

UK - FR- IE Electricity Regional Initiative

TSOs' Paper – Action IG2-1

Gap analysis of current compliance with the Congestion Management Guideline

Summary

1. The European Commission has set out a statement of the vision and process for the creation of a Single Electricity Market in its March 2004 Strategy Paper 'Medium term vision for the internal electricity market'. This anticipates the integrated single market being reached via the interim step of the establishment and further development of a number of regional markets. More compatible arrangements can lead to the application of similar rules for all market players and hence tend to promote efficient trade.
2. The Guideline for Congestion Management is currently anticipated to be implemented within Regulation (EC) No 1228/2003 (Conditions for access to the network for cross border exchanges in electricity) during the 4th Quarter of 2006. This will mean that provisions of the guideline will acquire the same legal status as the current provisions of the Regulation in terms of their direct application to TSO's and other entities facilitating or participating in cross border electricity exchanges.
3. The purpose of this paper is to identify the most significant provisions of the guideline effecting TSOs, and by using a 'gap analysis' approach, assesses those aspects of the current operational and commercial arrangements within the region which may require realignment to fully comply with the guideline when it comes into force.
4. The following analysis is primarily focused on cross border arrangements and processes on a per border basis, however, to the extent that the Guideline sets out obligations in more generic terms pertaining to 'Network(s)', then this wider context has been considered where appropriate.
5. Terms
 - 5.1 Articles & Clauses - Relating directly to the finalised text of the Guideline for Congestion Management, as set out in the Draft Commission Decision document reference OJ L 176, 15.7.2003 and following agreement at the Cross-border Electricity Committee meeting held on 26.4.2006.
 - 5.2 Issues arising for TSOs - Summarised and interpretive descriptions (for convenience) of the most significant requirements of the Congestion Management Guideline as they effect the processes and obligations of TSOs and ICOs
 - 5.3 Current Alignment – An assessment of the alignment of current arrangements pertaining to a particular Interconnector. Expressed simplistically as:
 - Full (fully aligned)
 - Partial (substantively aligned)
 - None (not aligned)
 - N/A (not applicable)
 - 5.4 Market Materiality – An assessment of the materiality of non alignment when considering impacts on market participants and potential barriers to trade. Expressed simplistically as:
 - High
 - Medium
 - Low

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6. Gap Analysis - Current Situation For IFA

Clause	Issues arising for TSOs	Current Alignment	Market Materiality
Article 1 – General Provisions			
1.2	Third party access to X border capacity cannot be restricted when no congestion exists. Refer associated point 6.1	Full	High
1.3	Curative re-dispatching or counter-trading on a commercial (least cost) basis to be used to for X border constraints. Except where there are overriding operational security concerns. Refer 1.7.	Full	High
1.4	Congestion management methods have to be in place for congested cross border lines.	Full	High
1.6	Available (consistent with System security) X Border capacity should be allocated to the highest value bids.	Full	High
1.7	TSOs cannot limit X border capacity to solve internal network constraints (except for operational security) Refer 1.3.	Full	High
1.9	Intraday allocation mechanisms to be established by 1 Jan 2008	Partial	High
Article 2 – Congestion Management Methods			
2.1	CM-methods have to be market based, and must be either explicit or implicit auctions	Full	High
2.5	Long term (annual, periodic etc) cross border capacity rights must be: <ul style="list-style-type: none"> firm financial rights subject to UIoLI/UIoSI following nomination. 	Full	High
		Partial	Low
2.9	No reserve prices allowed in capacity allocation methods. <ul style="list-style-type: none"> Long term Auctions (Annual / Periodic) Day Ahead Auctions 	Full	High
		None	Low

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Clause	Issues arising for TSOs	Current Alignment	Market Materiality
2.11	Requirement to make available all unused (not nominated) capacity in the next relevant timeframe. Refer 2.5, UIoLI/UIoSI principle. (eg. unused long term capacity (annual, monthly etc) must be released into the day ahead timeframe, and unused day ahead capacity must be made available in an appropriate intraday mechanism) <ul style="list-style-type: none"> • Long term (Annual / Periodic) • Day Ahead • Intraday 	Partial	High
		Partial	Med
		None	Low
2.12	All capacity must be freely tradable on 'Secondary' basis. Specific justification is required for not accepting secondary trades.	Full	High
2.13	TSOs must provide 'compensation' for non-availability of firm capacity rights. Refer 2.5.	Full	High
Article 3 – Coordination			
3.1&3.2	TSOs must adopt coordinated congestion management methods within the region by 1 st January 2007	Full	High
3.5	Key points for cross border coordination: <ul style="list-style-type: none"> • Identical/Compatible capacity timeframes and IC gate closure times. • Consistent/Compatible contractual framework for access 	Full	High
		Full	High
Article 4 – Timetable for Market Operations			
4.3	Intraday allocations mechanisms must be employed for unused capacity following determination of day ahead schedules. i.e. following day ahead nominations	Partial	Medium

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Clause	Issues arising for TSOs	Current Alignment	Market Materiality
Article 5 – Transparency – (Requirement to Publish)			
5.1-5.3	Relevant ‘network data’ related to: <i>(interpret as interconnector data as a minimum, but may be extended to the transmission network to the extent that it is relevant to X border capacity)</i>		
	• Availability	Partial	High
	• Access	Full	High
	• Use	Partial	Low
	Congestion Management Methodologies for:		
	• Capacity allocation procedures	Full	High
	• Calculation of available interconnection capacity	N/A	Low
	• Access rules and eligibility criterion	Full	High
5.5	Capacity availability forecasts:		
	• <u>monthly</u> : month and year-ahead forecasts of the interconnector capacity available to the market	Partial	High
	• <u>weekly</u> : week-ahead forecasts of the interconnector capacity available to the market	None	Low
	• <u>daily</u> : day-ahead and intra-day interconnector capacity available to the market	Partial	Low
5.5	Capacity Allocation information: (as soon as possible after allocation)		
	• Volumes (per timeframe)	Full	High
	• Auction prices (per timeframe)	Full	High

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Clause	Issues arising for TSOs	Current Alignment	Market Materiality
5.5	Capacity Use information: (as close to real time as possible) <ul style="list-style-type: none"> Total nominated flows (per timeframe) Actual net physical flows 	Partial	Low
		Full	Low
5.9	Data is to be published/made available in an easily accessible and standardised form and for a minimum period of 2 years.	Partial	High
Article 6 – Use of Congestion Income			
6.1	Congestion management procedures can only generate revenues for TSOs and ICOs when congestion exists. Applies per capacity timeframe. eg. An oversubscribed annual auction can be regarded as congestion, whereas failure to sell all capacity in a daily auction is not. – (In this case congestion revenues may be retained for the annual capacity but the daily capacity must be free of charge) <ul style="list-style-type: none"> Long term (Annual / Periodic) Day Ahead 	Full	High
		Partial	Low

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7. Gap Analysis - Current Situation For Moyle

Clause	Issues arising for TSOs	Current Alignment	Market Materiality
Article 1 – General Provisions			
1.2	Third party access to X border capacity cannot be restricted when no congestion exists. Refer associated point 6.1	Full	High
1.3	Curative re-dispatching or counter-trading on a commercial (least cost) basis to be used to for X border constraints. Except where there are overriding operational security concerns. Refer 1.7.	Full	High
1.4	Congestion management methods have to be in place for congested cross border lines.	Full	High
1.6	Available (consistent with System security) X Border capacity should be allocated to the highest value bids.	Full	High
1.7	TSOs cannot limit X border capacity to solve internal network constraints (except for operational security) Refer 1.3.	Full	High
1.9	Intraday allocation mechanisms to be established by 1 Jan 2008	Partial	Low
Article 2 – Congestion Management Methods			
2.1	CM-methods have to be market based, and must be either explicit or implicit auctions	Full	High
2.5	Long term (annual, periodic etc) cross border capacity rights must be: <ul style="list-style-type: none"> firm financial rights subject to UIoLI/UIoSI following nomination. 	Full	High
		Partial	Low
2.9	No reserve prices allowed in capacity allocation methods. <ul style="list-style-type: none"> Long term Auctions (Annual / Periodic) Day Ahead Auctions 	None	Medium
		None	Low

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Clause	Issues arising for TSOs	Current Alignment	Market Materiality
2.11	Requirement to make available all unused (not nominated) capacity in the next relevant timeframe. Refer 2.5, UIoLI/UIoSI principle. (eg. unused long term capacity (annual, monthly etc) must be released into the day ahead timeframe, and unused day ahead capacity must be made available in an appropriate intraday mechanism) <ul style="list-style-type: none"> • Long term (Annual / Periodic) • Day Ahead • Intraday 	Partial	High
		Partial	Med
		None	Low
2.12	All capacity must be freely tradable on 'Secondary' basis. Specific justification is required for not accepting secondary trades.	Full	High
2.13	TSOs must provide 'compensation' for non-availability of firm capacity rights. Refer 2.5.	Partial	Low
Article 3 – Coordination			
3.1&3.2	TSOs must adopt coordinated congestion management methods within the region by 1st January 2007	Partial	Low
3.5	Key points for cross border coordination: <ul style="list-style-type: none"> • Identical/Compatible capacity timeframes and IC gate closure times. • Consistent/Compatible contractual framework for access 	Partial	Low
		Partial	Low
Article 4 – Timetable for Market Operations			
4.3	Intraday allocations mechanisms must be employed for unused capacity following determination of day ahead schedules. i.e. following day ahead nominations	Partial	Low

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Clause	Issues arising for TSOs	Current Alignment	Market Materiality
Article 5 – Transparency – (Requirement to Publish)			
5.1-5.3	Relevant ‘network data’ related to: <i>(interpret as interconnector data as a minimum, but may be extended to the transmission network to the extent that it is relevant to X border capacity)</i>		
	• Availability	Full	High
	• Access	Full	High
	• Use	Full	Low
	Congestion Management Methodologies for:		
	• Capacity allocation procedures	Full	High
	• Calculation of available interconnection capacity	N/A	Low
	• Access rules and eligibility criterion	Full	High
5.5	Capacity availability forecasts:		
	• <u>monthly</u> : month and year-ahead forecasts of the interconnector capacity available to the market	Full	High
	• <u>weekly</u> : week-ahead forecasts of the interconnector capacity available to the market	Full	Low
	• <u>daily</u> : day-ahead and intra-day interconnector capacity available to the market	Full	Low
5.5	Capacity Allocation information: (as soon as possible after allocation)		
	• Volumes (per timeframe)	Full	High
	• Auction prices (per timeframe)	Full	High

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Clause	Issues arising for TSOs	Current Alignment	Market Materiality
5.5	<p>Capacity Use information: (as close to real time as possible)</p> <ul style="list-style-type: none"> • Total nominated flows (per timeframe) • Actual net physical flows 	Full	Low
		Partial	Low
5.9	Data is to be published/made available in an easily accessible and standardised form and for a minimum period of 2 years.	Full	High
Article 6 – Use of Congestion Income			
6.1	<p>Congestion management procedures can only generate revenues for TSOs and ICOs when congestion exists. Applies per capacity timeframe. eg. An oversubscribed annual auction can be regarded as congestion, whereas failure to sell all capacity in a daily auction is not. – (In this case congestion revenues may be retained for the annual capacity but the daily capacity must be free of charge)</p> <ul style="list-style-type: none"> • Long term (Annual / Periodic) • Day Ahead 	None	Low
		None	Low

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8. Gap Analysis - Current Situation for North – South Interconnector

Clause	Issues arising for TSOs	Current Alignment	Market Materiality
Article 5 – Transparency – (Requirement to Publish)			
5.1-5.3	Relevant ‘network data’ related to: (<i>interpret as interconnector data as a minimum, but may be extended to the transmission network to the extent that it is relevant to X border capacity</i>)		
	• Availability	Full	High
	• Access	Partial	Low
	• Use	Full	Low
	Congestion Management Methodologies for:		
	• Capacity allocation procedures	Full	Low
	• Calculation of available interconnection capacity	Full	Low
	• Access rules and eligibility criterion	Full	Low
5.5	Capacity availability forecasts:		
	• <u>monthly</u> : month and year-ahead forecasts of the interconnector capacity available to the market	Full	High
	• <u>weekly</u> : week-ahead forecasts of the interconnector capacity available to the market	Full	High
	• <u>daily</u> : day-ahead and intra-day interconnector capacity available to the market	Partial	Low
5.5	Capacity Allocation information: (as soon as possible after allocation)		
	• Volumes (per timeframe)	Full	High
	• Auction prices (per timeframe)	Full	High

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Clause	Issues arising for TSOs	Current Alignment	Market Materiality
5.5	<p>Capacity Use information: (as close to real time as possible)</p> <ul style="list-style-type: none"> • Total nominated flows (per timeframe) • Actual net physical flows 	Full	Low
		Full	Low
5.9	Data is to be published/made available in an easily accessible and standardised form and for a minimum period of 2 years.	Full	Low
Article 6 – Use of Congestion Income			
6.1	<p>Congestion management procedures can only generate revenues for TSOs and ICOs when congestion exists. Applies per capacity timeframe. eg. An oversubscribed annual auction can be regarded as congestion, whereas failure to sell all capacity in a daily auction is not. – (In this case congestion revenues may be retained for the annual capacity but the daily capacity must be free of charge)</p> <ul style="list-style-type: none"> • Long term (Annual / Periodic) • Day Ahead 	None	Low
		None	Low