

ERI Coherence and Convergence Report

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First of all GN would like to congratulate ERGEG for the work that it is being doing through the ERI regarding the integration of national electricity markets into a single EU market. The importance and suitability of a unique EU electricity market is incontestably shared by GN. We consider therefore that coordination is one of the key issues on the matter and that steps need to be taken in the same direction in all REMs.

GN Comments to the Report

Regarding the three issues whose coherence and convergence is analysed in this second report (congestion management, transparency and balancing), from our point of view the most important to enforce and where more effort must be concentrated should be congestion management.

1. Congestion Management

After reading the report it can be concluded that different border and market characteristics among REM have led to a variety of developments in congestion management, of different progress degree and priorities.

For GN main efforts should concentrate on harmonising the day-ahead allocation among different regions (par. 179) and we agree that the target method for it is an implicit auction model (par. 172). Taking into account the information given in the report, we are very far from this desired model in the EU and among the reasons are: lack of market liquidity, different market designs, big number of parties involved in some of the projects, lack of compromise of TSOs and PXs and different prioritising criteria. In the case of SW region we totally agree with paragraph 175, and one of the reasons of the delay for establishing market coupling between France and Spain is that it has less priority for Powernext than the development of market coupling in CW region. We strongly believe that to enforce the integration of REMs at this issue a priority plan should be established at a High Level (par. 176 and 216), but in GN opinion regulators are responsible to analyse the global situation, the cost/benefits for each border and determine a concrete cross-regional plan.

We would also like to bring the attention to the fact that regulators authority is in general not strong enough among EU countries. Thus, the success of the governance body figure, as proposed in the report for each implicit allocation area (par. 177), would depend mainly on the authority given to regulators by governments.

We also support paragraph 179 regarding guarantying the ease of access of foreign players to other markets, quitting all possible barriers (language, legal and compliance process,...).

When referring to capacity calculation, GN agrees on having a TSOs common network model for meshed networks where loop flow problems arise (par. 207). We strongly agree that in the SW region optimisation and transparency should be improved (par. 95 and 161) and TSOs ought to publish periodically monthly and yearly forecasts (par. 97). GN considers that the hypothesis and data used for the calculation should be also published, as well as the limiting constraints and critical contingencies.

In the long-term allocation issue, GN agrees on the idea of developing a single auction platform (par. 165). We support the convenience of designing medium and long term explicit auctions with firmness of capacity rights, compensation schemes based on market mechanisms, simple nomination processes and with secondary markets to implement UIOSI (par. 170). Focusing on SW region it is not sensible to have two different auction platforms for the Spanish-French border and a complex nomination protocol. We believe that the implementation of long term auctions in the Spanish-Portuguese border will be a good opportunity to establish a single auction platform for MIBEL and France region and to harmonise all the processes.

Regarding intra-day allocation, we agree that day-ahead and longer term allocation have higher priority (par. 185) and that implicit methods are more efficient. GN main concerns regarding intra-day allocation are about liquidity, optimal use, efficient access to capacity and market abuse. Regarding liquidity, we consider that OTC should be allowed to participate in intra-day platforms, and we would prefer to introduce in SW region more intra-day auctions gradually, observing impact on liquidity, and combining it with continuous trading (par. 108). We do not discard the implementation of solutions as the Central Order Book to improve liquidity (par. 220). Regarding market abuse, especial attention should be taken in countries without unbundling when implementing FCFS methods.

Finally, we want to bring the attention to a couple of aspects mentioned also in the report that GN considers crucial for congestion management:

- Investment in interconnection transmission lines. In the case of SW this need is critical, especially in the French-Spanish border.
- Working on incentive schemes for the TSOs to maximise the cross-border capacity made available to the market (par. 208).

2. Transparency

Spain is one of the countries with more market transparency although improvements need to be done especially regarding cross-border capacity calculations (par. 136). TSOs should publish periodically monthly and yearly forecasts, as well as the hypothesis and data used for NTC capacity calculation, the limiting constraints and critical contingencies.

Inside SW region differences among France and MIBEL should be corrected in order to converge to the same level of market transparency as the first step towards integration (par. 132).

3. Cross-Border Balancing

In our opinion, before enforcing cross-border balancing developments, day-ahead and intraday cross-border trade schemes must be established in a harmonised way (par.223).

Special care must be taken to the different rate of progress on congestion management among overlapped regions. In the case of SW region, as long as the necessary steps are not given in the CW region, we will not have any progress on it.

In the meantime, GN considers a good initiative the analysis of balancing perimeters that has been proposed in Spain (par. 153).

GN opinion regarding congestion management issues in SW region

Focusing on the SW region, we are confident with the role that MIBEL is doing to boost the integration of the entire region. However, great efforts are still needed on the borders, both France-Spain, improving the actual situation, and Portugal-Spain to launch it definitively.

We support that building new capacities is going to help reaching our objectives of integrated markets and accept most of the points treated on the 3rd IG meeting (24th April).

Priority should be placed on transparency and simplicity of operation rules for congestion management (single nomination, single auction administrator, automatic resale in case of no nomination, simpler information and notification flows, etc).

We agree with the importance of firmness on all cross-border capacity. Financial firmness of capacities is a must to ensure an integration of markets. In case of auction curtailments and cancellations, full market-spread compensation should be applied.

We agree with the suitability of the new set of rules for the Spain-France border that were submitted to public consultation, although improvements can be added, especially in simplicity issues and curtailment and cancellation compensations. Besides, GN thinks that capacity allocation should be shared differently privileging long-term products.

For day-ahead allocation, we agree on the need of additional efforts between PXs and TSOs to implement market coupling in the Spanish-French interconnection. We consider further harmonization is imperative, regarding gate closure times, type of bids, price caps and settlement of transactions.

For intraday allocation, we agree that the implicit solution is the best one, but regarding liquidity, we would keep the intraday auction scheme, with a reduced number of sessions (3 or 4 at most) and a gradual introduction of auctions, observing impact on liquidity, and combining it with continuous trading for the short term.

Implementation of long term capacity allocation in the Spain-Portugal border is getting delayed far too much.

We also insist on the need of a common auction platform for all products promoting integration of IT systems, platforms, timetables, information and balancing. The development of long term auctions for the Spanish-Portuguese interconnection can be a great opportunity to implement it together.

Regarding UIOLI or UIOSI schemes, in our opinion the last one is the most performing principle to organize capacity allocations, and it is the one adopted for the Portugal-Spain interconnection