



Target model for European congestion management

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What is a target model

- Establishes the essential elements required to deliver the vision and key success factors
- To give direction to the regional and interregional integration initiatives establishing the essential harmonisation requirements
- Already EREGEG ERI work described elements of target model
- PCG target model → a medium term view – for progressive implementation of a European harmonised framework for capacity allocation and congestion management (i.e. model for XB wholesale electricity market) at the latest by 2015



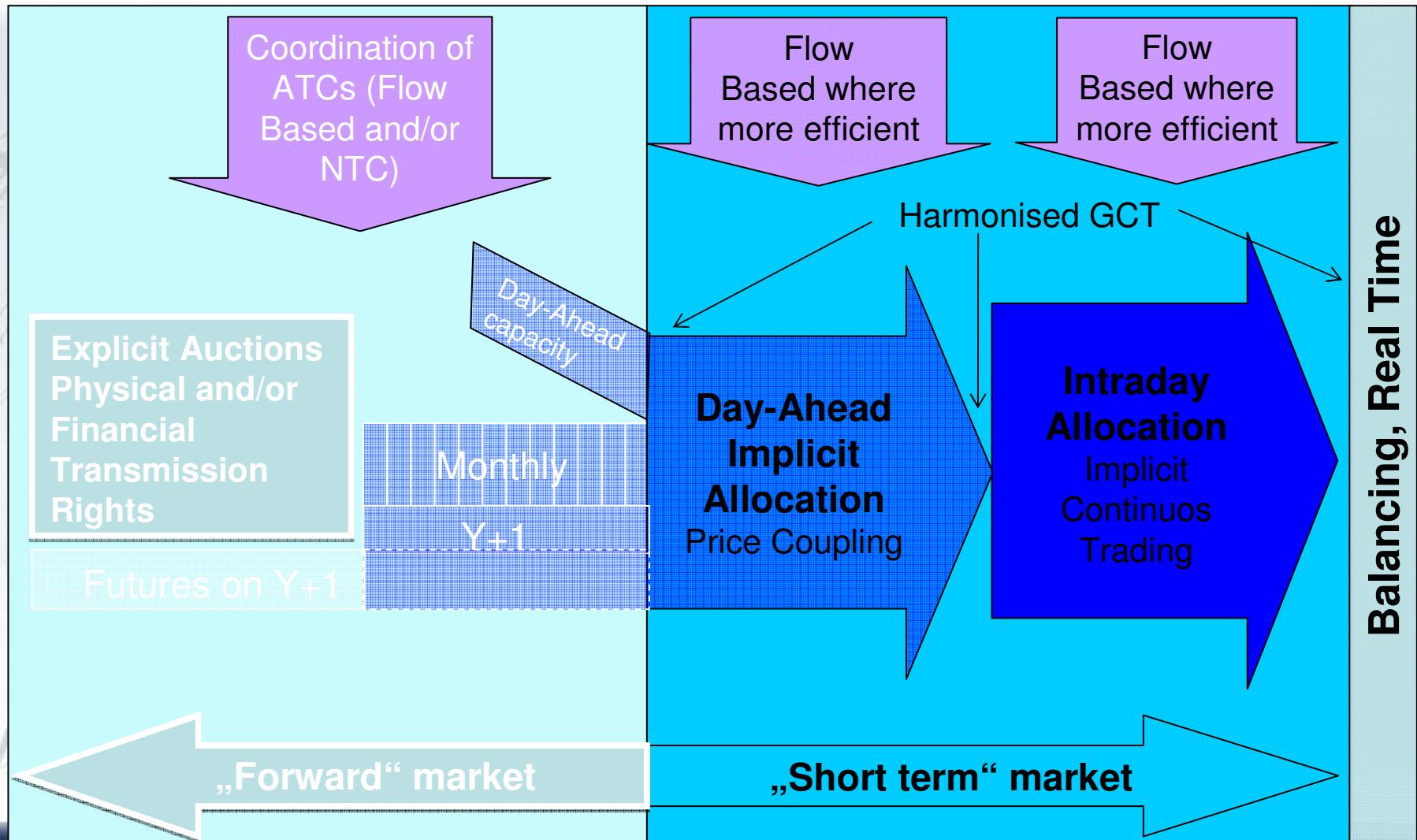
Vision for the XB electricity market

The truly integrated internal electricity market will benefit consumers by providing competitive prices and sustainable as well as secure supply through **efficient utilisation of the power system**

Efficient capacity allocation and congestion management need to be put in place



Target model for congestion management



Forward market

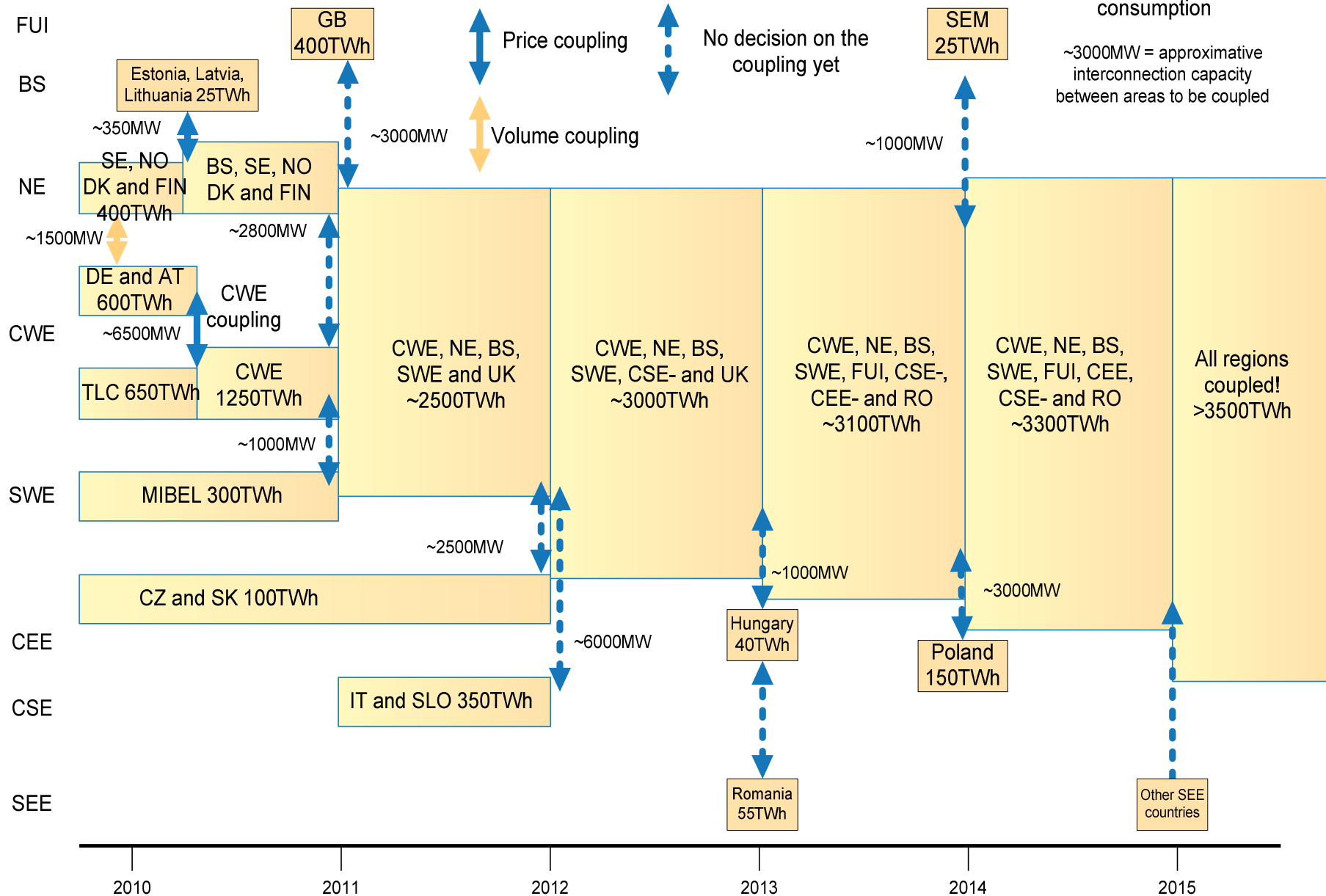
- Two alternative models:
 - PTRs with UIOSI principle
 - FTRs issued by the TSOs
- Key criteria for successful implementation
 - Forward sale of all capacity
 - Reliable and robust day ahead spot market prices
- A secondary market for trading transmission capacity rights is a high priority
- Financial firmness of capacity rights is essential for efficient secondary markets

Day-Ahead Market

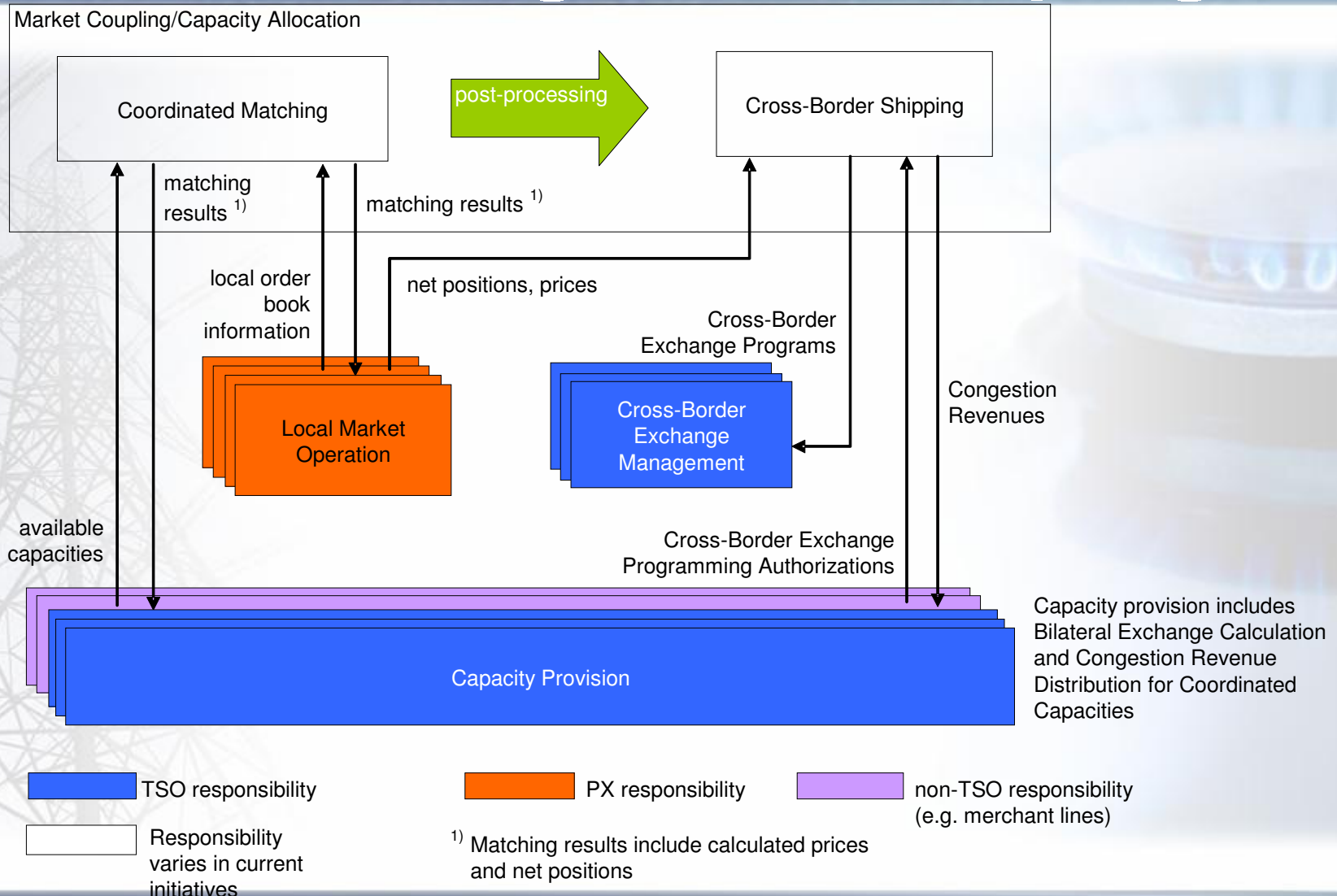
- The target model is **single price coupling**
- To cover the IEM by 2015 at the latest
- The requirements for single price coupling include
 - Use of a single pricing algorithm
 - Harmonized gate closure times
 - Sharing of all bid data between PEXs
 - Compatible bids/products

Possible sequence of European market coupling

(Please note that the sequence and timing is only indicative and does not represent any agreed position of the PCG)



Functions of Single Price Coupling

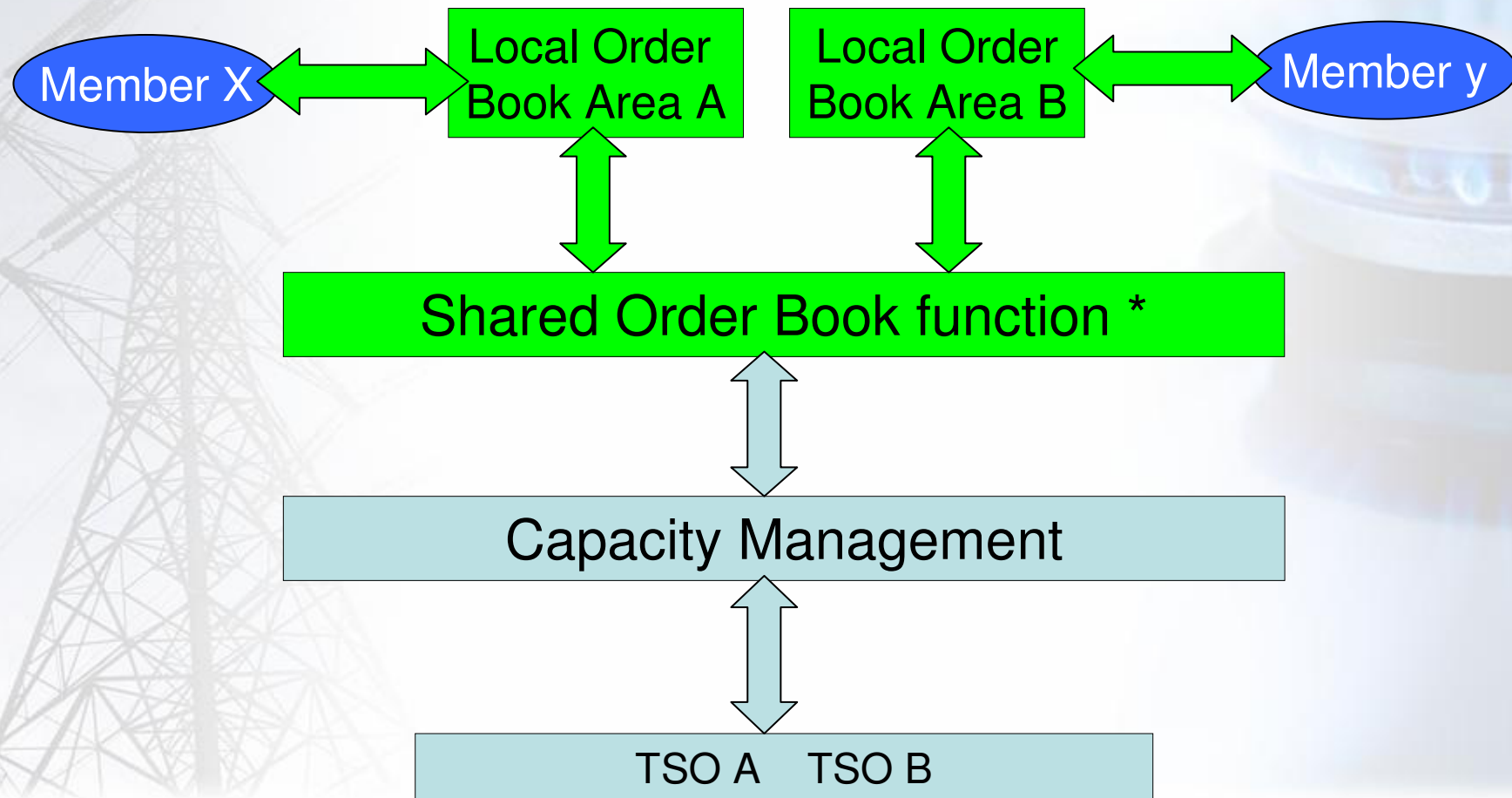




Intraday market

- PCG target model is **implicit continuous allocation (continuous trading)**
- Where appropriate, specific National/Regional ID trading solutions may be developed
- A specific National/Regional ID trading solution is not obligatory. Inter-Regional Target Model mechanism can be used as the National/Regional solution
- Any specific National/Regional ID trading solution must be compatible with the Inter-Regional Target Model

Target Model for Inter-Regional XB Intraday



* 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



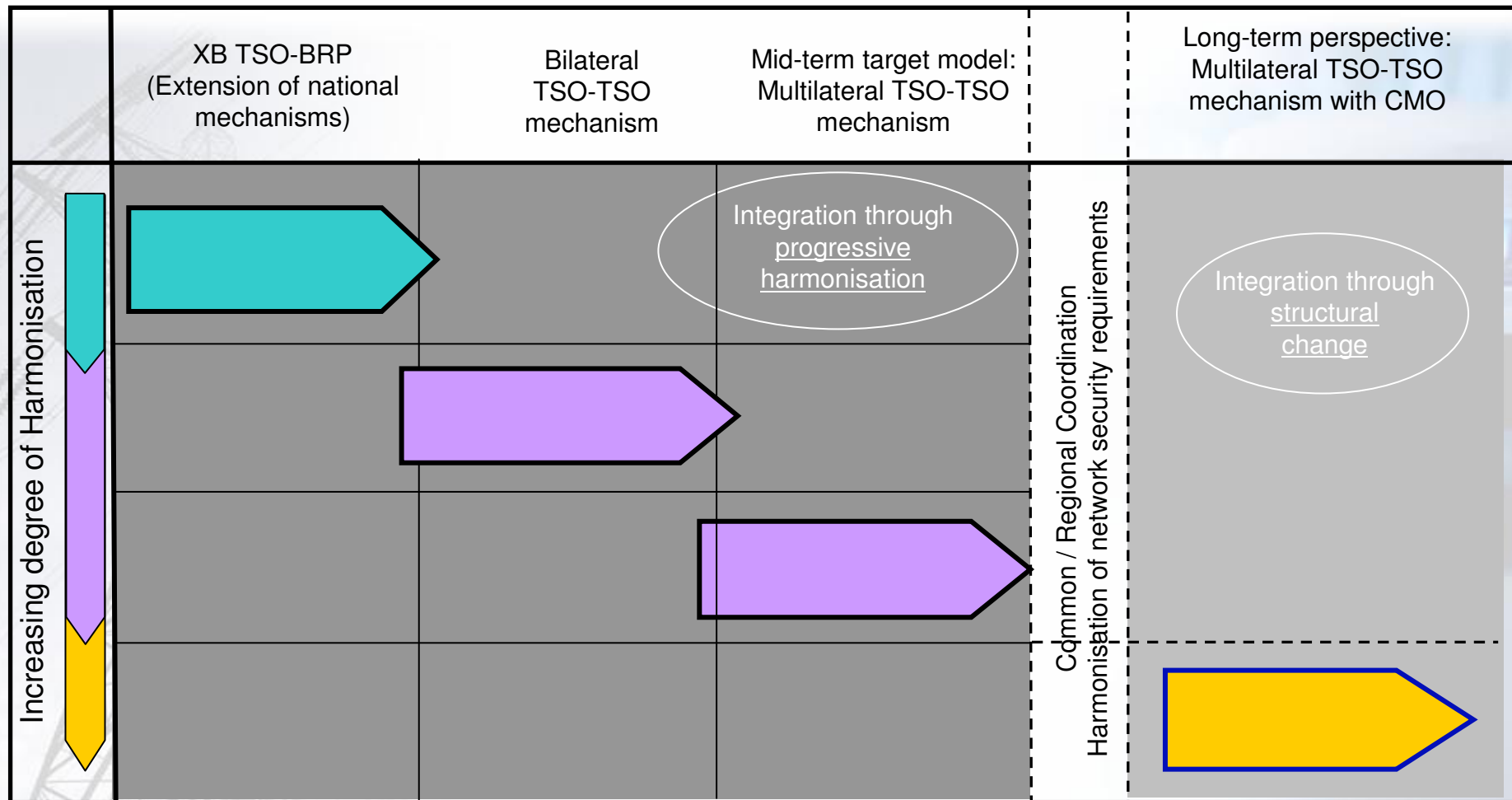
Features of the ID Target Model

- Target Model must allow block bids
 - Users will therefore be able to execute through the platform deals which would otherwise be concluded on a bilateral basis
- When significant additional capacity becomes available this capacity should be allocated using a market based mechanism
 - The definition of significant additional capacity will have to be developed
 - There are several possible market based mechanisms to allocate significant additional capacity (e.g. auctions)

Balancing market

- Full harmonisation of balancing markets is not a prerequisite for cross-border balancing
- Pragmatic approach is important
- Major steps:
 - Pilot projects
 - Harmonisation of gate closures and technical characteristics (+ roles and responsibilities of all major parties)
 - Introduction of cross-border intraday gives support
 - Case by case (in a feasible “area”) development of multiple TSO cooperation (ending in coordinated system operation)

Proposed Roadmap for the XB Integration of Balancing Markets



Legend: XB = cross-border
BRP = Balance Responsible Party

Objectives for Capacity Calculation

- Having harmonised coordinated **capacity calculation methodologies** amongst European TSOs.
- Having harmonised **standards regarding necessary information and information exchange** amongst TSOs, generators and traders.
- Providing for each time horizon the maximum possible capacities to the market by respecting TSOs security standards.



Target model for capacity calculation

- Target Model is aimed at elaborating a **common grid model**
 - common grid model is a set of coordinated processes characterized by tight cooperation and coordination of the TSOs that will deliver a European view of the power system
 - moving towards day-ahead and intraday flow based capacity determination, subject to proven benefits
- Need for transparency (capacity calculation process and in the related project)

Current developments

- ERGEG is working on draft Framework Guideline on capacity allocation and congestion management
 - Capacity calculation
 - Day-ahead
 - Intraday
 - Forward market
- AHAG (Ad Hoc Advisory Group of Stakeholders) established
 - Chaired by ERGEG, consists of representatives of the Commission, ENTSO-E, EuroPEX, Eurelectric, EFET, IFIEC, CEFIC, Geode

Role and tasks for AHAG

1. To **advise**, on an ad hoc basis, the European Energy Regulators in the development of the draft Framework Guideline on capacity allocation and congestion management.
2. To **monitor and coordinate** such agreed projects that are established to carry forward the work of the PCG.
 - Day-ahead and governance (EC)
 - Intraday (ENTSO-E)
 - Capacity calculation (ENTSO-E)



**Thank you for your
attention**

**More information on ERGEG
work and AHAG:
www.energy-regulators.eu**