

GB and NWE Implementation Projects

SEM Workshop on Emerging Electricity
Target Models – 3 June 2011

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Objectives for GB

1. Extend CWE day-ahead market coupling to GB by mid-2012
2. NWE project to implement intraday trading platform by the end of 2012 and the target model in 2014
3. Regional coordination of long-term capacity auctions
4. Cross-border integration of the SEM-BETTA markets by 2014

The NWE Implementation Projects?

- Two TSO lead implementation projects for
 - Day-ahead target model, single European price coupling
 - Intraday target model, an evolution of continuous trading
- Target models are described in ACER's Capacity Allocation and Congestion Management Framework Guideline
- The Framework Guideline will be written into EU legislation through ENTSO-Es network code
- Positive relationship between implementation projects and legislative processes

The two projects are similar but at very different stages

NWE Intraday Project

- The goal of the NWE Intraday project is to implement the European Target Model within the NWE region extendable to other regions
- Implementation will follow a two steps approach to deliver successively an interim solution and an enduring solution meeting the European Target Model requirements
- Interim solution will allow explicit access to cross border capacity:
 - For market participants pre-arranged cross border OTC deals
 - Upon regulatory request (and subsequent approval) and under some given preconditions, for some PXs
 - Where appropriate, for a cross border balancing mechanism

Intraday in the CACM FG

Target model: an evolution of continuous implicit trading, featuring

- reliable capacity pricing reflecting congestion
- automatic matching
- appropriate block bids
- avoid discrimination between products

Interim model:

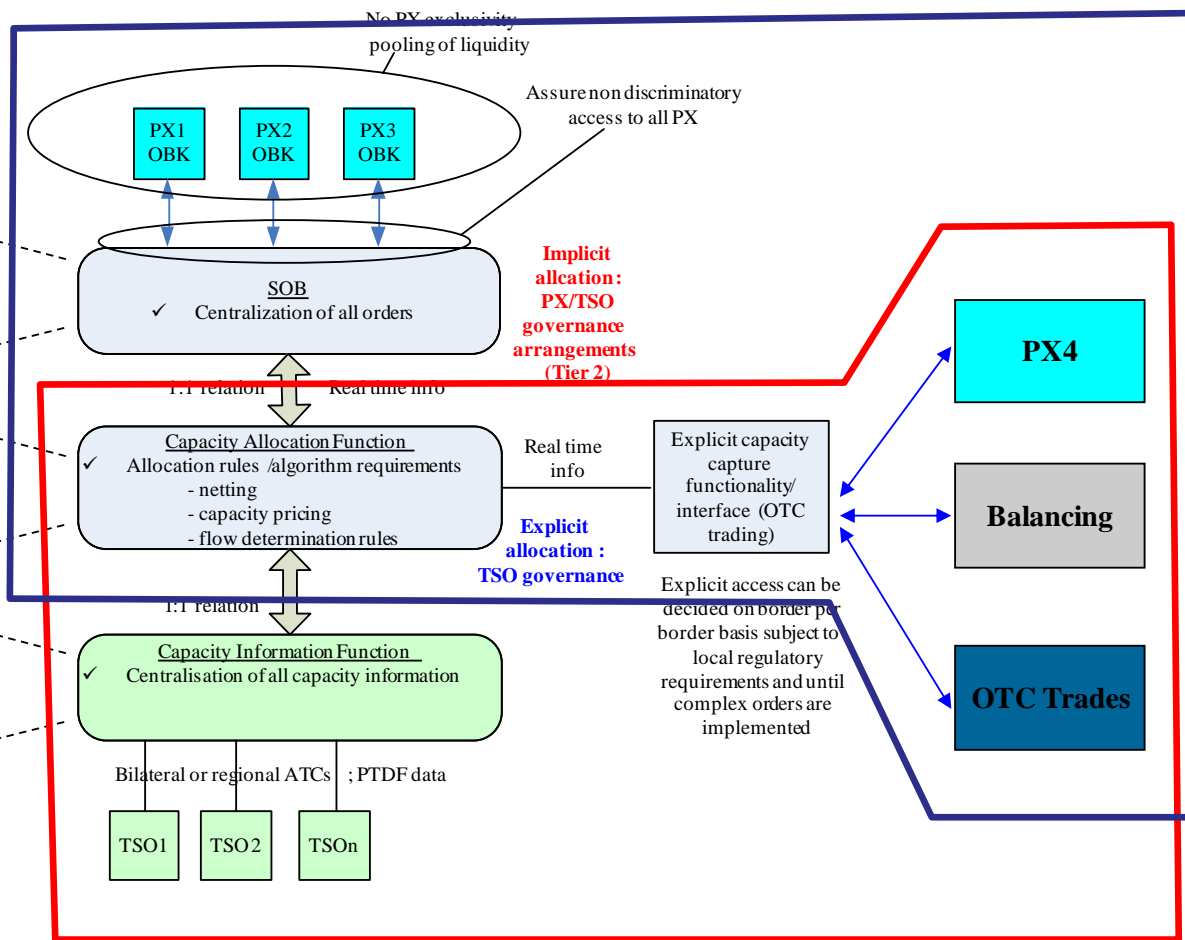
- continuous implicit allocation
- Implicit auctions may be implemented if liquidity and number of gate closures sufficient
- Explicit access allowed on some borders for OTC and non-SOBF PXs

TSOs build cross-border capacity matrix; PXs build shared order book to pool liquidity

High Level Specification – The Functions

Key functions

- Order Filtering
- Matching of energy orders
- Ranking and potential pricing
- Allocation and H2H matrix update following an allocation
- Hub to Hub matrix creation and update following TSOs information
- Shipping
- Congestion revenue distribution



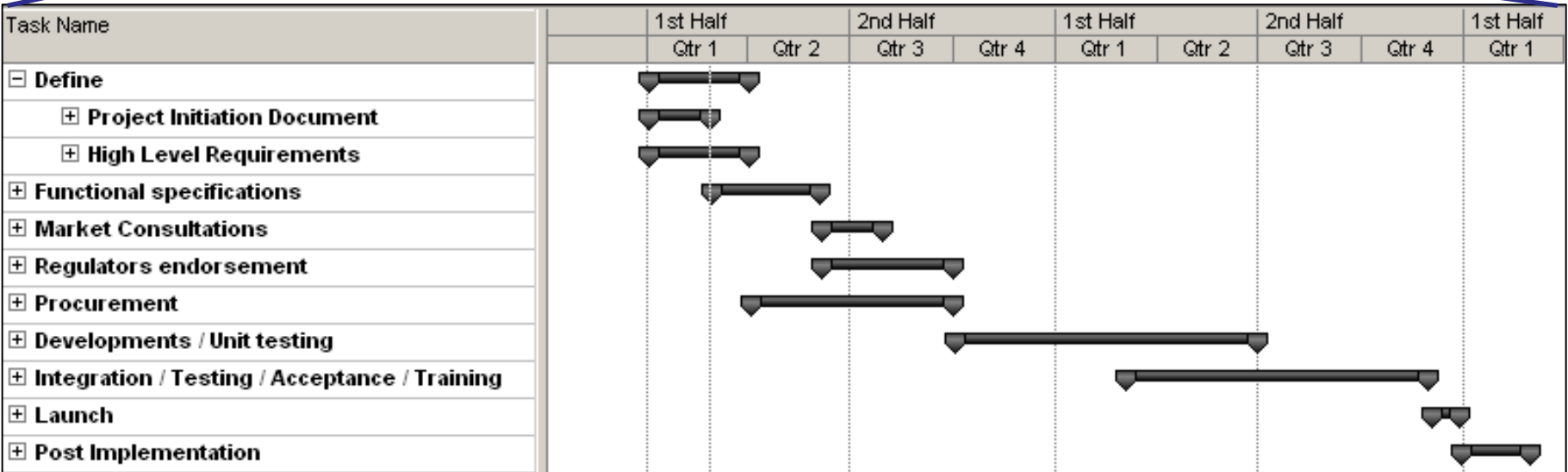
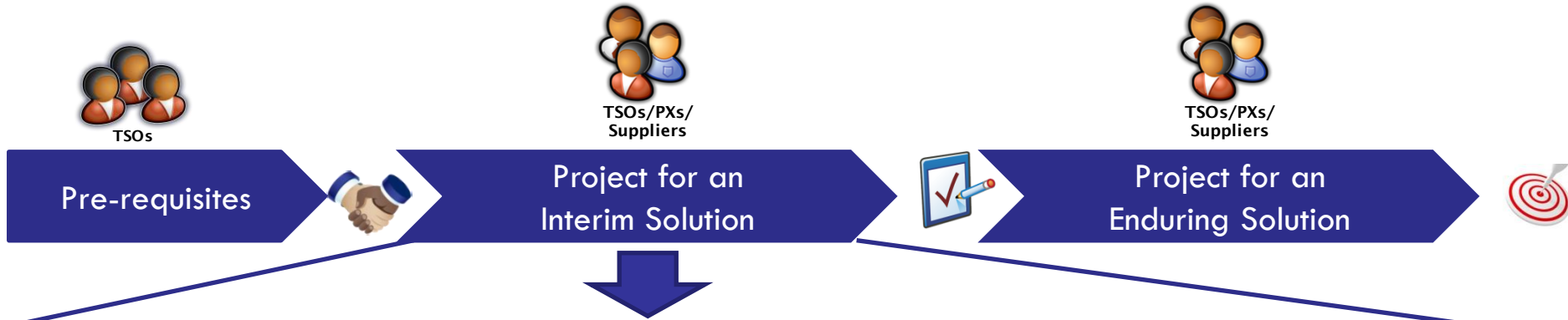
Shift from interim to target model

- Complex products in the SOBF to replace the need for explicit capacity access for OTC
- A transition path to be defined in order to remove other explicit access for authorised PXs
- Explicit access for capacity is subject to concerned NRAs request and approval for Balancing mechanisms
- If capacity pricing is not activated in the interim solution, it will be used in the enduring solution
- Find technical and governance arrangements that enable smooth and efficient transition towards enduring model

NWE Regulators Timeline

Tasks	Deadline	Responsibility	
NWE TSO roadmap	April 2011	TSOs	
Detailed specification of the NWE CMM	April 2011	TSOs	
Detailed specification of the NWE SOBF	May 2011	TSOs and PXs	
Options for intraday capacity recalculation	December 2011	TSOs	
Options for pricing intraday capacity	December 2011	TSOs and PXs	
Implementation of the NWE CMM	Middle of 2012	TSOs	
Implementation of NWE SOBF	End 2012		
Consultation of Pricing options	2012	TSOs and PXs	
NWE Intraday (1st step)	End of 2012		
Options and specifications for sophisticated products	December 2012	PXs in cooperation with TSOs	
Consultation of sophisticated products	2013		
Implementation of intraday capacity recalculation	End of 2013	TSOs	
Implementation of sophisticated products	End of 2014	PXs	
Implementation Pricing of Capacity	2014	TSOs and PXs	
NWE Intraday (2nd step)	2014		

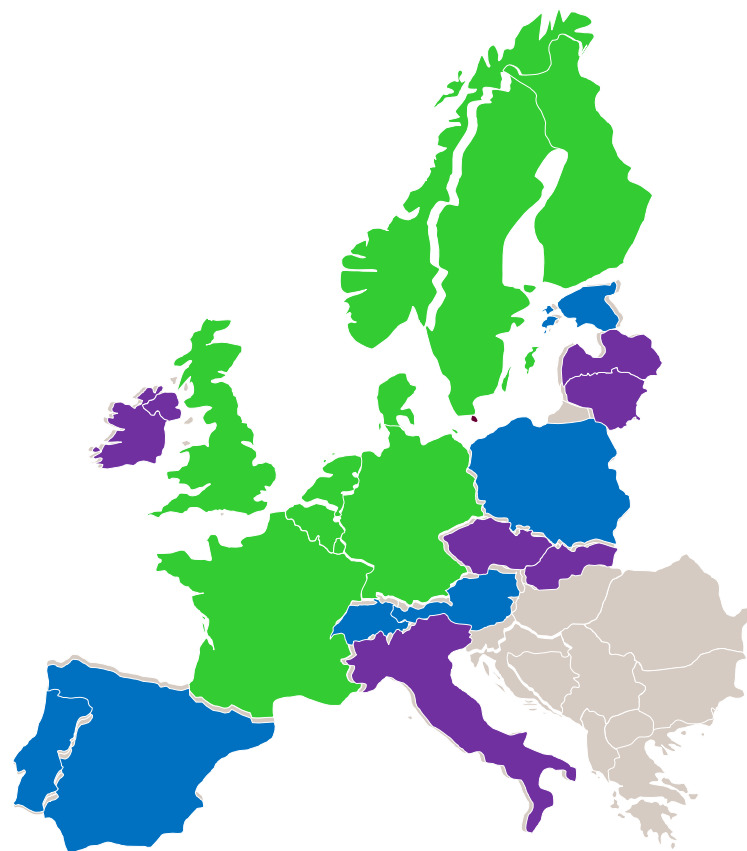
NWE TSO Timeline



NWE Day-Ahead Project

- The day-ahead target model is clear
- Has already been implemented on a regional basis
- Key question is around who joins, when and how?

**COULD ALSO
INCLUDE**



The Commission's Governance Guideline

- Possible additional legislation to deal with “governance” challenges of implementing single European price coupling
 - The relationship between the PXs, TSOs and Regulators
 - Process for Member States to join the price coupling area
 - Process to agree and amend rules applicable to all participants
 - Tools necessary for regulators ensure efficiency of allocation mechanism

Conclusion

- We are working on both the design and implementation of the target models
- Target models will be pre-scribed in legislation, and will be influenced by implementation experience
- The NWE ID and DA initiatives appear to be key implementation projects in Europe

Any questions?

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, a hand is shown holding a white document. In the bottom left corner, a blue gas burner is visible. The overall theme is energy and customer service.

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