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Reliable Sustainable Connected





The 3rd legislative package and the regulatory challenge

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Outline of presentation

- Overview of ENTSO-E activities in interim period
- EC priorities for pan-European rules – post Florence/Rome 12/09
- Pilot code project
- Market and operations code preparatory work
- Timetable issues
- Final remarks



Overview of ENTSO-E activities in interim period

- Interim period until Regulation 714/2009 and ACER's tasks apply (3 March 2011)
- Work done by ENTSO-E in the interim period = preparatory input for future formal processes and deliverables after 3 March 2011
- Start up activities and staffing complete (10 -> 23 staff)
- New premises near Schuman Square (Cortenbergh 100)
- Work Program highlights priority work areas, but much routine work is continuing e.g. winter/summer outlooks/retrospectives, statistics, map, Operation Handbook
- Strategic Plan published before Christmas
- TYNDP and consolidated R&D program important work products demanded by Regulation 714, delivered early (for consultation 1 March, 12 Jan. 2010, resp.)
- **Network codes and especially the pilot project are an important focus**

EC Priorities for pan-European rules – post Florence

Framework guidelines and legally binding guidelines	Electricity Network Codes
Grid connection, framework guideline (pilot)	Wind connection network code (pilot) >> all types of generation connections (later load)
System operation, framework guideline	System operation network codes (several codes) >> 1) Load frequency and reserve power, 2) System operation (Operational security; Operational planning and scheduling) 3) Data exchange standards , communication infrastructure 4) Emergency (operational planning and procedures)
Transparency, framework guideline >> legally binding guideline drafted by ERGEG	Generation and load transparency network code >> ENTSO-E input to ERGEG on fundamental data
Capacity allocation and congestion management, framework guideline	Capacity calculation network code >> implementation projects/AHAG Other codes (intraday; day ahead)
Governance, legally binding guideline	

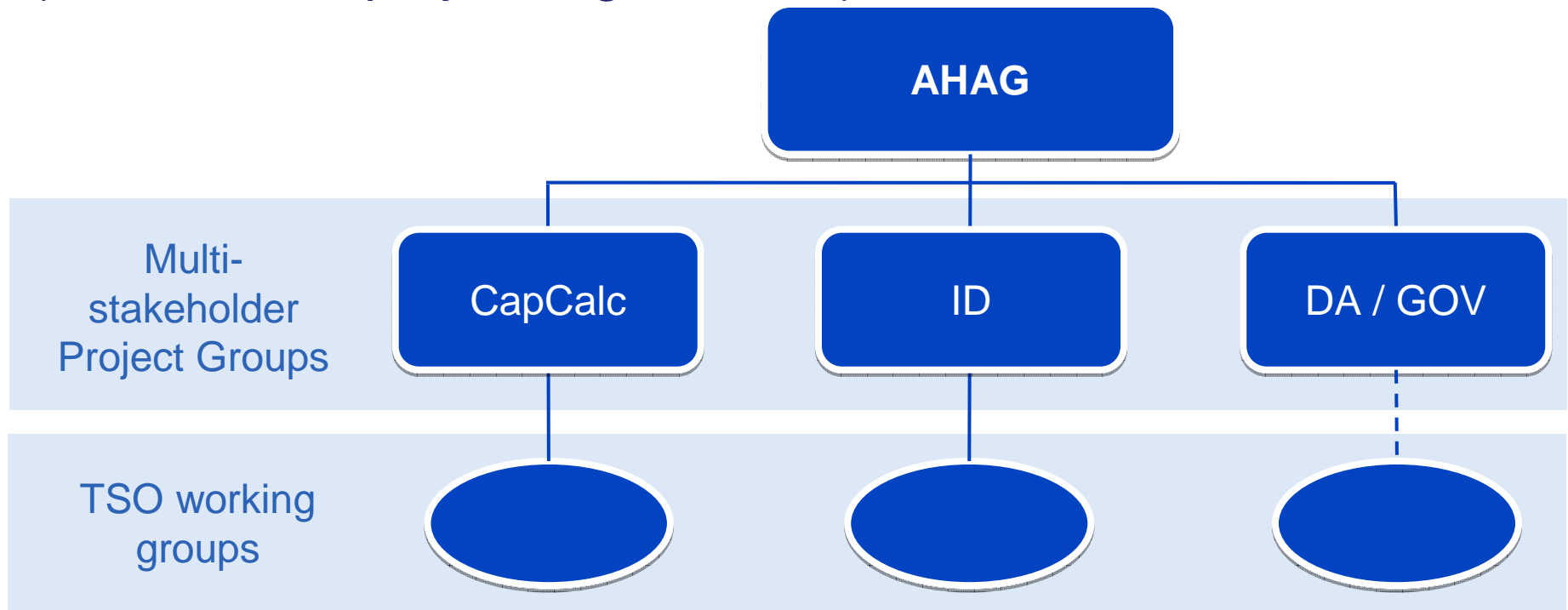
Status of ENTSO-E work on the pilot code

- Joint work with ERGEG and EC started in July 2009
- An ENTSO-E drafting team is very active since June, both for technical, ENTSO-E-internal work, and for initial informal consultations with the most affected stakeholders
- Based on internal work and on WP stakeholder feedback, consistency across all generation types now assured through one common code with different chapters
- Still subject – together with a later DSO and customer connection code – to the same one Connection FWGL
- Workshops on FWGL (morning) and NC (afternoon) are scheduled jointly with ERGEG on the same day in April
- A draft code scheduled for formal internet consultation ASAP after the publication of the ERGEG (input to the future) FWGL

Learnings from pilot project with ERGEG and EC

- Approximately monthly meetings, some focusing on contents issues, some on process
- Sequencing and level of details issues crucial, and the pilot already contributed much to a good common understanding
- Important learning: Some FWGL/NC areas of high importance and urgency do not yet have clearly described policy options
 - A scoping phase is needed before EC asks ERGEG/ACER for FWGL development within the Regulation's 6-month-period
 - To result in policy options but not policy choices
 - Intense communication EC – ERGEG/ACER – ENTSO-E necessary, but also stakeholder input
 - Examples: congestion management and market integration; system operations
- This understanding is reflected in the respective work programs

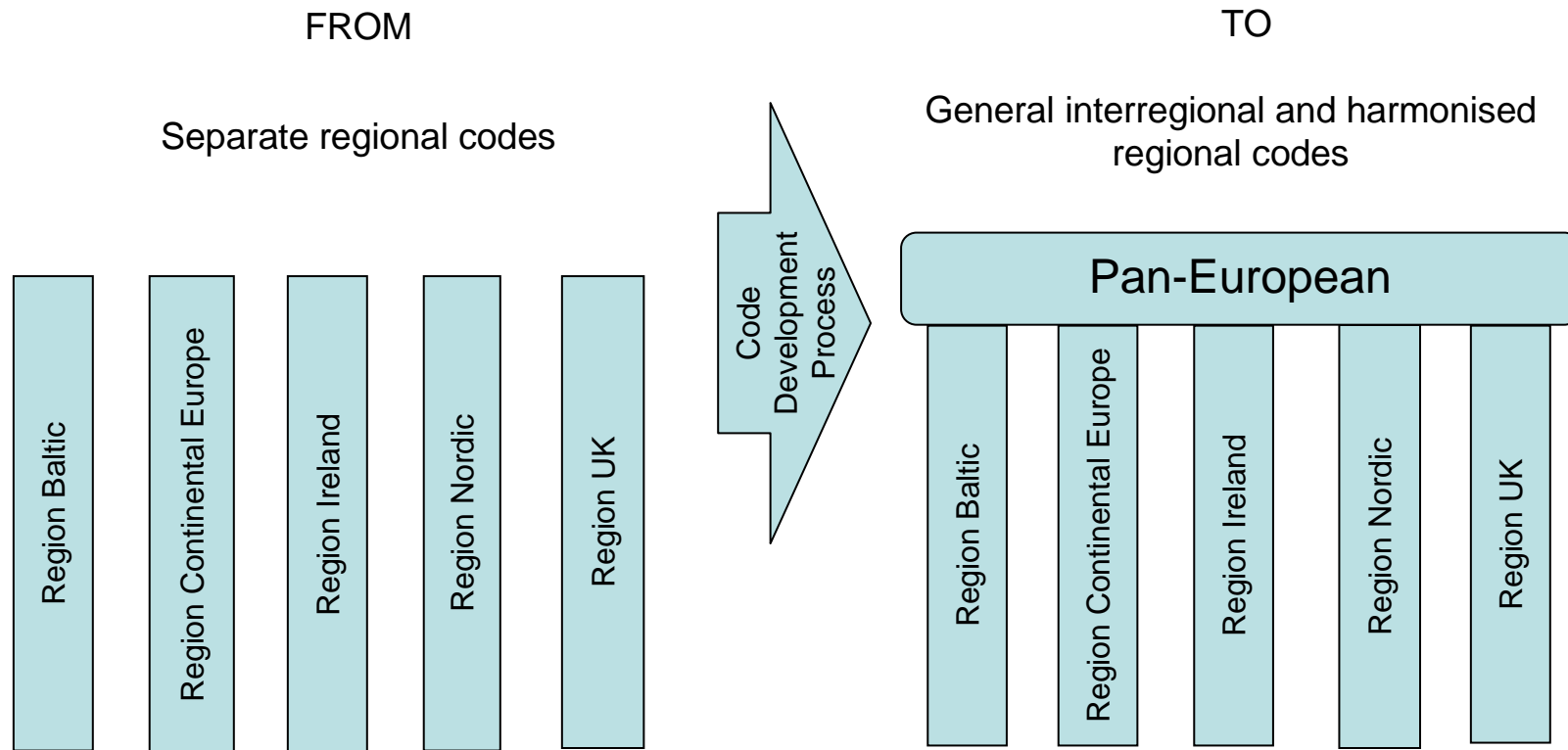
Market integration: preparatory work for FWGL and NC (POST-MIDP project organisation)



MAIN TASKS

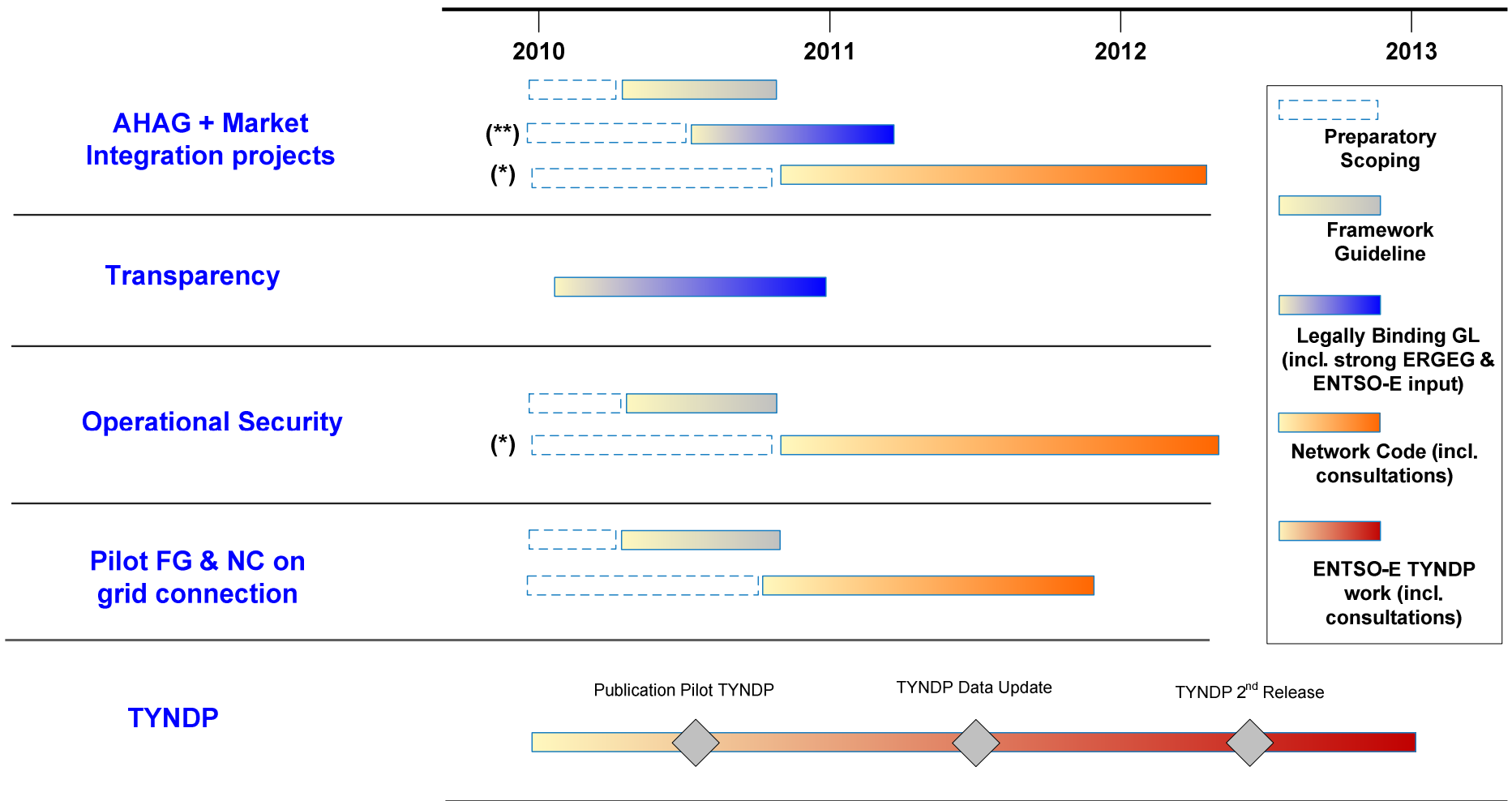
- Feed in to ERGEG preparation of the Framework Guideline on Cap Allocation and CM
- Pave the way for code making and implementation

Pan-European system operation code preparatory work



... where the parts applicable for all of Europe may grow over time, where different technical aspects will likely require different levels of pan-European harmonization, and where the current scoping phase with ERGEG in preparation for a framework guideline is very important

Expected indicative timetable for 3rd Package processes



(*) Several Network Codes
 (**) Governance Guideline

Final remarks

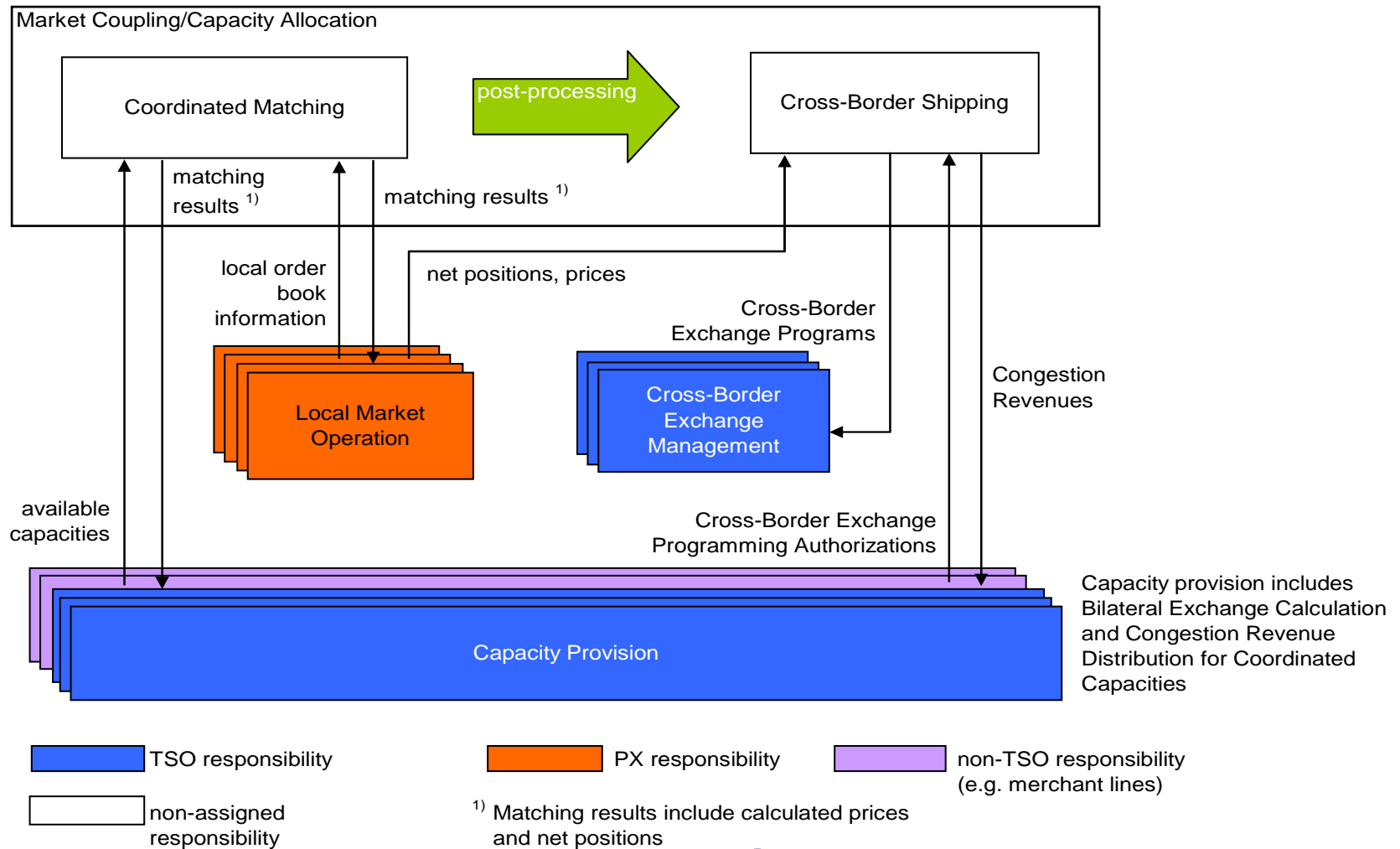
- EC, ERGEG and ENTSO-E successfully practicing their 3rd Package roles
 - For network codes and also TYNDP
- Scoping phases critical to allow ACER and ENTSO-E to stay in their timelines
 - EC and stakeholder inputs also crucial in scoping phases
- Despite strain on resources from many parallel efforts, TSOs see the urgency:
 - Use the interim period most productively
 - Make major progress in direction of target market model
 - Preparatory work on pan-European operations codes
 - Pilot code on connection continues with fastest track
- ENTSO-E's focus is thus clearly on pan-European work
 - ERIs in future should act as bottom-up implementation fora guided by a top-down vision and policy provided by FWGL, NC development process
 - Regional solutions to be tested against overall criteria and objectives: No formal governance at regional level via 3. package, risk of local interests leading to blockage
 - Consistency to be ensured by Commission rather than ERIs
- ENTSO-E will intensify its timing coordination with ERGEG and EC to maximize chance that useful and mature work products available March 2011

Backups: Day Ahead & Governance Project

- Develop the detailed design for a Single Price Coupling mechanism capable of implementation at an Inter-regional and ultimately European level. (See next slide for PCG functional design proposal)
- Define a Governance framework for market coupling which:
 - Identifies and assigns clear roles, responsibilities and accountabilities for the key functions
 - Defines the access rules, interface requirements and relationships between all of the parties
 - Clearly identifies and deliniates between commercial and public interest congestion management activities
 - Establishes appropriate mechanisms for Transparency
 - Defines the organisational, cost recovery and funding arrangements best suited to delivery of market coupling services
 - Outlines the requirements for the harmonisation regulatory approval and oversight applicable to TSOs and PXs in carrying out MC functions.

PCG Functional Design Proposals - (DA & Governance)

Generic Functions of Price Coupling



PCG Functional Design Proposals - (DA & Governance)

Description of Functions

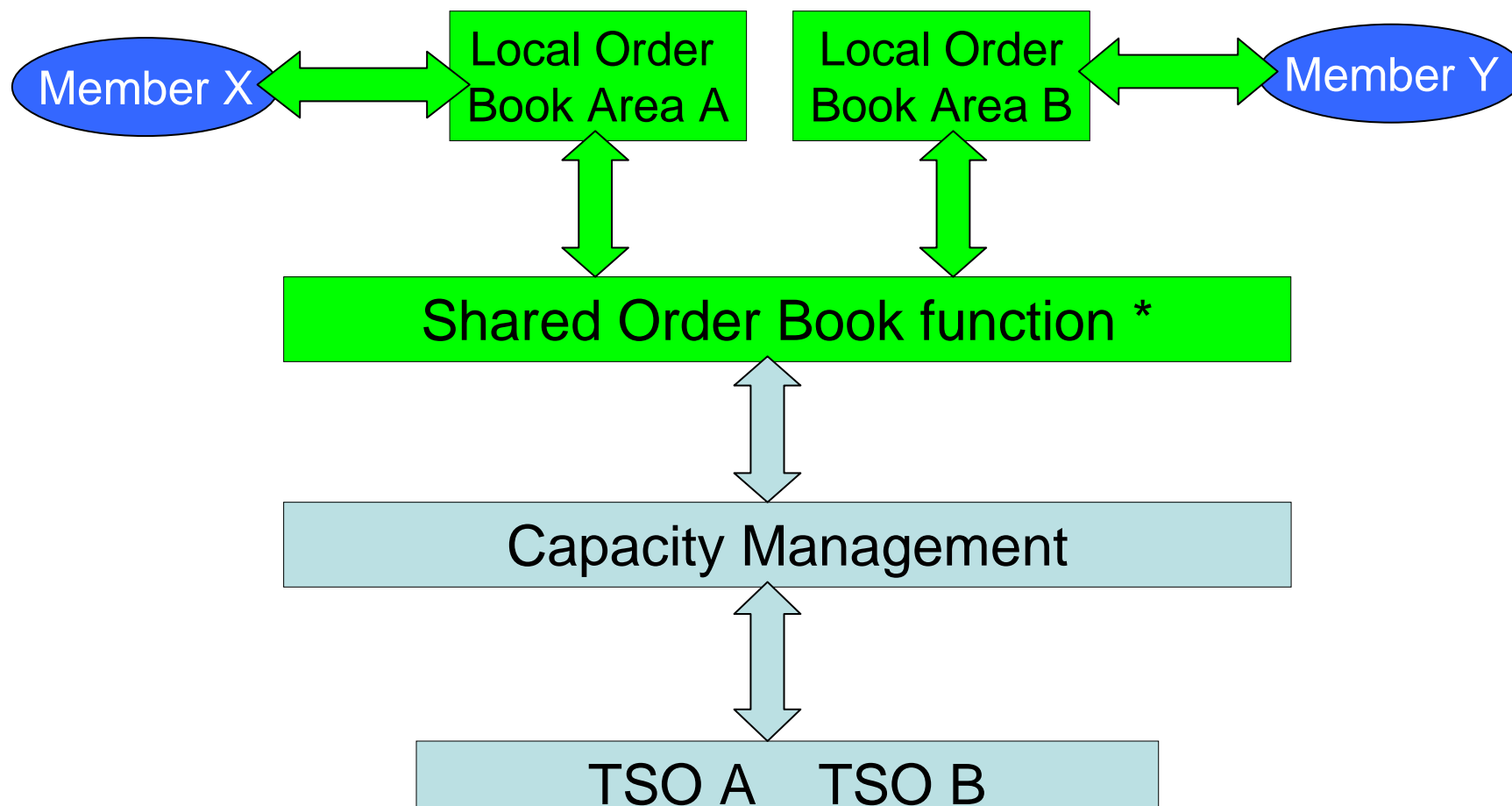
- **Capacity Allocation/Market Coupling**
 - *Allocation of capacities to capacity users and collection of congestion revenues*
- **Coordinated Matching**
 - *Simultaneous matching of local order books using capacities of capacity providers and maximizing economic surplus*
- **Cross-border Shipping**
 - *Processing of all cross-border transactions on provided capacities equalising local market net positions and collecting congestion revenues*
- **Local Market Operation**
 - *Receipt and processing of orders from local market participants, clearing and settlement of those orders with local market participants according to coordinated matching results, clearing and settlement of resulting local net position with Cross-border Shipping*
- **Cross-border Exchange Management**
 - *Operational management of control area exchanges according to agreed TSO rules*
- **Capacity Provison**
 - *Making capacity available to the market and getting congestion revenues in return, where required in a coordinated way (e.g. multi-path flows between control blocks/areas in a synchronised network)*



Intraday Project

- Develop the functional design for an implicit Intraday capacity allocation mechanism based on the principle of continuous trading close to real time and capable of implementation at an Inter-regional and ultimately European level. (See next slide for PCG functional design proposal)
- Propose detailed design solutions which:
 - Establish common platform(s) for ID capacity management between TSO areas (consistent with the Cap Calc project proposals)
 - Establish the processes for the sharing of XB intraday order books and the matching of requests
 - Establish appropriate mechanisms for Transparency
 - Define the organisational and funding arrangements best suited to delivery of centralised XB Intraday capacity allocation services
- Further develop a roadmap for progressive implementation based on market maturity
- Defines a governance regime compatible with the proposals for DA (see DA&Gov Project slide)

Target Model (TM) for Cross Border Intraday capacity allocation

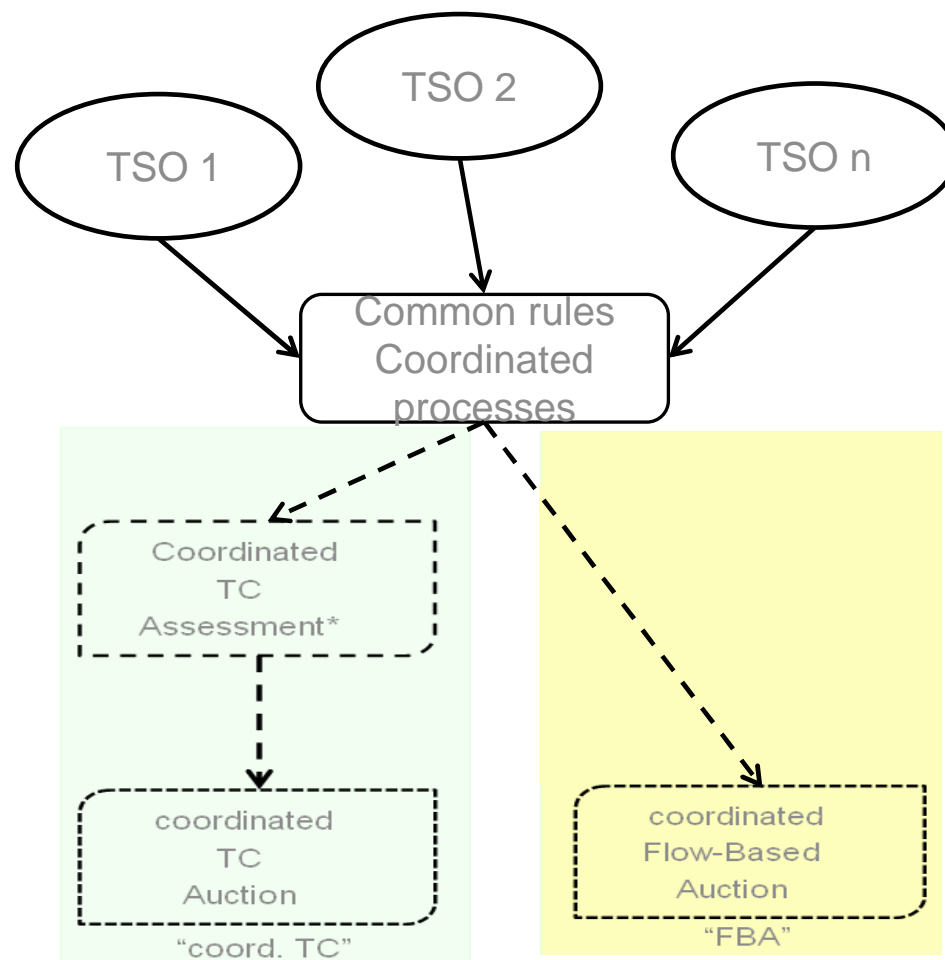


* Role of the shared Order Book function is to make Bids in Local order book A available in Local order book B, subject to the availability of cross-border capacity

Capacity Calculation Project

- Develop the appropriate coordinated processes, common information exchange and common infrastructure facilitating:
 - Coordinated RM (reliability assessment)
 - Coordinated security analysis (capacity assessment)
 - Common rules for the assessment and optimisation of available commercial capacities. Taking into account:
 - Coordination of curative redispatch/countertrading measures supporting financial firmness
 - Harmonisation of economic assessment criterion and rules determining available capacity and curtailment decisions
 - The application of cross border capacity incentive regimes for TSOs consistent with the appropriate and efficient risk and cost distribution
 - Establishment of European-wide grid modelling processes (EU-CGM)
- Compatible with and supporting increased efficiency of capacity assessment and allocation, together with consistency of calculation methodology in all market timeframes
- Establish appropriate mechanisms for Transparency of the capacity assessment process

Common approach to Capacity Calculation



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* "Allocation" of capacities to certain borders by TSOs.