

European Network Code Forum – Regulatory Update

17 December 2013

- ▶ ACER Network Codes Update
- ▶ EC Communication on Public Interventions – Generation Adequacy
- ▶ ACER Strategy Paper – A Bridge to 2025

Capacity Allocation and Congestion Management – Comitology

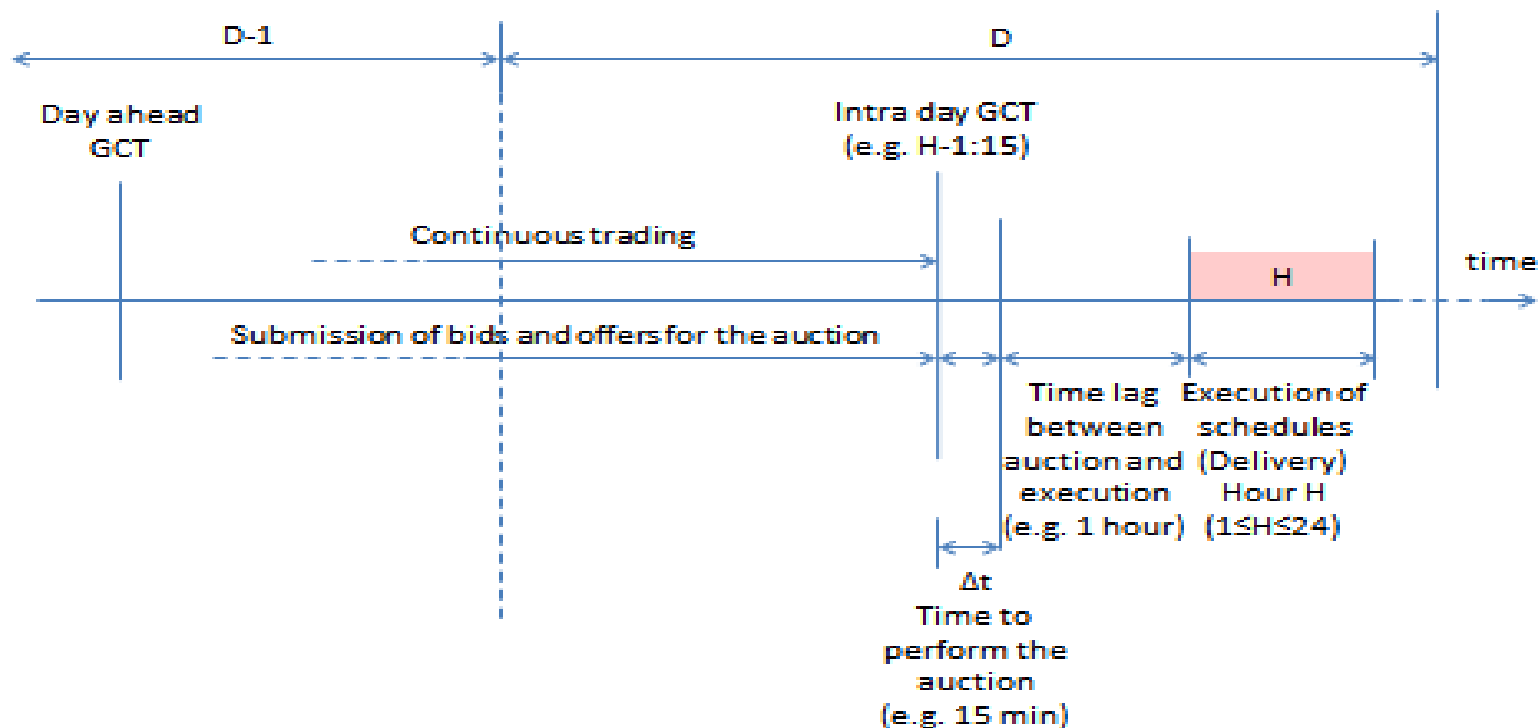
- ▶ Draft CACM Network Code circulated end November
- ▶ Recent comitology meetings held on 6 and 16 December.
- ▶ Key Issues:
 - **Competition between PXs**
 - EC proposal that competition between NEMOs will be the default position
 - If legal monopoly in place this may be maintained – 2 year review
 - **Collective Decision Making**
 - Qualified Majority Voting for TSOs and NEMO.

- **Intra Day Auctions**
 - EC/ACER/ENTSOE hosted a stakeholder event on regional intraday auctions in Brussels on 2nd December
 - Key outcomes:
 - EC acknowledge that auctions should be in Network Code. May be most efficient way of pricing congestion.
 - Issue of firmness of nominations to be determined.
- ▶ Voting on a formal draft of the CACM Code to begin in March 2014.

- Target Model is continuous trading with capacity pricing, and complemented by regional auctions
- Auctions provide:
 - Established market based means of capacity pricing
 - Means of concentrating liquidity for small players and renewables
- Challenge how to combine with continuous trading
- Network Code should allow flexibility for continuous trading to be complemented by regional auctions – ACER Reasoned Opinion
- Key objective for regulators is to protect the interests of consumers – efficient pricing, liquidity, removing barriers to entry

- **Key Questions from Stakeholders**
- Suspension of continuous trading during auction – is this necessary?
- How are bids and offers matched in the shared order book treated in regional auctions?
- What are the impacts on liquidity?
- What are the impacts on market participants?
- What are the impacts on consumers?

PROPOSAL WITH COMPLEMENTARY AUCTIONS – TIMING AND GCT



Forward Capacity Allocation

- ▶ ACER Opinion due to be published by year end
- ▶ Key issues are:
 - Firmness provisions
 - Revenue Adequacy
 - Harmonised Auction Rules
 - Timelines for Single Platform
 - Timelines for decision on cross zonal hedging opportunities

Balancing Network Code

- ▶ ACER due to receive Code from ENTSOE by year end
- ▶ Central dispatch provisions
- ▶ Timelines
- ▶ Level of ambition

- ▶ **Requirements for Generators Network Code**
 - New version of Code received from EC
 - Due to go to comitology in January/February
- ▶ **Demand Connection Network Code**
 - Expected to go to comitology in early next year
- ▶ **High Voltage Direct Current Network Code**
 - Network Code out for consultation – concluding early January

- ▶ **Operational Planning and Scheduling**
 - ACER opinion published 19th June and called for improvements
 - ENTSOE resubmitted on 24th September
 - National scrutiny by NRAs a key issue
 - Final ACER Opinion 15 November

- ▶ **Operational Security**
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- ▶ **Load Frequency Control and Reserves**
 - NC submitted to ACER at 28th June 2013
 - Positive ACER Opinion issued on 30th September

- ▶ EC published 6 November communication on public interventions in electricity markets:
 - Generation Adequacy,
 - Renewables,
 - Cooperation Mechanisms and Demand Response.
- ▶ EC Staff working paper set out a number of requirements:
 - that the concern in relation to generation adequacy is appropriately identified;
 - that the underlying cause of the problem is appropriately identified, in particular the market failures or regulatory failures contributing to the problem;
 - that these underlying problems are effectively addressed;
 - that the distortionary impact of any public intervention is minimised; and
 - that public interventions in the market are time limited or at least subject to review taking into account market evolution.
- ▶ EC to formally consult on state aid rules for energy before Christmas

Energy Bridge 2025

- ▶ Paper aims to identify, the key challenges and regulatory responses to 2025
- ▶ Focus at present on implementation of Third Package and network codes by 2014
- ▶ Good time to consider what further steps are needed, beyond 2014, to support the longer-term goals
- ▶ EC recent communication on public interventions and considering longer term to 2030
- ▶ Need for approach for medium term. Focus on:
 - Efficient RES Integration with Flexibility
 - Encouraging Competition
 - A smarter demand side
- ▶ Pre consultation closes 17 December.
- ▶ The consultation phase itself will begin in early 2014 and will be based on a Green (consultation) paper