

## CWE Consultative Group

### Meeting minutes, 28<sup>th</sup> of September 2017, Brussels airport

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<b>Author</b>	BOYER Karel		
<b>Name</b>	<b>Company</b>	<b>attendees</b>	<b>Excused</b>
<b>MARKET PARTICIPANTS</b>			
JONG Dieter	ANODE	X	
ZELENY Marek	CEZ	X	
VU DAC Olivier	Citadel	X	
PONTENAGEL Paul	Cross Options	X	
TIMMER Roderick	Cross Options	X	
LE PAGE Jérôme	EFET	X	
LEFEVRE Eric	ENGIE	X	
ROBAYE Hélène	ENGIE / CCG co-chair	X	
MAURICE-VALLEREY Laurent	GAZPROM	X	
CLAES Peter	IFIEC	X	
STEINBACH Marcel	MPP / BDEW	X	
PHULPIN Yannick	MPP / UFE	X	
RINKE Thomas	Statkraft	X	
BONDE Michael	Uniper Global Commodities	X	
MANDIC Regina	Verbund Trading	X	
<b>NRAS</b>			
TUETTMANN Ramona	BNetzA	X	
MORANGE Laureline	CRE	X	
VERHELST Clara	CREG	X	
KÖSSLDORFER Zeljka	E-CONTROL	X	
<b>CWE PARTNERS</b>			
BUCKSTEEG Michael	AMPRION	FB expert	X
OLDENHOVE Thomas	CORES0	FB expert	X
ATTANASI Arnaud	ELIA	FB expert	X
MESTDAG Christophe	ELIA	FB expert	X
DJABALI Rouquia	EPEX SPOT	FB expert	X
WEISS Arnold	EPEX SPOT	FB expert	X
KLINGSCH Gerrit	TENNET DE	FB expert	X
GREUNSVEN Joost	TENNET NL	FB expert	X
SEMMIG Andreas	TRANSNET BW	CCG Co-chair	X
BOYER Karel	Eurogroup CS	PMO	X
VAN KESTEREN Line	Magnus Red	PMO	X

## Agenda of the meeting:

### I – CWE Consultative Group session

1. Review of last Flow-Based Day-Ahead market results
2. Status on Intraday Capacity Calculation
3. CWE Day-Ahead Capacity Calculation
4. Status on transparency framework within CWE region
5. Update on post Flow-Based NRAs deliverables and interface with MPs
6. Impact assessment of foreseen significant changes (SPAIC)
7. DE-AT project status

### II – Status on Euphemia algorithm developments

## Summary of discussions of the CWE Consultative Group session

After now more than two years since the go-live of CWE Day-Ahead Flow-Based Market Coupling (FB MC), CWE Partners and Market Participants (MPs) have looked closely at the operational results of the methodology and discuss what could be further improved in parallel of other European market integration projects.

The final Flow-Based Intraday Capacity Calculation (FB IDCC) methodology has been submitted to the CWE NRAs on May 9<sup>th</sup> after consideration of NRAs shadow opinion and MPs feedback during the consultation period. CWE TSOs have also published a Consultation Report on June 16<sup>th</sup> via JAO website that provides further clarifications and answers to most of the pending questions from the MPs. Nevertheless, MPs expressed their dissatisfaction regarding the lack of time (2 weeks) given to provide feedback during the consultation period and they regretted that CWE Partners could not answer to the MPP letter on FB IDCC methodology during the CWE Consultative Group meeting. CWE Partners will therefore organize a workshop by beginning 2018 to answer to the remaining questions and explain the further steps before implementation of the new methodology.

Regarding the Day-Ahead timeframe, CWE TSOs provided the outline of the three main measures decided to ensure LTA will be covered for the next winter 2017/2018, without endangering the security of supply. Next to this, TSOs are investigating long-term and structural actions to mitigate pre-congested capacities situations in the coming years.

In two presentations on Day-Ahead market results during May 1st 2017 and ongoing projects in Germany, NRAs stressed the potential impact of existing / new assets and current loop-flows on the capacities exchanged on the Day-Ahead market. MPs urged TSOs and NRAs to carefully analyze and communicate about the impact of coming significant changes through the so-called SPAIC process: several projects have been suggested for SPAIC analysis and MPs would welcome if TSOs could provide the Flow-Based Parameters results as soon as available.

In a third presentation, CWE NRAs developed their view on the current status of the 15 post go-live requirements described in the 'Position Paper of CWE NRAs on Flow-Based Market Coupling' (March 2015). Some of the requests have been completed or shifted to the Core CCR, and for others, NRAs confirmed there is still a need for improvements in the CWE region for several aspects such as the review of the CBCO selection rule or the update of the FRM values. Although NRAs presented transparency as an accomplished topic, MPs explained that indeed some improvements were done, but that there are still important flaws in the implementation of transparency principles.

All CWE TSOs now publish on daily basis transparency information on CBCOs and RAM from May 31<sup>st</sup> on. Despite significant progress, EFET and TSOs agreed that some further efforts should be made to improve the clarity and robustness of the data published. Furthermore, MPs suggested releasing additional information (e.g. EIC codes, likely directions) in order to ensure that the data published are usable by the market participants.

Finally, DE-AT TSOs presented the current status of the DE-AT bidding zone project and its future developments. Details regarding the design of the target solutions (Day-Ahead, Intraday, Long-term), the external parallel run and the assumptions taken to perform the SPAIC analysis should be clarified between MPs and TSOs in dedicated a meeting.

Market Participants will be continuously informed of the developments in the CWE region through the CWE Consultative Group mailing list and publication on JAO website. The next meeting will be organized around beginning 2018.

## I – CWE Consultative Group session

### 1 Review of last Flow-Based Day-Ahead market results

#### Flow-Based market results

- After now more than two years since CWE Flow-Based Market Coupling (FB MC) go-live, CWE experts proposed a set of indicators to emphasize the differences between ATC and FB methodologies:
  - Despite important variations in the last two years, price convergence level has improved on average since the introduction of FB methodology;
  - Volume of exchanges in the relevant market directions has increased;
  - Regarding welfare, differences between FB Plain (FBP) and FB Intuitive (FBI) would have been much more limited if the price spikes days have been discarded from the analysis. Aside from very rare situations such as in July 7<sup>th</sup> or July 23<sup>rd</sup> 2017, FBP provide on average a welfare gain in comparison to FBI.
- For the next meetings, Market Participants (MPs) would be interested to see specific focus (instead of average data) and analysis on particular Business Days situations. For instance, MPs recently experienced a risk of partial decoupling but did not understand yet the underlying reasons of that issue.
- As presented in the previous CWE Consultative Group meeting, CWE experts have published a report on January 27<sup>th</sup> 2017 comparing FBP and FBI methodologies. Based on this study and after the conclusions of the so-called “Flow-Factor Competition study”, NRAs should evaluate if a change towards FBP would be relevant and justified.
- MPs would welcome if the NRAs could provide more information and clarity on the next steps actions concerning the decision on Flow-Based Methodology (FB plain versus FB intuitive), especially concerning the public consultation process that is expected for this decision.

**Action CWE Partners: Include analysis on specific Business Days situations in the review of operational FB MC results**

**Action CWE NRAs: Present the next steps foreseen regarding the choice between FBP and FBI methodologies**

#### Review of CWE Day-Ahead market results during May 1<sup>st</sup> 2017 (CREG presentation)

- On request of MPs, the CREG outlines the main conclusions of its analysis on the remarkable market results for May 1<sup>st</sup> 2017: steady price in BE has been observed during most hours of the day (1) and low cross-border exchanges have been observed (2) although there was an important price spread between DE-AT and BE.
  - On the first issue (1), the regulator concluded that the unusual steady price was due to a manual entry error from a market player, switching the volume and the price in its bid.
  - On the second issue (2), the experts from the CREG considered that the limited exchanges observed originate from significant network constraints (CBCOs activation, low RAMs...) and loop-flows.
- In particular, CWE NRAs remind that they are still discussing the CBCO selection rule with TSOs in order to define the most relevant criteria. CREG has recently formulated a proposal to the TSOs and expect a revision of the CBCO selection rule in the CWE region as soon as possible.
  - EFET regrets that the NRAs did not put more effort on this request earlier and urge the regulators to closely follow-up that issue.
  - The NRAs confirm that it is a high priority topic for all the regulators and that they hope to get results in CWE region before the Core CCR. The CREG elaborates that the FB MC results should be optimized and monitored through the determination of the most relevant RAMs and PTDFs values, rather than corrective and non-transparent measures such as redispatching.
- A. SEMMIG indicates that all CWE TSOs are facing loop-flows issues limiting the exchanges. One of the most difficult challenges remains to deal with a constantly changing environment. The margins needed are a result of the ex-ante process where calculating capacities is done before market results are known. Introducing redispatch or other costly remedial actions in the day ahead capacity calculation needs to be analyzed carefully avoiding creating inefficiencies.
- MPs expressed their interest to investigate the inclusion of costly remedial actions in the capacity calculation. They mentioned that it can be paradoxical: in the some cases, the cost of the remedial action can even be negative (in case of wind curtailment for instance). They asked if the RAM already considers the wind curtailment. CREG explained that wind curtailment is not taken into account in the D2CF.

- MPs asked if there was a “feedback loop” between investment decisions and shadow prices. NRAs explained that information about investments can be found in the Ten Year Network Development Plan (TYNDP) monitored by ENTSO-E. However it should be noted that the shadow price level is only one of the elements guiding the decision of investment at national or European level.

## 2 Status on Intraday Capacity Calculation

### Monthly publication of the increase / decrease values for ID ATC

- CWE TSOs have started the monthly publication on JAO website of the increase and decrease values of the ID ATC after FBMC increase / decrease process from June 2<sup>nd</sup> on. This process has been improved since September 4<sup>th</sup> and MPs can now have access to a daily publication of the market results.
- Furthermore, the Intraday experts have built a proxy welfare indicator based on MPs suggestions. The objective is to provide more visibility on the possible welfare gain offered by the ID ATC after FBMC increase / decrease process. Based on the daily data publication, MPs have now the possibility to make their own indicator and analysis.
- MPs welcome this indicator and indicate that they have estimated a general welfare gain of more than 4 million Euros over the last year. They also suggest for the next meetings to monitor the results based on the proxy indicator over long period (for instance one year) instead of some specific months.

**Action CWE Partners: Monitor the performance of the ID ATC process on a yearly basis based on the proxy welfare indicator**

### Status FB IDCC Methodology

- The final FB IDCC methodology has been submitted to CWE NRAs on last May 9<sup>th</sup> after the Public Consultation period. Some of the MPs feedback points and the NRAs’ shadow opinion have been taken into account to adapt the CWE FB IDCC methodology proposal, notably with the deletion of the local re-assessment process. Other pending questions and suggestions from the consultation period have been thoroughly analyzed and answered in the Consultation Report published on JAO website.
- CWE experts would also like to acknowledge receipt for the recent MPP letter “Comments on the CWE TSO proposal for the Methodology for capacity calculation for the ID timeframe” but also the additional questions on FB IDCC methodology received in the preparation of the CWE Consultative Group. Explanations on most of the questions can be found in the Consultation Report. However, in order to properly answer to all concerns raised and explain the further steps regarding the external parallel run preparation, CWE TSOs propose to organize a dedicated workshop with the MPs at latest beginning of 2018.
- MPP welcomes the organization of the workshop on FB IDCC but regrets that CWE Partners cannot respond directly to the questions during the meeting. MPs underline that they were given only 2 weeks to answer to the public consultation on FB IDCC and therefore ask for more reactivity from CWE Partners in the future.
- CWE NRAs explain that only CRE and ACM will need to formally approve the methodology. However, all NRAs are preparing a common position paper for FB IDCC in which they will require some improvements to be made to the methodology 3 months before the go-live date.

**Action CWE Partners: Organize a workshop on FB IDCC at latest beginning of 2018 to answer pending questions from the MPs and present the next steps before implementation of the new methodology**

## 3 CWE Day-Ahead Capacity Calculation

### Flow-Based Day-Ahead Capacities

- As a result of a previous Standard Process for Assessing Impact of significant Changes (SPAIC) analysis, CWE TSOs concluded that they are facing challenges with available capacities as consequence of significant changes in the recent years in the mix and the location of generation and changes in consumption. Most of these challenges are structural and are not linked to the Flow-Based methodology. Consequently, long-term evolutions (e.g. building new lines) will be needed to make significant improvements.
- Nevertheless, TSOs identified short-term measures that could be applied for the next winter to ensure LTA is covered in a controlled manner, without endangering security of supply:
  - Implement additional coordination for existing remedial actions in the Day-Ahead process;
  - Extend the list of non-costly remedial actions for coordination in the Day-Ahead process;
  - Include re-dispatch in Day-Ahead process in a controlled manner.
- The two first measures will be performed systematically from 24<sup>th</sup> October on (Business Day 25<sup>th</sup> October); however the third one (re-dispatch) will be done on a case by case basis. The objective of these measures is to reduce significantly the number of pre-congestions and therefore limit the “LTA violations”.

- CWE TSOs also foresee in the long-term to potentially use the RAO (Remedial Action Optimization) process that is currently being developed for CWE IDCC and the CORE CCR DA.
- FB experts carefully assessed MPs' questions regarding the "January cold snap" (21<sup>st</sup> – 27<sup>th</sup> January 2017) and confirmed that no costly remedial actions were triggered during this event. Besides, non-costly remedial actions were taken based on the forecasted most likely flow pattern.

#### **Impact on loop flows in CWE (Bundesnetzagentur)**

- Following a request from the MPs, BNetzA develops its view on the potential impact of coming German projects on loop flows.
  - German-Austrian split (October 2018): NRAs expect a reduction in loop-flows with the implementation of the DE-AT bidding zone border. DE-AT TSOs have launched a SPAIC to analyze the impact of the project on capacities and market results.
  - Joint statement on DK-DE trading capacities by Denmark and Germany (July 2017): according to the NRAs, there will be no impact expected on loop-flows since there will be no change in the physical flows.
  - Commissioning of Doetinchem – Wesel line (summer 2018): regarding this project, CWE TSOs will launch a dedicated SPAIC to analyze the potential impact on the capacities. Therefore at this point of time, NRAs cannot confirm if there will be any impact on the loop-flows.
- MPs point out it still unclear if there will be power plants contracted to provide redispatching possibilities to TSOs after spring 2018 on the DE-AT bidding zone border. DE-AT project parties point out that German grid reserve contracts with power plants outside of Germany will phase out in spring 2018.
- According to some MPs, there is a possibility that the new trading capacities offered on the DE-DK border would impact the CWE FB domain due to possible influences on D2CF and RefProg files. Tennet DE will investigate the issue raised by the MPs and provide feedback as soon as possible.

**Action DE-AT bidding zone project parties: Assess if the introduction of new trading capacities on the DE-DK border could have a potential impact on CWE loop-flows.**

## **4 Status on transparency framework within CWE region**

#### **Progress on pending transparency propositions**

- From 31<sup>st</sup> May 2017 (Business Day 1<sup>st</sup> June) on, all CWE TSOs are publishing new transparency information on CBCOs and RAMs via the JAO Utility tool. CWE TSOs consider it will require some significant IT developments and resources to also perform the publication of historical data. However, TSOs experts will carefully assess the efforts needed and realize the publication if deemed feasible.
- MPs would like to highlight that it is particularly difficult to make the connection between the publication of outages on ENTSO-E Transparency Platform and the CBCOs publication on the JAO Utility tool. They suggest using the EIC code as a key reference to ensure proper identification.
- MPs explained that they identified inconsistencies and missing data in the daily publication. Following identification of inconsistencies in the daily publication, TSOs have launched several actions to improve the quality of the data. At this stage, a solution is still pending to improve the publication of information regarding the PTFDs. TSOs will inform MPs as soon as the issues are fixed.
- As of today, TSOs can wait for 1 month before publishing as the transparency file is updated once a month. MPs request the non-anonymous data to be published ex-ante, as well as the reference operating point considered by TSOs, and the RA used by the TSOs.
- MPs also asked clarification by TSOs on the way the LTA patch is applied. ELIA explains that they apply a convex hull fitting of the PTFD vertices, under constraint of maintaining PTFDs < 1. TSOs say that they can probably publish/give more info on this "algorithm" of "hull fitting".
- In order to further improve transparency, MPs ask CWE TSOs to assess the possibility to also publish the following information:
  - Ex-ante publication of RefProg;
  - Information on the likely direction used;
  - Related RAs chosen to optimize in the likely direction.

#### **Action CWE Partners:**

- **Assess the effort needed to realize the publication of historical data for CBCOs and the breakdown of RAMs**

- Investigate the possibility to include the EIC code in the daily publication of the CBCOs via JAO Utility Tool but also in the publication of the static grid models on CWE TSOs website
- Investigate the possibility to publish additional daily information on CBCOs (ex-ante Refprog, likely directions, RAs used)

#### Transparency - Ensuring usability by the market (EFET)

- Even though transparency has significantly improved over the past year, EFET reminds that CWE TSOs should still make important efforts to improve the clarity and robustness of the data published, in line with existing transparency obligations. Indeed, EFET considers that some information is still missing (EIC code, CB name) and that the data published seem to be not sufficiently checked in terms of quality. Furthermore, the MPs would appreciate if the TSOs could explain in details the mechanisms behind the so-called “LTA coverage” process.
- EFET also invites CWE TSOs to reorganize and improve the information published on JAO website in order to facilitate the access to CWE FBMC information for new comers (e.g. old information should be archived, some references should be updated,...) .

#### Action CWE Partners:

- Assess whether the full mathematical description of the LTA coverage process can be shared with MPs
- Check the possibility to reorganize and improve the access to CWE FBMC information on JAO website

## 5 Update on post Flow-Based NRAs deliverables and interface with MPs

#### Status NRA deliverable #11 on FRM and developments of JAO website (CWE Partners)

- CWE TSOs have analyzed NRAs’ request and agreed on a harmonized approach for FRM assessment. Given that the results showed that some FRM values would increase significantly if applied, TSOs decided to postpone the implementation of the new FRM values and to give priority to the measures improving Day-Ahead capacities.
- Following different feedback from MPs and TSOs experts, CWE Partners are currently looking at several options to improve JAO website interface for CWE FB MC Documentation. In line with EFET concern, the main objective is to optimize the classification of the documents and facilitate its access for an external stakeholder. The possible changes are currently being investigated by JAO and its service provider. CWE Partners will further inform MPs of the changes implemented on JAO website.

#### Action CWE Partners: Provide explanations regarding the new FRM computation process

#### CWE NRAs Position Paper on FBMC – 2015 “Requirements for further improvement” status update (CWE NRAs)

- As requested by the MPs, CWE NRAs develop their view on the status of the 15 post go-live requirements as described in the ‘Position Paper of CWE NRAs on Flow-Based Market Coupling’ (March 2015):
  - Request 9.3 Belgium – Luxembourg interconnection (#3): TSOs have completed an analysis to assess the impact of this interconnection on CWE FBMC market results. The physical flows are possible; however there are no commercial flows at the moment and the project is on hold, awaiting NRAs decision. *MPs expect CWE NRAs to publish an official note to inform external stakeholders on the current status of the project.*
  - Transparency: CREG considers the improvements satisfactory and expects the situation to be fully addressed soon. However, MPs have expressed a series of concerns (see above).
  - Request 9.5 Flow Factor Competition (#5): an external consultant is currently performing a study to monitor the effect of the Flow-Factor Competition phenomenon on CWE region. This issue, which is inherent to Flow-Based methodology, is supposed to be disadvantageous to smaller bidding zones. The results of the study will be submitted in the coming weeks, though the occurrences of LTA coverage process makes it difficult to have a clear picture on the impact of the phenomenon.
  - Request 9.7 External Constraints (#7): all CWE TSOs provided technical justification regarding their applied external constraints. Nevertheless, the NRAs consider that some explanations are still missing from some TSOs. *MPs would appreciate if all CWE NRAs could indicate their position and next steps regarding the applied External Constraints of their respective TSOs.*
  - Request 9.8 Closer cooperation – advanced hybrid coupling (#8): The topic is now shifted to the Core CCR. *NRAs and CWE TSOs will evaluate if the feasibility study for advanced hybrid coupling can be published.*
  - Request 9.9 Allocation of congestion rents (#9): the topic is now shifted to the Core CCR. ACER should take decision on this topic by mid-December 2017.
  - Request 9.12 CBCO selection (#12): see Agenda Point 1.

- Request 9.14 GSK evolution (#14): CWE NRAs consider there is still room for improvements and harmonization for the GSK determination.

**Action CWE NRAs: Follow-up on the proposed actions regarding the next steps of the post go-live requirements**

## 6 Impact assessment of foreseen significant changes (SPAIC)

### Status update on CWE SPAIC analysis (CWE Partners)

- The SPAIC process and triggers has been designed by CWE TSOs and MPs beginning 2016. It is a valuable tool that provides a complete impact assessment for the significant changes that might impact FB MC Methodology or market results. For instance, TSOs have published the results of a SPAIC on May 9<sup>th</sup> concerning the planned outage of long duration and would appreciate to receive feedback from the MPs.
- Two additional SPAIC analysis will be performed by CWE TSOs in the next months: one on the splitting of German / Austrian bidding zone and another one on the new interconnection between Doetinchem and Wesel.
- MPs consider that CWE TSOs should have launched a SPAIC regarding the application of a Dynamic Line Rating by Amprion. In addition, MPs encourage TSOs to give the priority to the publication of the results of the Flow-Based Domain and not wait for the realization of the market study since MPs can complete it similar analysis as well.

**Action CWE Partners: Assess the possibility to anticipate the publication of the FB Domain results of the ongoing SPAICs analysis and come up with a proposal for an enhanced SPAIC process**

### SPAICs – Ensuring value added for the market (EFET)

- EFET underlines that the ongoing SPAICs analysis (DE-AT bidding zone, Doetinchem–Wesel) will be completed too late to help MPs anticipating these significant changes. Besides, the SPAIC analysis on DE-AT bidding zone will not provide information in due time for 2018 yearly LTTR auctions. The association therefore requires TSOs to communicate information about the change (e.g. FB domain) as soon as available and suggests building a process / tool to regularly inform stakeholders on the ongoing SPAICs analysis.
- According to EFET, two SPAICs analysis should be also conducted on the following changes: closure of the Gundremmingen B nuclear power plant at the end of 2017, new BE-GB Nemo Link interconnector to be operational early 2019.

**Action CWE Partners: Define a communication process to regularly inform stakeholders about the ongoing SPAICs analysis.**

## 7 DE-AT project status (DE-AT project parties)

- DE-AT project parties confirm they will implement capacity management at the border DE-AT by October 1<sup>st</sup> 2018, starting with 4.9 GW of minimum long term capacity. Furthermore, DE and AT will be also be treated as two separate bidding zones from the beginning of the Core CCR.
- The target solutions and planning for Day-Ahead, intraday, and long-term capacities implementation are presented during the session. The external Parallel Run for market participants will start on July 1<sup>st</sup> 2018 for a maximum duration of 3 months. Previously, DE-AT project parties will realize a SPAIC analysis to analyze the impact of the DE-AT bidding zone split on the Flow-Based Parameters and the market results.
- MPs would like DE-AT project parties to provide more information on the design of the target solutions (e.g. CBCOs, External Constraints) and the assumptions to perform the SPAIC analysis (e.g. order books split between DE and AT).
- CWE NRAs indicate that all the regulators are not yet aligned on some specific aspects of the DE-AT bidding zone split. Clarifications will be provided to the TSOs and stakeholders by November 2017.
- A dedicated conference will be organized on the DE-AT bidding zone project in which MPs are invited to participate. The main objectives will be to inform stakeholders on the status of the project and provide clarifications on some details of the DE-AT bidding zone split. The tentative date and venue will be November 24<sup>th</sup>, 2017 in Vienna.

**Action DE-AT project parties: Assess MPs requests for more information on the DE-AT bidding zone project and provide feedback during the conference organized on November 24<sup>th</sup>**

***The next CWE Consultative Group meeting will be scheduled around beginning 2018 at the same time of the Core Consultative Group. Market participants will be informed on the date and agenda of the meeting as soon as decided.***

## II – Status on Euphemia algorithm performance

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### **Euphemia performance**

- EPEX presents the highlights of the PCR presentation that has been discussed in the last Market European Stakeholder Committee (MESK) on September 6<sup>th</sup>.
- For the past three years, it can be noticed an important variation and seasonality in the number of submitted block orders in MRC. In particular, the number of exclusive block orders has progressively increased during this period of time though the amount of complex orders remain the same.
- Time to first solution for Euphemia is now relatively steady since October 2016 and the different performance improvements allowed by the recent versions of the algorithm. Besides, the number of daily PRBs has reduced over the past two years and the introduction of the PRB reinsertion functionality.