves. Multi-lateral TSO-TSO model with a common merit order is a good model to aim for by 2015. While balancing is a very important part of operating the system, in comparison to other time frames it has less direct impact on the consumer (price).

Governance

ENTSO-E (Andy McIntosh) presented some further thoughts on governance issues based on the diagrams discussed at the last PCG meeting, as developed by ENTSO-E. There are some aspects of the market where governance and responsibility is clearly identified (capacity provision – TSOs, local market operation – PXs, cross-border exchange management – TSOs). Meanwhile, some aspects of market coupling/capacity allocation could be further clarified (coordinated matching, cross-border shipping) – in terms of who is responsible. The diagram serves to illustrate the various functions taking place during a price coupling.

Eurelectric (Gunnar Lundberg) underlined the importance of identifying who will develop the governance arrangements following the Florence Forum.

3. Discussion and agreement on the next steps of the work

The Chair will prepare revisions to the slides for the Florence Forum in line with discussions during today's meeting. These will be circulated as soon as possible, in order to finalise the slides ahead of the Forum – to allow Forum participants to receive them in advance.

4. Discussion on the post-Florence issues

ENTSO-E (Andy McIntosh) supports the track system. In particular they support projects on capacity calculation, intraday and day ahead (these last two to be combined). They see 3 substantive actions following the work of the PCG and would like PCG to present these proposals to the Florence Forum. They also recognise the importance of a third track, i.e. the implementation through the Regional Initiatives. Their only concern is how to bind the work together. They would support the continuation of the PCG, or the 'ad hoc monitoring group' to oversee the tracks.

Eurelectric (Gunnar Lundberg) recognises the constructive work of the PCG to date. The structure should be maintained in some form following the Florence Forum. Governance, capacity calculation and balancing still require further development before the target model is clear. They also underline the need to identify a leader to develop an EU-wide algorithm. There is also a question of how the market design proposals can be integrated into the framework guidelines and network codes.

EFET (Peter Styles) expressed some views on ways to bind the 3 tracks. In particular, the Regional Initiatives should continue, although some of the regions need reviving. In addition, it would be a shame for the PCG to completely disappear. One possibility could be to focus on inter/intra regional projects, with focus-groups to develop how to take forward the target model. The next stage must also include the Swiss, given the central location in the electricity market.

EuroPEX (Andrew Claxton) presented a slide with proposals for a European day-ahead project structure, including a top-down steering group and bottom up design and implementation projects. In addition, a group of all concerned stakeholders would consider the proposals.

The Chair presented a revised proposal for the Tracks (now called Themes) following the Florence Forum.

Theme 1 – ERGEG continues preparation of input to framework guidelines on capacity allocation and congestion management. It will channel the PCG work into the 3rd Package framework; apply the impact assessment process (involving stakeholders, public consultation); establish an ad hoc

advisory group of stakeholders (this would be similar to those in PCG, but also could include consumers).

Theme 2 – work through the Regional Initiatives regions. ERGEG would continue to use the regions to continue/start implementation or to undertake certain regional projects. Implementation requires regulators' agreement on the target model.

Theme 3 – individual projects stemming from PCG. The current initiatives need to be brought together and coordinated and monitored by the ERGEG ad hoc advisory group of stakeholders. This ensures a close link between the framework guidelines, the projects and the network codes.

These proposals are focused on the PCG's scope of activities for electricity.

The Chair thanked all the participants for the efforts and dedication within the PCG over the past year. She is hopeful that the coming year will see a lot of progress in the market thanks to the work of the PCG.

5. Any other business

6. Next meetings

The meeting adjourned at 16h38.

12. Summary of all ongoing and outstanding action points:

Action	Description	Who	When Due	Status
D-091130-01	The PCG Chair will prepare the final set of slides for the Florence Forum based on the contributions from the workstreams and the discussion in the PCG meeting.	PCG Chair	As soon as possible	DONE
D-091130-02	The PCG Chair will circulate ERGEG's proposal for the future work following the Florence Forum	PCG Chair	As soon as possible	DONE