

7th PCG Meeting

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

Eurelectric offices, Brussels

MINUTES (V3)

Participants			
Asta	Sihvonon-Punkka	EMV (Finland)	Chair
Matti	Supponen	European Commission	
Ritva	Hirvonen	EMV (Finland)	
Sven	Kaiser	E-Control (Austria)	
Rodrigo	Escobar	CNE (Spain)	
Cecile	George	CRE (France)	
Thomas	Mueller	BNetzA (Germany)	
Alain	Marien	CREG (Belgium)	
Pamela	Taylor	Ofgem (UK)	
Susanne	Dornick	EFET	
Jonas	Tornquist	EFET	
Bruno	Gaillard	EFET	
Andrew	Mcintosh	ENTSO-E	
Gunnar	Lundberg	EURELECTRIC	
Marcel	Cailliau	EURELECTRIC	
Ruud	Otter	EURELECTRIC	
Marco	Foresti	EURELECTRIC	
Olga	Mikhailova	EURELECTRIC	
Andrew	Claxton	EuroPEX	
Jose Javier	Gonzalez	EuroPEX	
Jean-Francois	Conil-Lacoste	EuroPEX Chairman	
Natalie	McCoy	CEER Secretariat	

1. Opening

The meeting opened at 10h38 Asta Sihvonon-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-091007-01	The workstream presentations with preliminary thoughts on target models and an accompanying cover note will be sent to ERGEG's Regional Initiatives Group (for distribution to the electricity regions) and European stakeholder organisations.	PCG Chair	7 October 2009	DONE
D-091007-02	Comments should be received from the regions by 30 October 2009	ERGEG RIG Electricity region stakeholders	30 October 2009	DONE

1.3. Approval of the minutes of the last meeting

The minutes will be circulated for comments by the members by Friday 6 November. Following approval they will be published on the ERGEG website.

2. Discussion on the initial feedback according to the Workstream topics

The PCG Chair reported that a good amount of input has been received within the context of the initial feedback sought from the Electricity Regional Initiatives stakeholders (with the 30 October 2009 deadline). There were some requests regarding how detailed the roadmap should be and some criticism regarding the short deadline, which is understandable.

Overall, the responses should give us good guidance as well as reiterating some of the issues on which further work is still needed/ongoing. The PCG Chair thanked ERGEG's Regional Initiatives Group (RIG) and the individual regions and their Lead Regulators for their work in gathering this input.

The individual responses will be made public following the agreement of the respondents.

Capacity calculation:

ERGEG (Sven Kaiser) presented a summary of the responses received from 4 of the electricity Regional Initiatives. The comments reflected a general understanding and acceptance for the flow-based calculation and the need to distinguish whether used in meshed grids and non(less) meshed grid.

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

From the Central West region, the regulators commented that the target model was acceptable but would require increased coordination between the TSOs. Some market participants felt that flow-based should only be implemented if its benefits are proven. One stakeholder noted that it might not be suitable for longer timeframes. In addition, a new definition of the price or bidding area could be a challenge but could provide more efficiency. German TSOs disagree on the possible benefits of preventive redispatching, which could jeopardise network security and give wrong long term incentives. A further issue of minimum capacities was raised, which is currently being discussed in the Central West region.

From the Northern region, stakeholders commented that the flow-based model seems very ambitious. Furthermore, it stressed that to implement it better coordination of capacity calculation by TSOs would be needed. Also, there were questions whether this level of coordination would be beneficial for non-meshed systems. Other comments included having a single node as the bidding area; the need for EU-wide binding rules for the TSO's internal congestion management; keeping in mind the consumer perspective and ensure that solutions are easy for consumers and to avoid solving possible bottlenecks with curtailments (use counter trading by TSOs instead).

From the France-UK-Ireland region, the French regulator (CRE) agrees with the target model but feels it cannot be reached without greater TSO coordination. Regional coordination centres are necessary to reach the target and flow-based is needed only in regions with highly meshed networks and loop flow problems.

The PCG Chair invited the members to share their thoughts on the points raised. EuroPEX (Andrew Claxton) raised the question of how to facilitate coordination between regions in due course. ENTSO-E (Andrew McIntosh) commented that the position with flow-based has always been that it should be applied only where it is beneficial, which the target model recognises and should reassure the stakeholders who raised this concern. Regarding the points raised on definitions of bidding areas, this is a complex and rather political issue which would merit dedicated examination separately.

Balancing:

There was broad agreement on TSO-TSO solution (including a common merit order). There were remarks that the target model itself is not wholly clear on how it would work/look in practice – a clearer description would be needed. Balancing received a rather low priority in the regions, which is why top-down well-coordinated approach would be beneficial and important. Regarding the timescale, some respondents felt it was too ambitious.

From the Central West region, there was a call for a clearer definition and a feeling that the timescale is too ambitious.

From the Central East region, similar remarks were received – more detail and some basic harmonisation steps.

From the Northern region, one important remark was that the scope of balancing needs to be further clarified (due to the imprecise interface between intraday markets and balancing markets in current practice). Some felt that harmonisation is not necessary in balancing, in particular as regards imbalance pricing. One stakeholder remarked that some balancing systems are not yet market-based, which would need to be addressed.

From the South West region, several stakeholders expressed support for the TSO-TSO model.

From the France-UK-Ireland region, CRE commented that some changes would be required in market design for certain regions in order to apply the TSO-TSO model. Another remark pointed to the difficulty of harmonising gate closures and technical characteristics, although it is considered to be very important.

The PCG Chair invited comments from the members. It is often argued that balancing is not as high a priority for all market participants. ENTSO-E commented that balancing is a key for TSOs. ERGEG (Pamela Taylor) pointed out that this issue will be ever more important as intermittent generation grows and needs to be integrated into the grids. EuroPEX suggested it could be helpful to set out the importance of balancing to each of the timeframes – as there is clearly an impact between security and maximising the availability of capacity on energy trading. Eurelectric (Marcel Caillau) proposed that we should not view balancing as a global issue, but rather through case studies.

ERGEG (Cecile George) commented that there are two issues which should be distinguished: short terms and long term issues; for the later there should be EU-wide guidance in order to be able to address market design obstacles.

Day-ahead markets:

By way of background, the PCG Chair reminded the members of the target model (and open issues) proposed to the Florence Forum in June 2009.

From the Central West region, there was wide agreement on the target model (for price coupling). A number of responses referred to the challenge of implementation (in terms of governance issues), in particular for power exchanges which will be in a situation of monopoly for day-ahead cross-border exchanges. A three-region price coupling project is being discussed within the region.

From the Northern region, there was a feeling that the first step should be to develop a common solution within the region and to resolve the incompatibility of the EMMCC and CWE market coupling projects. Other responses raised the importance (and challenge) of addressing the governance issues – such as the centralisation of some services currently done by power exchanges.

From the South West region, there was support for the coupling, but a call for harmonisation for gate closure times and other requirements (such as complex conditions for bids). The timeframe was considered too demanding. Eurelectric (Gunnar Lundberg) reported on a meeting where there was broad agreement that the coupling should be done in order, such that the South West could join the completed coupling between the Northern and Central West regions.

From the Central East region, there were comments regarding the need to establish liquid spot markets in all market areas (a specific issue for the region). It was also proposed for the next step to be the integration of the Central East and Central West regions.

Eurelectric (Marco Foresti) reminded the members that the Day-ahead workstream had already indicated it would need further input from the regions to develop its roadmap. He proposed that the input received from the initial feedback could now be used by the workstream to this end. The members discussed the need for a pragmatic approach to making progress with market coupling, taking into account existing projects and the state of development of individual markets. Top-down guidance would nevertheless be needed in parallel to the ongoing projects to ensure the sequence of multiple-region coupling can take place smoothly.

CNE (Rodrigo Escobar) supported the concept “Price Coupling of Regions” as a pragmatic approach that can be developed in a transparent and open way in accordance with the general principles agreed (in the DA WS).

Intraday markets:

The comments reflected a preference for the continuous implicit trading model, although a two layer model was not considered universally good – in particular as it can reduce liquidity, makes cross-regional trade difficult, is short time-wise and hinders real harmonisation of markets. A single model is considered clearer. One question raised is the use of one or more order books and also

how to deal with OTC trade. Respondents felt the model is not specific enough and that the timing is challenging (2011 may be ambitious). The roadmap should outline the concrete steps with a clear timeframe and the role of regulators, TSOs, PXs and market participants.

EuroPEX commented that the workstream was not able to define a single target model for intraday and proposed that we should move forward with a flexible approach, whereby the regions develop their own solutions and in future 'good practice' examples could be applied by other regions. Eurelectric (Gunnar Lundberg) recommended that following the feedback it seems clear there is a preference for continuous trading and there is no need for a two layer approach. Members discussed this issue and the differing market designs in place, where market/country-specific solutions could be necessary. The CNE stated that, in case of a significant volume of intraday capacities, it looks reasonable not to allocate it free of charge.

Forwards markets:

The comments received reflect the discussions within the workstream – in terms of financial versus physical transmission rights. The respondents did not want the hybrid solution, but rather 100% one or the other. Financial solutions are considered easier to implement than physical solutions. Prerequisite for that should be market coupling of day-ahead and a liquid market. In addition, financial firmness is important for reaching the target model. Some respondents indicated a single platform for the region would be useful. Also there was a clear desire for a secondary market. On the other hand, it was noted that TSO risks are not reflected in the target model, neither is a definition of force majeure. Also, allocation of long term capacity would need to be reviewed from a regulatory perspective as it might block access to cross-border capacity for longer periods.

Governance issues:

By way of background, the PCG Chair reviewed the governance issues presented to the last Florence Forum. A number of open issues were identified, including the framework potentially established under EU regulation, decision-making authorities and process and the appointments of parties under Member State arrangements. In terms of the initial feedback exercise, many respondents referred to governance issues.

The TSO responses reflect the view that TSOs are ultimately and solely responsible for the effectiveness of capacity allocation across all timeframes. Meanwhile, the power exchange views requested a clear separation of functions and roles and the feeling that power exchanges are responsible for developing day-ahead markets (including price formation).

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

In terms of the further work of the workstreams following the initial feedback, the deadline for contributions from the workstreams will be 25 November, ahead of the next PCG meeting.

In the run up to the December Florence Forum, the workstreams should analyse the feedback – what changes are needed in the target model, what further elaboration and clarification is needed, what changes/elaboration for the roadmaps and coordination of the timeframes for the various roadmaps. The Governance workstream will continue to work to produce a proposition and cross-check the roadmaps.

The PCG should finalise the slide presentation with written explanations and consider whether to make a proposition on post-Florence steps (within each organisation and by stakeholders). Everything should be ready for the 30 November PCG meeting. The deadline for contributions from individual workstreams is 25 November.

4. Governance WS update

Addressed under Item 3. The workstream will meet on 11 November to work on developing its proposition for the Florence Forum.

5. Initial discussion on the post-Florence issues

The PCG Chair outlined several possibilities for continuing the work of the PCG following the December Florence Forum.

Track 1 – ERGEG will continue its preparation of input to the framework guideline on capacity allocation and congestion management. The PCG work would feed into the work and apply it to the impact assessment process for the framework guidelines. And ad hoc advisory group could oversee the progress.

Track 2 – individual projects stemming from the PCG could be taken forward, in particular to be led by the various stakeholders with coordination.

Track 3 – regional implementation, through the electricity Regional Initiatives (with coordination with RIG) to continue/start implementation. This implies the agreement among regulators on the target model and the timetables.

EuroPEX noted that there is a question of the role of the codes (from the 3rd Package) in the implementation of the PCG target model, etc. Eurelectric (Gunnar Lundberg) supports track 1 but called for a more permanent structure for stakeholders (rather than the ad hoc expert groups). A combination of the 3 tracks is necessary to make progress. ENTSO-E commented that there should be something to bind the 3 tracks together, and to ensure coordination. The advisory group proposed for Track 1 could ensure continuity and could be based on the existing PCG.

The European Commission (Matti Supponen) outlined some examples of concrete projects which could be undertaken within the context of track 2. For example, for capacity calculation, current initiatives include market coupling in the CWE and CEE markets – the project could be to have a European capacity calculation system. Another idea would be a European intra-day continuous trading platform linked to the European capacity allocation system project (and building on current initiatives in the Nordic region (Elbas) and bilateral intraday allocation projects). Regarding day-ahead, a central matching of bids from all areas to be coupled could be developed (building on current initiatives in CWE, EMCC, Nordic/CWE and PCR). Furthermore, extension of Power exchange coverage could be a candidate looking at current initiatives of Czech Republic and Slovakia, Hungary, Baltic States and the UK. Regarding governance, one project could be to prepare and agree on a governance structure allowing day-ahead market coupling. Additional projects on balancing and forwards markets could be identified by the workstreams. These project ideas could be taken forward following the December Florence Forum. The ad hoc advisory group could oversee the work and coordination of the projects.

Capacity calculation and Intraday could be led by ENTSO-E; governance by ERGEG; day-ahead by ENTSO-E/Europex together or if necessary by an outside body. Extension of power exchanges could a project to the ERI Regions. EuroPEX pointed out that these concrete projects will require significant resources, with dedicated project teams and boards and they are substantial undertakings. The questions regarding leadership, participation and scope could be answered at the Florence Forum.

There was some criticism among regulators on the appropriateness of working on the projects of “track 2” right after the Florence Forum without the guidance and the agreement among regulators as it could lead to discrepancies with the FG on capacity allocation and congestion management.

6. Any other business

The PCG Chair raised the issue of further work on OTC trading in terms of intraday and day-ahead timeframes, dealt with separately. The intraday and day-ahead workstreams should outline how OTC is used in each and possible solutions. This could be done in cooperation with the group of PCG members who are looking across all of the time frames.

7. Next meetings

30 November – CEER premises, 10h30

The meeting adjourned at 16h38.

12. Summary of all ongoing and outstanding action points:

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	PENDING
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	PENDING
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	PENDING
D-091102-05	The minutes of the 6 th PCG will be circulated by email for comments by 5 November.	PCG members	5 November 2009	PENDING
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	PENDING