

19th Market European Stakeholder Committee (MESC)

Wednesday, 18 December 2019 from 10:30-16:00
CEER, Cours Saint-Michel 30a, 1040 Brussels

Draft Minutes

Participants		
Christophe	Gence-Creux	ACER/Chair
Maria Eugenia	Leon	EC
Nico	Schoutteet	CREG
Adriana	Guth	Bundesnetzagentur
Marie	Montigny	CRE
Reinhard	Kaisinger	E-Control
Raphael	Soffer	ClientEarth
Rickard	Nilsson	Europex
Steve	Wilkin	Europex
Hélène	Weil	EPEX
Björn	Hagman	DNV GL
Jørgen	Bjørndalen	DNV GL
Michaël	Van Bossuyt	IFIEC
Cosimo	Campidoglio	All NEMO Committee
Ioannis	Retsoulis	Eurelectric
Yannick	Phulphin	Eurelectric
Helene	Robaye	Eurelectric
Jerome	Le Page	EFET
Paul	Giesbertz	EFET
Maria	Popova	EFET
Eleni	Diamantopoulou	ClientEarth
Naomi	Chevillard	SolarPowerEurope
Petteri	Haveri	Geode
Tim	Schittekatte	FSR
Sonya	Twohig	ENTSO-E
Malfliet	Bernard	ENTSO-E
Lucy	Sarkisan	ENTSO-E
Kjell	Barmsnes	ENTSO-E/Nordic TSOs
Benjamin	Genet	ENTSO-E/CWE TSOs/Core TSOs
Zoltan	Gyulay	ENTSO-E
Marta	Mendoza	ENTSO-E

1. Opening

1.1 Welcoming address, Approval of minutes, and Draft Agenda (Christophe Gence-Creux; ACER)

The Chair opens the meeting and welcomes all the participants. The meeting minutes are approved considering the changes proposed at point 5.3 and showed on the screen during the meeting.

Action: ENTSO-E to publish approved minutes on the website.

1.2 Update recent developments (update on recent ACER's decisions, General court's decision, workshop on market suspension, active library, etc.) (Christophe Gence-Creux; ACER)

The Chair informs that ACER has issued three decisions under the FCA GL (Nordic LTTR CCM, CORE FTRs and HAR).

Regarding the decision of the ECJ to annul the BoA decision on the CORE CCR and DE/AT split, the ECJ considered that an NRA can unilaterally request amendments to TSO decisions. The Chair informs that they have to wait for a new BOA decision on the matter (expected for January). ACER's intention is to issue a new decision based on the TSOs' old CCR definition proposal but reflecting the current situation. This will provide comfort for future regional decisions but may not be clear for past regional decisions. Next steps will be taken after the BOA decision.

Three decisions are on ACER's desk related to EB GL on pricing and the implementation frameworks of aFRR and mFRR (to be issued on the 24th January) and four additional ones are also likely to land on ACER's desk in the coming weeks/months. Furthermore, two CACM-related decisions are pending: one on the algorithm and another one on products that will be discussed later in the agenda.

Regarding the Eurelectric request to use the active library for national T&Cs for Balancing, ENTSO-E informs that it has been discussed among TSOs. In general, there is no opposition from TSOs on it, but it shall be highlighted that it will be a voluntary work, that is still in progress. A regular update on the use of the active library for national T&Cs for Balancing will be provided in the MESC.

Eurelectric asks about the conditional approval of some T&C. The chair answers that it is a national issue out of the scope of the MESC.

2. CACM

2.1 Update on the 70% (Nico Schoutteet, CREG)

CREG explains that following the new regulation published on 5 June 2019, there has been a lot of work between NRAs, ACER and TSOs on how to implement articles 14, 15 and 16. He highlights, as the result of this work, the non-binding recommendation issued by ACER on the monitoring of art 16.

CREG shows the list of TSOs that had asked for derogations. Most TSOs from the CORE Region have asked for derogations. The German TSOs did not apply for derogations as a result of their government presenting an action plan. Others as Poland and the Netherlands applied for both derogations (TSOs) and action plans (MS). By the end of the year, most decisions on derogations will be published by the NRAs. Justifications for derogations have to be on foreseeable grounds, and based on operational security (not structural congestions, which should lead to an action plan). The main reasons for TSOs to request derogations are loopflows, not yet implemented CC methodology compliant with CACM, lack of IT tools and process (under developments...), insufficient redispatch potential, effects of action plans in neighbouring MS, etc.

Further information is available in the slides.

No NRA has showed disagreement with any derogation requested from any other NRA. If it would happen, ACER will have to solve the dispute. But NRAs agree to continuously monitor the application of derogations; a governance framework for this will be put in place in Q1 2020.

Stakeholders, mainly Europex, Eurelectric and EFET, want to better understand the consequences of the derogations on the final capacity made available to the market and highlight that both action plans and derogations shall be exceptions and carefully monitored.

NRAs explain that, in general, the derogations approved follow the methodological approach, so no concrete numbers on the final result of the capacity available for the market will be shown. On the other hand, it is usually well defined which CNEC(s) they are related to. The selection of CNECs is also recognized to be a point of disagreement between ACER and the German NRA and subject of ongoing proceedings. E-Control explains that each CNEC that can limit the CC will be monitored.

NRAs remind also that Member States decide on the Action plans, not NRAs, so there may be a lack of coordination among them.

Regarding the arguments for derogations:

Stakeholders (EFET, Eurelectric) highlight that the lack of redispatching availability is a tricky argument that shall be carefully assessed, as reducing XB capacity in such cases will not help; the lack of coordination is not the same as a lack of available redispatching. ENTSO-E highlights that it is important to differentiate between 2 situations: outage and normal situation.

Regarding loop flows as a reason for derogations, stakeholders question them and ask if the loss of trade opportunity will be compensated. NRAs and TSOs explain that due to action plans in neighbouring countries, and also as suffering loopflows does not mean that you cause them, loopflows are considered reason for derogations. In Belgium, for example, there are cases where prognosed loopflows reach the 70% threshold, and it has to be considered as part of the environment. But loopflows shall only be accepted as a reason for derogations in case they are the result of another MS applying an action plan.

E-control explains that once the regional ‘CACM’ cost-sharing will be in place, compensations due to loopflows may be there, but we are not there yet.

Regarding transparency:

Eurelectric welcomes the coordination among NRAs on the derogations and asks to publish the results of the parallel runs. So far only Elia has indicated its commitment to publish such results. It is an important information for the market. Eurelectric asks NRAs to request this publication in their decisions as well as encourage them to provide guidance to TSOs, on what to publish when 70% is not reached. They want to avoid the case by case approach (as in CWE FBMC). It is highlighted that Tennet NL has appetite to publish results and maybe also other countries/TSOs will do it on a voluntary basis.

EFET asks ACER and NRAs to request the TSOs to publish the report on structural congestions, as for example in Germany it is not published. They do not see the reason for not publishing it as it shall contain similar information to the ENTSO-E technical report.

To conclude:

Most stakeholders welcome more transparency on derogations, action plans, publication of parallel plans, reports on structural congestions and ask the Chair if it is possible to compile all this information in one place.

The Chair takes note of the request and explains that he will check with ENTSO-E and NRAs how to manage this request.

He explains that ACER intends to send a request for data to TSOs by the end of the year and to repeat this exercise every 6 months.

He also highlights that he understands the challenges ahead for TSOs and NRAs and thinks that flexibility in the first year is a pragmatic approach but hopes to have complete set of data and information later on.

IFIIEC highlights that 70% is not the target and that a minimum of 70% has to be achieved.

2.2 Update on the BZ review (Nico Schoutteet, CREG)

NRAs received the methodology and configurations submitted by all TSOs. Based on that, NRAs plan to send 2 letters to TSOs:

- One related to the completeness of the proposal, in order to include alternative configurations
- Another one related to required additional information to assess the proposal

To discuss these letters, there will be a dedicated workshop between NRAs, ACER and TSOs on the 8th of January as requested by the NRAs. Stakeholders highlight that even if they are not invited to this workshop, which they would have liked to be, they would like to be involved in the process and ask NRAs and ACER to involve them as much as possible.

Stakeholders effectively express their surprise and disappointment that they are not invited/involved in such a relevant and important workshop.

Eurelectric, in particular, kindly asks the reason for which stakeholders are not invited/involved in this workshop, given that the relevant provisions of the CEP state that the BZR is to be carried out with stakeholders’ involvement.

ENTSO-E replies that, they are not in the lead at this stage of the process as now it is handled by the NRAs as we have not reached the BZR stage yet. Eurelectric counter-argues that, according to their interpretation of relevant provisions (e.g. art. 14.3), we are already in the BZR process and the methodology under development/discussion is also part of it. Therefore, in this respect, Eurelectric voices that they see that stakeholders need to be invited/involved in such workshops. ACER subsequently voices that stakeholders should be involved.

NRAs explain that they expect the re-submission by the TSOs of BZR alternative configurations proposal in February 2020, following ongoing discussions between NRAs and TSOs.

ENTSO-E highlights that clear guidance from NRAs is needed to submit alternative configurations, as without this guidance, these additional 2 months will most probably not result in any additional configurations.

2.3 Presentation of an ACER commissioned study on the impact of BZ reconfiguration on liquidity and transaction costs (ACER, DNV GL - Björn Hagman, Jørgen Bjørndalen)

ACER explains that, as Market parties highlight every time, the importance of considering the impact of liquidity and transaction costs on possible BZ reconfigurations, not only in DA but also in other timeframes, ACER decided to study from a theoretical point of view this possible impact. For it, they are performing a study with an external consultant, DNV GL, and would like to present the first preliminary views in the MESC.

DNV GL highlights that the impact on liquidity has different causes in different timeframes, as there are also different motivations for trade. Following this logic, they present their preliminary results investigating two potential impacts with respect to liquidity and transaction costs: potential for increased cost of hedging and potential for reduced competition. They conclude that there are no strong arguments for concluding that changes in costs of hedging represent welfare losses, but only a redistribution between market participants. Nonetheless, *if* changes in risks and profit opportunities result in market participants abandoning (or not entering) a market, this might result in welfare impacts.

DNV GL explains that the study just started and that it is work in progress (please see slides to follow all the explanation provided by DNV GL).

ENTSO-E clarifies that in all TSOs methodology, the impact on liquidity shall be considered not only on DA timeframe but also on other timeframes if technically possible, and that TSOs are open to pragmatic approaches to do it, as market liquidity is not the TSOs core business. From the 3 indicators proposed, ex ante, all TSOs had already considered 2 in the methodology. The third one, the correlation, once the portfolios are known, can be calculated, and TSOs are open to it, but TSOs have the concern that this indicator is quite impacted by the portfolio structure which is quite dynamic.

Stakeholders show concerns on some of the preliminary conclusions presented by DNV GL, in particular a different understanding between stakeholders (EFET, EURELECTRIC and EUROPEX) and the consultant on how to consider 'Risk premium and its cost for society'. Other comments raised by stakeholders requested to be further analysed by the consultant:

- Balancing timeframe is not considered yet and shall be considered;
- Consideration of no welfare loss if liquidity goes down in hedging and trading: EFET argues that lower liquidity increases risk premiums, and no one benefits from it in the market, hence creating a welfare loss;
- The interpretation that 'Tolerate the risk' and no welfare loss, as stakeholders see that there is a risk and a possible welfare loss, including in case of bankruptcy of market participants in case hedging becomes too expensive;
- Effects on investments (incl. via PPAs) to be considered;
- How to consider some negative effects on more BZ on other BZs.

The Chair offers stakeholders to contact DNV GL (CC Rafael, ACER) by 10th January to further discuss the results of the study and the comments raised in the meeting. Stakeholders ask for more time and the consultant and ACER agree to postpone the deadline till 17th January.

Action: Stakeholders to contact DNV GL (CC Rafa) by mail by the 17th January if they do not agree with the preliminary conclusions showed by DNV GL in the meeting or if they have specific comments on the slides showed.

2.4 Update on the impact of DE/AT splitting (BNetzA/E-Control – Reinhard Kaisinger)

E-control presents the slides showing the impact of the DE/AT splitting. He highlights that any conclusion on the split is difficult to be analyzed in isolation as the CWE 20% RAM changes in the market (e.g. fuel switch, nuclear availability) and grid topology (e.g. DE-PL PST installations) was introduced at the same time.

See slides for the details of the presentation.

There is a common agreement on the need to analyse full periods of 1 year, to avoid seasonal variability.

EFET highlights that liquidity in forward market in Austria has decreased and that they consider that lower liquidity means a welfare loss. EFET asks how NRAs commitment of 4.9 GW will be considered with the new capacity calculation methodologies and the 70%. TSOs highlight that they had also asked NRAs if historical commitment shall be considered for the LTCC, but there is not a clear answer yet.

EFET also asked about the reductions of forward capacity in Q4 2019 at the DE-AT border below the 4.9GW commitment of BNetzA and E-Control: as there is no written rule and apparently TSOs can breach the NRAs commitment, what are market participants to trust? E-Control: operational issue on APG side led to capacity reductions. But NRAs insist that 4.9GW commitment should be upheld by the TSOs.

EFET will very much welcome a similar presentation on the different impacts of the Sweden split from the Swedish NRA.

ACTION:

The Chair will check with the Swedish NRA if it is possible to provide an assessment on Sweden split for the next MESC and come back to the question on how historical commitments will be considered for the LTCC.

2.5. Update on the development/validation of SO GL art. 76 and CACM art. 35+74 methodologies, and a roadmap of their implementation in each CCR

ENTSO-E confirms that Hansa and Nordic SO art. 76 will be submitted by the end of the week. The Core CCR has also approved SO art. 76 methodology with unanimity, and it will also be submitted on time. Regarding art. 35 and 74 CACM methodologies in CORE, it is still a lengthy process, still 6 months to run experimentation and to come to an agreement. This experimentation is on going, and a report will be delivered in February to NRAs.

NRAs highlight that they consider these 3 methodologies as one package, and for it they are happy to have all 3 methodologies in CORE on the table by 27 March.

EFET asks who is responsible for the experimentation. NRAs and TSOs explained that the implementation is done by TSOs but the scope (3 scenarios) is agreed with NRAs.

Eurelectric asks about the intended date for implementation. ENTSO-E explains that the first step will be implemented in 2 years and the next one in 4 years.

Europex highlights that is not yet clear for stakeholders what this 'redispatching framework' will look like. E-control answers that the ultimate goal is to give the right incentives to TSOs for achieving the 70%.

Eurelectric explains that a redispatching framework is a pre-requisite for achieving the 70% legal requirement. They, consequently, express concerns about the planned timeframe ENTSO-E communicates, as it might overall endanger the very achievement of this requirement. ENTSO-E explains that it is an important element to achieve the 70%, but not the only one.

2.5 EFET request for common publication of DA bid/offer curves by all NEMOs in CWE (Jerome Le Page, EFET)

Following the request in the last MESC, NEMO's Committee Chair explains that NEMOs' committee discussed the issue and is in general in favor, but as it is not a direct task from CACM and one NEMO opposes, the publication of aggregated bid/offer curves per bidding zone, no further work will be done on this for the time being. The information is accessible in the algorithm, it is technically possible.

Despite a general favor, it appeared that there is no unanimity among NEMOs and some NEMOs argued that, lacking any clear obligation stemming from CACM, they would be ready to proceed only after some explicit requests from relevant institutions. As a consequence, not further work can be done at NEMO Committee for the time being on this. It is clarified that on a technical level the information is accessible in the systems of the different NEMOs on an anonymized basis, so it would be technically possible for each of them to publish the aggregated bidding curves by bidding zones as requested by EFET. Currently this is not done due to the current procedures and contractual arrangements among NEMOs, as NEMOs can't use anonymised information from other NEMOs for any reason different from operations. EFET highlights once again the importance of having aggregated bid and offer curves published and explains that they will approach again EC and ACER to push for this.

The EC explains that ideally this information shall be available for transparency reasons and wants to further understand where the problem for the NEMOs is.

NEMOs shall expect that EC contact them again on this topic.

EC informs that the next MCO governance meeting will be after summer, where there will be specific proposals on the wording amendments for CACM.

2.6 Update on ACER's consultation on algorithm methodology: ACER (Chair) and EFET, (Jerome Le Page)

The Chair explains that ACER is working on the algorithm decision as the deadline will soon expire.

EFET shows their dissatisfaction on how the algorithm consultation run by ACER was done. They highlight the need that market parties have for the information. They explain that the consultation started from the assumption that there will be big performance problems for Euphemia. This information was not published before. EFET is especially concerned about the definition and future of complex products and the omission of the question of cross-product matching in connection with the introduction of smaller granularity products. EFET wants to be sure that liquidity will not be impacted by it.

The Chair explains that some requirements as complex products (not including block orders) or 'intuitive FB' are not CACM requirements, so they are not obligatory. Others, as scalability or Nordic FB, are CACM requirements, so in case priority has to be given, obligatory CACM requirements shall come first. This is the logic behind the consultation.

EFET concludes that, in their view, getting rid of complex products may not be the solution, and asks ACER to formulate the consultations in a more open manner in future occasions.

The NEMO's committee Chair highlights that there are no performance issues today, as it appears clearly from the first CACM report published by NEMOs in coordination with TSOs on 10th of December. On the other hand, 15 min implementation, CORE FB, Nordic FB and MNA implementation are coming. With the introduction of 15 min products, preliminary assessments shared with EC/ACER/NRAs show that the calculation time may be multiplied by 10 in some cases. There is already an agreement with TSOs to increase the calculation time to 17 minutes starting 2020, but this is not enough to support an enduring solution to scalability challenges. It is under assessment whether the fall-back scenario proposed by ACER (which is that only the explicit CACM requirements, no complex products beyond the ones explicitly mentioned in the CACM GL, no LTA inclusion) is actually viable: more detailed analysis will follow in the second CACM report expected to be published by June 2020. They also mentioned that Cross-product matching would definitely increase complexity, and that a solution may not even be available before the end of the derogation period for the harmonised 15-min ISP.

The NEMO's Committee Chair also explains that uncoordinated changes of the regulation and moving targets make their work very difficult, but also highlights that there is a very good level of cooperation with EC and ACER, and hopefully a pragmatic solution will be found.

2.7 Update on NEMO Committee activities (Yearly Report, NC feedback on consultation on algorithm methodology, Co-optimisation) (Cosimo Campidoglio)

The NEMO's committee Chair presents the status update on ongoing activities (further information in the slides).

He informs about the publication of the first CACM Annual report by NEMOs, highlights their concerns on the Algorithm consultation run by ACER (see comments in the previous point 2.6) and lack of clarity on the next steps. He also explains NEMOs' concern on the co-optimisation methodology consulted by the TSOs and its impact on NEMO's work, highlighting that NEMOs – despite being expected to deliver the technical solution supporting it via the SDAC algorithm - have been very poorly involved in the drafting process of the regulation and only recently have been involved by TSOs in the discussion of the next steps.

ENTSO-E reminds that a lot of consultation took place on the co-optimisation topic and highlights that TSOs also support a pragmatic approach.

Europex also sees that there are still a lot of grey zones and Eurelectric highlights the need from market participants to have clarity on the 15 min products' implementation.

The Chair asks the NEMOs' committee Chair to present which further CACM requirements could be implemented in the SDAC algorithm and in which timeframe, and to present it in the next MESC. The NEMOs' Chair confirms that it may be able to present further clarity on this road map at the next MESC.

ACTION: NEMO's Committee Chair to present clarity on the road map for the next implementations in Euphemia.

2.8 Update on XBID/SIDC (Kjell Barmsness)

ENTSO-E explains that the main message from the SIDC project is that 2019 milestones were successfully delivered, and that 2.0 release and second wave go-live are a successful story. Further information can be found in the slides

The Chair congratulates the project for its great achievement.

2.9 DA market coupling:

- Update on the extension projects (Nordic FB, Core FB, 4MMC)

Core FB project (Benjamin Genet, Manfred Pils)

CORE TSOs explain that, as already reported in the last MESC meeting, it is not possible to meet the initial deadline (end 2020), and 6 months delay shall be considered for the implementation of the CORE FB. In the slide it is presented the summary of what has been provided to the EC and NRAs and the reasons for the delay. The new go-live window of the project is May to September 2021. More information can be found in the next slides on the mitigation measures and alternative scenarios.

CORE TSOs explain that there is a clear acknowledgement on the urgency to deliver this project and the project presents the road map.

EFET and Eurelectric highlight the need to maintain the needed time for the external parallel run of 6 months. If the technical solution evolves during the parallel run, the results should be re-run according to the new solution. Transparency efforts should also include clarity on how redispatching will be considered, through the CORE users group.

4MMC project (Bianka Szirjak)

4MMC TSOs presents the status report of the project. The go-live of NTC coupling is expected by August-September of this year. Further information can be found in the slides.

EFET asks if the testing phase includes an external parallel run and explains that it will be very much welcome by the market parties and asks the project to involve more the stakeholders in the discussion.

The project explains that member testing will be included in the planning but there is not yet a detail list of activities for the test and takes note of EFET's request to further involve stakeholders and if possible, organise a parallel run.

Nordic FB: Nor Cap project (Kjell Barmsness)

The project explains that Nordic RSC is leading the work on the Nordic FB implementation.

The working assumption is that the parallel run will not start before September 2020, and it will last 1 year. So go-live will not be before September 2021.

Eurelectric would like to see more stakeholders' involvement in other regions projects. They explain that there is some involvement in SWE (A regional forum will take place by the end January in Paris) but in others as North Italy there is less stakeholders' involvement.

NRAs explains that they are also pushing to increase stakeholders' involvement in all CCRs.

DA MRC (Benjamin Genet):

The MRC project informs that a training of market participants on fallback auctions will take place in Q2. Market parties ask for further details on the training and be involved in the organisation and the frequency of the test.

The MRC project also informs about the challenges for the implementation of the 15 min MTU and the MNA interdependencies. (further information in the slides)

ACTION: MRC project to provide further details on the training to be presented in the next MESC or (if too late) to be shared by mail with Market parties.

2.10 Update on the implementation of article 10 of Regulation 2019/943 (Jerome Le Page, EFET)

EFET explains that they see the need to bring clarity from the EC on the elimination of price limits and application of art. 10 of the regulation 2019/943.

Their concern focuses on the OMIE/CNMC/ERSE proposal in Iberia which set bidding limits at 0/300 Euros/MWh in DA and ID in MIBEL (instead of removing them from January 2010). Further details in the slides.

The Chair explains that OMIE may not be behind this resolution in Iberia, but EFET highlights that OMIE is accountable for it in any case, alongside CNMC and ERSE as the signatories to the proposal. The Chair agrees that the resolution in Iberia goes against the spirit of the regulation.

EFET also concludes that there is still a lot of work to do before the 1st January not only in MIBEL. There are still clearing limits in different markets, and clarity shall be provided.

3. AOB

- Update on market suspension discussions and the need for harmonisation (Marta Mendoza)

ENTSO-E informs that they had started the process by tracking the submission of the deliverables to NRAs, and that so far there are only 8 rules approved by NRAs. As already informed, a webinar will take place by the end of February/beginning March to further discuss the general topic of suspension of market participants and the survey questions to be filled in by TSOs. MESC participants will be informed of the exact date by mail (further information in the slides).

ACTION: ENTSO-E to inform MESC participants on the date of the workshop

- Update on frequency deviation report/DfDs (Malfliet Bernard)

ENTSO-E presents the main findings of the report published on 1st December 2019. This report has been approved by all TSOs and contains the list of actions which are detailed in the presentation (see slides).

ENTSO-E is launching a two-month public consultation beginning on 1st December 2019 on the subject of DFD. Stakeholders are welcome to answer to the consultation and contact ENTSO-E in case of questions.

-Other topics:

EFET would like to propose 2 new possible topics to be discussed in future MESC: The redispatching framework and the Implementation of EB guidelines and the role of the balance responsible party.

The Chair will think about it, but the second topic may be better placed in the BSG once the meetings resume.

The Chair also explains that a new expert group is likely to be created to deal with all CEP upcoming adequacy-related methodologies. More information will be provided on March 11.