

NordREG seminar on Wholesale and Transmission Developments

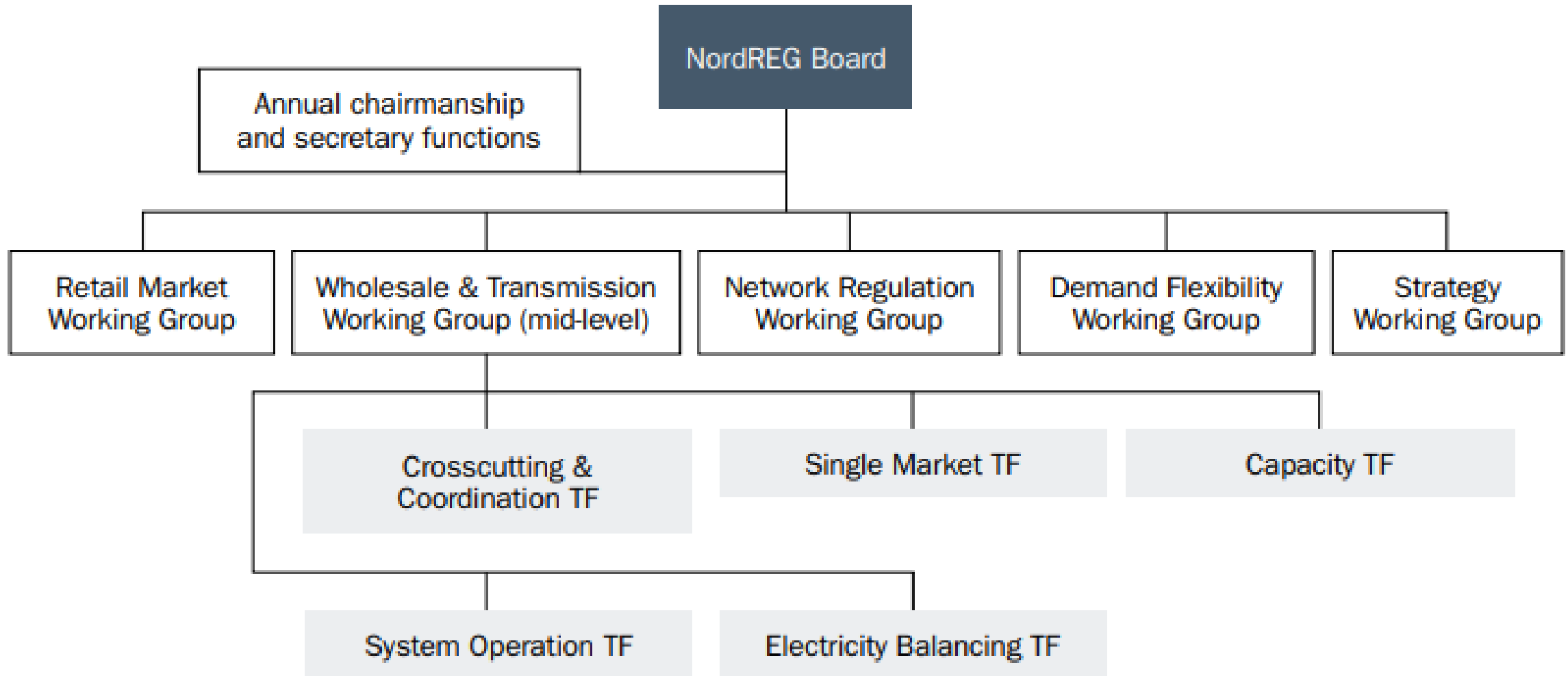
19 November 2021
09:30 – 13:00

Agenda for the seminar

Agenda Topics	Presenter
1. Opening (10 minutes)	Helena Mellison, NVE-RME
2. Updates from NordREG Wholesale and Transmission Task Forces (70 minutes)	
2.1 Update on the Progress with Nordic Flow-Based Capacity Calculation Methodology	Jori Säntti, EV
2.2. NordREG position paper on CACM 2.0	Marie Hjorth Karlsen, NVE-RME
2.4 Regulatory process on expected derogation request for the connection to MARI and PICASSO balancing platforms	Thomas vom Braucke, DUR
2.5. Current terms and condition under regulatory assessment in the area of system operation - Ramping restrictions - Minimum activation time to be ensured by FCR providers	Thomas Kallevik, NVE-RME
2.6. Reporting requirement on the establishment of a RCC for the Nordic System Operation Region	Thomas vom Braucke, DUR
2.7. Q&A to the NordREG TFs	
- 15 minute break-	

Agenda Topics	Presenter
3. Presentation by Nordic TSOs on main challenges on Wholesale and Transmission developments in the Nordics, including cross-zonal capacities, followed by Q&A to TSOs (40 minutes)	Johannes Bruun, Energinet & Erik Ek, Svk
4. Presentation by Nord Pool EMCO on main challenges on Wholesale and Transmission developments in the Nordics followed by Q&A to Nord Pool EMCO (15 minutes)	Michela Beltracchi & Birgit Kunze, Nord Pool EMCO
5. Presentation by Epex Spot on main challenges on Wholesale and Transmission developments in the Nordics followed by Q&A to Epex Spot (15 minutes)	David Assaad, Epex Spot
6. Presentation by Swedenergy on main challenges on Wholesale and Transmission developments in the Nordics (10 minutes)	Per Wikström, Swedenergy
7. Concluding remarks, and upcoming 2022 NordREG chairmanship (10 minutes)	Caroline Törnqvist, Ei

NordREG organisational chart



Updates from the NordREG Wholesale and Transmission Task Forces

Update on the Progress with Nordic Flow-Based Capacity Calculation Methodology

Jori Säntti
Chair of the NordREG Capacity Task Force

19 November 2021

Nordic Flow-Based Capacity Calculation: Where do we stand now?

- The current flow-based methodology was approved by the Nordic NRAs in September 2020
- The TSOs' proposed methodology raised concerns among the market participants
 - Too hasty implementation, lack of impact assessment, efficiency and reliability of the methodology
- When approving, the NRAs made some changes in the implementation plan of the methodology to alleviate these concerns and to ensure proper implementation of FB
 - Ensuring that the adopted flow-based approach operates sufficiently well
 - Emphasizing stakeholder involvement also during the implementation phase
- Indicative timeline
 - External Parallel Run ("EPR") to start in early 2022?
 - TSOs are best at assessing the exact schedule. Some technical issues remain.

Parallel Run: What is it?

- CACM art. 20(8) requirement:

8. To enable market participants to adapt to any change in the capacity calculation approach, the TSOs concerned shall test the new approach alongside the existing approach and involve market participants for at least six months before implementing a proposal for changing their capacity calculation approach.

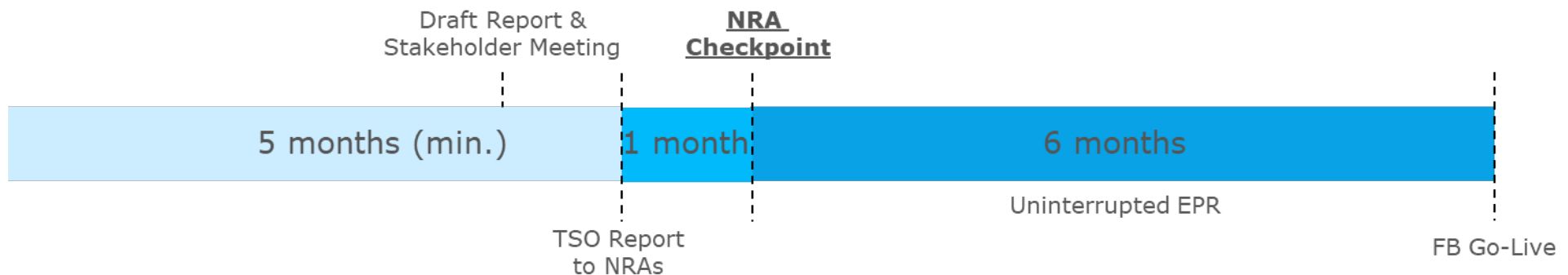
- Parallel run means simulating the Flow-Based capacity calculation alongside the existing CNTC –approach
 - The market participants will be able to observe the results of both approaches in the same market situations
 - An opportunity to study and learn before Go-live
- Despite the 6 month minimum requirement, Nordic NRAs agreed to a total of minimum 12 months
 - This is further divided into smaller segments in the implementation plan

Parallel Run: NRA-Checkpoint

- How to ensure, we will get proper parallel runs and FB calculations, while avoiding postponement of go-live?
 - Balance?
- Nordic CCR NRAs agreed to having a **Checkpoint** in the middle of the parallel runs
 - The purpose is to assess and verify the functionality and efficiency of flow-based calculations
- Checkpoint is based on a report drafted by the TSOs based on FB data
 - Socioeconomic effect of FB
 - MTUs where fallback has been used
 - Delays in delivering results
 - Changes in the capacities using FB
 - Qualitative TSO –assessment
 - Stakeholder comments

Parallel Run: NRA -Checkpoint

- FB implementation plan structure
 - TSOs run EPR at least 5 months, during which a **Stakeholder Meeting** is organized
 - Meeting based on EPR and Draft Report
 - Report is given to the NRAs, which have 1 month to assess it
 - **Checkpoint:** NRAs formulate a joint opinion of FB operations based on the report
 - If FB is deemed to function sufficiently, the TSOs continue with final 6 months of EPR
 - If FB operates at insufficient level, the TSOs are requested to improve FB, after which they deliver a subsequent report
- The checkpoint ensures that the stakeholders will get at least 6 months of EPR using the operational implementation the NRAs have commonly agreed to be working sufficiently well.



Parallel Run: NRA -Checkpoint

- What do we assess in the checkpoint?
- NRAs have defined common criteria to assess the operations: Key Performance Indicators
 - Use of Fallback measures
 - Fallback measures should be used in less than 3 % of MTU
 - Structural delays
 - Specific criteria for allowed number of structural delays in delivery of FB parameters to the transparency platform
 - Any delay exceeding 10 minutes is not acceptable
 - Socioeconomic welfare
 - FB effect on ID –market

Parallel Run: Stakeholder Involvement

- The NRAs also assess the FB operations based on **Stakeholder feedback**
 - Adoption of flow-based is a major change in the electricity markets
 - The NRAs have built the checkpoint in order to also ensure the market participants' participation in the implementation phase
 - Possibilities for stakeholders to influence
 - The TSOs are required to organize a **stakeholder meeting** in order to discuss the flow-based parallel runs based on a draft of the evaluation report
 - Any **stakeholder feedback sent to TSOs** before the checkpoint must be included in the evaluation report. This feedback shall be complemented with TSOs response to the comments received from stakeholders.
- NRAs welcome the stakeholder input and urge to participate in this process
 - Feel free to contact us NRAs directly concerning the parallel runs and FB implementation

Grace -period, what is it, what now?

- The NRAs were informed that the simulated FB–results could only be delivered with a **delay of 14 days (“grace period”)**.
- FB simulations are run by the NEMOs
 - NEMOs have stated that the reasons concern technical questions or previous bilateral agreements with TSOs?
- NordREG consultation revealed that stakeholders strongly oppose this kind of a delay
 - Trading desks operate in real time. The delay hinders possibility to learn.
 - Parallel runs are there for the stakeholders
- Switching to FB is a major change, and the feedback from stakeholders is taken seriously
- The **NRAs consider a short grace-period important for the stakeholders**
 - Attempt to find a solution as soon as possible
 - This would require strong support from the NEMOs

Next Steps

- Continued discussion with the NEMOs on how to reduce the grace-period to a minimum
- The NRAs urge the stakeholders to express their opinion during implementation
- Hopefully, we will see the start of FB parallel runs early next year.
- NRAs follow the FB implementation, aiming to ensure that this change will benefit the Nordic market as a whole

Nordic Position Paper on CACM 2.0

Marie Hjorth Karlsen
Chair of the Single Market Task Force

19 November 2021

Background

- The CACM Regulation provides binding rules for the implementation and operation of an EU-wide single market coupling and capacity calculation in the day-ahead and intraday timeframes
- The European Commission have requested ACER to provide a recommendation on reasoned amendments on CACM
- NordREG has written and published a Nordic Position Paper on the revision of CACM
- The position paper focuses on two main topics, the governance of the Market Coupling Operator (MCO) and phasing out monopoly NEMOs

Governance of the MCO-function

- The governance of the MCO-function must be reorganized and there is a need for a clearer separation between monopolistic and competitive tasks within the NEMOs
- Operational security needs to be prioritized and the MCO-function should be obliged to implement adequate security measures and back-up solutions in order to prevent security incidents
- Regulatory measurements need to be proportionate, measurements imposed on market players should not exceed what is necessary to achieve the policy objectives
- A thorough impact assessment that identifies the advantages and disadvantages of the proposed solutions is needed

Phasing out monopoly NEMOs

- CACM 2.0 should include a plan for the phasing out of monopoly NEMOs
- Phasing out monopoly NEMOs will improve the level playing field among NEMOs as well as contribute to a more efficient cooperation among all parties in the market coupling
- The current coexistence of two different models creates conflict and inefficiencies and is a barrier for efficient cooperation and development
- In our opinion, we cannot reap the full benefit of NEMO competition in the coupled European electricity market when national monopolies still exist

Key Takeaways

- NordREG support the revision of CACM
- NordREG believe that the governance of the MCO-function needs to be reorganized
- CACM 2.0 should include a plan for the phasing out of monopoly NEMOs, which will improve the level playing field and contribute to a more efficient cooperation among all parties in the market coupling

Regulatory process on expected derogation requests for the connection to the MARI and PICASSO platforms

Thomas vom Braucke
Chair of the Electricity Balancing Task Force

19 November 2021

Background

- MARI and PICASSO platforms to be used for the exchange of frequency restoration reserves with, respectively, manual and automatic activation (mFRR and aFRR).
- MARI and PICASSO governed by EB Regulation and by terms and conditions pursuant to it.
- Implementation framework for the two platforms approved by ACER on 24 January 2020 in Decisions 02/2020 and 03/2020 following proposals from all EU TSOs.
- The platforms shall be implemented by 30 months following the approval, i.e. by 24 July 2022.
- Each TSO can request for a derogation of the deadline at “their” NRA.

MARI and PICASSO and the Nordic Balancing Model

- MARI and PICASSO platforms will be cornerstones in the European balancing energy market.
- An important purpose of the Nordic TSOs' programme «The Nordic Balancing Model» is to pave the way for the Nordic TSOs' connection to the two platforms.
- The Nordic TSOs need to undertake a number of steps as part of the NBM before being able to connect to the platforms.

Upcoming derogation requests

- Each of the Nordic TSOs have launched public consultations before submitting derogation requests to access the platforms by 24 July 2022. Consultation deadline 22 November 2021.
- Nordic NRAs expect derogation requests in December 2021/January 2022.
- Nordic NRAs expect that requests be coordinated between the TSOs even though the derogation requests will be made at national level.
- Nordic NRAs will aim at coordinating assessment of derogation requests, but legally a coordination is neither a requirement nor a certainty.

What will NRAs have to assess and for how long

- Article 62(5) of the EB Regulation stipulates what the request shall contain, i.a. an assessment of the possible risks for the integration of balancing markets across Europe caused by the requested derogation.
- Article 62(8) of the EB Regulation stipulates what each of the NRAs have to assess before granting a derogation, i.a. the actions taken to facilitate the implementation of the provision from which a derogation is sought.
- NRAs shall decide whether to grant a derogation within six months with a possibility to require additional information from the TSOs.

Key takeaways

- Derogation requests expected following TSOs' consultations until 22 November.
- NRAs will have to follow procedure in EBGL when assessing derogation requests.
- Nordic NRAs will aim at coordinating assessment of derogation requests, but a coordination is neither required nor certain.

Current terms and condition under regulatory assessment in the area of system operation

Thomas Kallevik
Chair of the System Operation Task Force

19 November 2021

Minimum activation period to be ensured by FCR providers in accordance with SO GL art. 156(10)

- Proposed methodology approved by the Nordic NRAs in October.
- Based on a cost-benefit analysis conducted by the Nordic TSOs.
- NRAs have asked the Nordic TSOs to come back with a plan on implementation.

Ramping restrictions for active power output in accordance with Article 137(3) and (4)

- Nordic TSOs submitted an amended methodology in April.
- Nordic NRAs issued a request for amendment.
- The Nordic TSOs are also working on the next generation ramping restrictions after the implementation of 15 minutes ISP.

Other amendments in 2022

- The Nordic TSOs have notified the NRAs about the following amendments in 2022:
 - FRR dimensioning rules in accordance with Article 157(1).
 - Additional properties of the FCR in accordance with Article 154(2).
 - Ramping restrictions for active power output in accordance with Article 137(3) and (4).

Reporting requirements on the establishment of a Regional Coordination Centre for the Nordic System Operation Region

Thomas vom Braucke
Chair of the Crosscutting and Coordinating Task Force

19 November 2021

Background

- The Regional Coordination Centres (RCC) are governed by provisions in the Electricity Market Regulation and terms and conditions adopted pursuant to it.
- The Electricity Market Directive contains provisions on the regulatory oversight of the establishment and operation of the RCC
- In July 2021, Nordic System Operation Region (SOR) NRAs approved proposal for the establishment of a Regional Coordination Centre for the Nordic SOR. NVE-RME participated informally in the approval process.
- A number of terms and conditions specifying the tasks of the RCCs will be submitted by ENTSO-E for approval by ACER.

The future Nordic RCC

- The RCC is to enter into operation by 1 July 2022.
- The Nordic RCC shall replace the existing Regional Security Coordinator for the Nordic region (the Nordic RSC).
- The Nordic RCC will be established as a Danish public limited liability company, equally owned by Svenska kraftnät, Energinet, Fingrid and Statnett providing services to those TSOs as well as to Kraftnät Åland and cooperating with RCCs covering other SORs.

What do the NRAs expect until 1 July 2022?

- Implementation plan part of approved proposal for the RCC establishment.
- Each TSO must respect the implementation deadlines in the proposal.
- The TSOs are to inform the NRAs with updates on the implementation plan every six months following the approval of the proposal.
- The first of these updates thus is due in January 2022.
- The second of the updates will more or less coincide with the Nordic RCC becoming operational by 1 July 2022

Key takeaways

- Proposal for a Nordic RCC has been approved in July 2021.
- The Nordic RCC is to enter into operation by 1 July 2022.
- In January 2022 the Nordic TSOs are to inform the NRAs on updates, i.e. whether the TSOs are on track in the establishment of the RCC.

Q & A to the NordREG Task Forces