

WP2 Consultation Event

TM assessment

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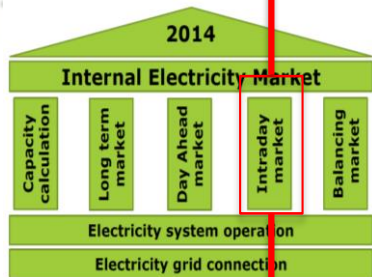
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The Target Model

Description



Status

ACER

4 Implementation of a cross-border continuous intraday trading system across Europe

4.1 The project in a nutshell

The overall objective of the Intraday Cross-Regional Roadmap is to implement the Intraday Target Model on all borders in Europe by the end of 2014. Due to several issues, the project has been delayed. The implementation of the Intraday European target model follows a phased approach starting with implicit continuous trading covering at least the NWE (plus Austria and Switzerland) region which will evolve to meet the requirements of the target model while being implemented at European level.

4.2 Review of the progress during this quarter

Overall assessment:

Ongoing delays with pre contractual negotiations with the selected IT provider having a huge impact on project deliverables

Regions	Progress achieved	Pending issues
NWE	<p>FXs and the selected IT provider entered into an Early Start Agreement (ESA) (December 2013).</p> <p>The Power Exchange Cooperation Agreement (PCA) is in the process of being signed by all participants, including GME who have now joined the project.</p> <p>As a reminder, the purpose of the PCA is to set forth the main terms and conditions of the cooperation between the power exchanges with regards to the design, development and implementation of the XSID solution, as well as the operation of the joint power exchange components once live.</p> <p>The two documents above being agreed, the Regulators from NWE + Austria and Switzerland formally approved the Letter of Comfort (LoC), covering the design and development phase of the project. The LoC was addressed to Transmission System Operators (TSOs) in mid-January 2014, with Spain providing comfort directly to its TSO.</p>	<p>The agreement of the ESA does not mean that the contract will definitely go ahead as the ESA is supposed to lay the foundations for a contract between the parties.</p> <p>The ESA is split in 2 phases: Step 1 should see the resolution of all outstanding major issues and step 2 is the development of the platform blueprint – final deadline of the ESA is not set yet.</p> <p>Current negotiations between FXs and the selected IT provider are on-going since last October. A number of technical issues around the chosen solution are causing delays in the completion of ESA step 1.</p>
SWE	CNMC approved and submitted the Letter of Comfort to OME in January (as regards its participation in the NWE+XBID project).	No implementation roadmap
CSSE		No implementation roadmap
CEE		No implementation roadmap
Croatia	Intraday rules and technical implementation are in preparation with Hungarian TSO (MAVIR) - target Q3	Only unilateral intraday allocation at the border with Bosnia-Herzegovina will remain by CA and implementation of coordinated daily auctions in SEE CAO.
HROTE and HOPS	HROTE and HOPS are planning to organize intraday (and joint cross-border I) market in Croatian PX after implementation and coupling of its day-ahead market. This is not expected to happen before the second half of 2015.	
Romania		No implementation roadmap
Bulgaria		No implementation roadmap
Ireland*	See update for Day Ahead Market Coupling	

ACER
Agency for the Cooperation
of Energy Regulators

ERI process – The state of play

Regions defined for the ERI

Central West



North



France – UK – Ireland



Baltic



Central South



South West



Central East





Main components of TM and assessment framework

- **Market Network Codes:**
 - Capacity Allocation and Congestion Management
 - Forward Capacity Allocation
 - Electricity Balancing
- **Assessment framework**
 - Long term markets
 - Short term markets
 - Very-short term markets





Long term markets: Capacity Remuneration Mechanisms

- The TM does not consider the creation of a capacity market or CRMs
- However, energy-only markets seem to provide strong-enough incentives for generation investment if stringent conditions apply:
 - Including well functioning long term markets and appropriate scarcity pricing
- Then, several systems are implementing CRMs





Long term markets: Capacity Remuneration Mechanisms

Implementing CRMs may make sense, but several conditions should be fulfilled

- They should address the missing capacity problem, not the missing money one
- CRMs should not interfere with efficient short term prices
- CRMs applied in the several systems should be coordinated to increase efficiency





Long term markets: Capacity Remuneration Mechanisms

- Explicit consideration of external capacity bids should be made
- This increases the level of complexity:
 - Development of long term cross-border products
 - Need to ensure that external provider will fulfil its commitments if needed
 - Countries should always allow export of power by local generators providing firm capacity in other markets
 - Even under scarcity conditions in the former
 - Flows into systems having contracted part of their firm capacity externally could, even under scarcity conditions, be in the exporting direction
 - This may occur if neighboring regions are in scarcity conditions as well



Long term markets: Low emission energy

- Low emission energy is a different product from conventional energy
- Given that certain amounts of it are needed to comply with climate policy objectives, specific markets may need to be organized for it
 - Clean generation may not be competitive against conventional one even in the long term
 - When considering together costs and revenues from all other markets than a clean energy one (energy, flexibility and firm capacity ones)
- The TM does not consider the creation of clean energy markets

Long term markets: Low emission energy

- Markets for clean energy should, nevertheless, comply with certain requirements
 - They should be adapted to the features of clean energy provision: long term markets may be more suitable (or short term complemented by long term ones)
 - They should not distort efficient signals in other markets
 - They should make achieving several objectives compatible:
 - Competition among mature technologies
 - Development of immature ones



Short term markets

Model for day-ahead and intraday transmission capacity allocation

Basic diagnosis:

- General principles applied are right, efficient
- However, the question is whether they can be adjusted to make the allocation more efficient





Short term markets: adjustments

Flow-based vs. Coordinated NTC

- Flow-based is more efficient
 - It allocates capacity on each interface to transactions among the several pairs of bidding zones in a coordinated way
- However, it is also more complex
- Generally, a flow-based scheme should be used
 - Though coordinated NTC can be used when interactions among the use of TC by bids among several pairs of bidding zones is limited: radial networks





Short term markets: adjustments

Bidding zone configuration

- Probably, defining bidding (and pricing) zones is sensible
 - Going to nodal pricing could be unnecessarily complex
- However, several aspects that should be assessed about this
 - Borders of bidding zones
 - They should be defined to reflect systematic congestion in the grid...
 - ... While currently, this is probably not the case
 - Updating of bidding zones
 - This may be necessary
 - But it is already considered in the TM with an adequate frequency: every three years or when a relevant party requests it





Short term markets: adjustments

Timing of short term markets

- Probably, timing of day-ahead is appropriate
 - There is a large consensus among systems on this
 - Reasonable compromise between:
 - Having an accurate enough estimate of real time conditions for market agents to design bids
 - and provide the TSO with enough time to validate the market outcome
- Regarding the timing and organization of intra-day markets
 - Moving the intra-day gate closure time closer to real time could be considered
 - Combining centralized with continuous intraday trading seems also sensible...
 - When liquidity problems exist, use centralized auctions
 - But should any capacity be reserved for the intra-day?
 - Failing to do so may result in unfair discrimination against those agents that need to contract in the shorter term because of their features





Very-short term markets

Main purpose: achieving a well functioning, integrated, balancing market in the IEM

Basic diagnosis:

- General principles in the TM are sensible
- However, the design of balancing markets is largely left open
 - Several alternatives are provided for many aspects of balancing market functioning...
 - While, more specific indications should be made in order to guide the development of markets in the several regions
- General guidelines for pending developments are provided next
 - These are further detailed in WP3 of the project



Very-short term markets: requirements

Model for balancing market integration

- Purpose is making smooth progress in the integration process
 - From integration of control areas for imbalance netting...
 - To the creation of common merit order lists
- However, in order for the integration to be efficient, harmonization must take place in a number of issues
 - From settlement periods, to imbalance pricing, going through balancing products and their remuneration





Very-short term markets: requirements

Procurement of balancing services

- A number of issues remains to be further defined
 - Minimum requirements for pre-qualification as a BSP
 - Sales of balancing capacity and pricing should not hinder the participation of some market agents
 - Maximum levels of unshared bids should be set and these should be transitional
 - Harmonization should take place in balancing gate closure time and this should be close to real time
 - To limit balancing needs and provide more flexibility



Very-short term markets: requirements

Access to cross-zonal capacity

- Cross-zonal capacity should be used in the time-frame where it is more valuable
 - Purpose is maximizing overall social welfare
 - Its allocation in each time frame should take into account others
 - Mechanisms for capacity reservation should be more elaborated on

Imbalance settlement and pricing

- Purpose should be providing incentives for BRPs to balance themselves and reduce the system imbalance
 - Imbalance settlement period should be harmonized
 - Publication of volumes and prices of balancing energy bids and the activated ones in previous periods
 - Application of single imbalance pricing based on marginal price of activated balancing energy



COORDINATOR



PARTNERS



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Results, event calendar and all related news can be found on: www.market4RES.eu



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Thank you very much for your
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