



To: Market European Stakeholder Committee members

From: MPP, EFET and EURELECTRIC

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Subject: Transparency on flow-based market coupling parameters

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**Introduction**

The flow-based market coupling (FBMC) for day-ahead electricity markets in CWE went live about a year ago (20 May 2015). The go-live of DA FBMC was contingent on a number of transparency requirements laid down by CWE regulators in a document published in March 2015 (“Position Paper of CWE NRAs on Flow-Based Market Coupling”), to be fulfilled by November 2015.

It turns out that the CWE TSOs did not implement some of these requirements so far and it seems TSOs do not have the intention of working on it, especially on those elements related to **transparency on grid topology elements**.

In the context of **new transparency requirements pursuant to European Regulations**, market participants have reiterated these transparency requirements recently through a common EFET-MPP letter but didn't receive any formal answer. Informal feedback received during the PLEF meeting (SG1) in February 2015 was that some of the TSOs argue there is **no legal obligation** forcing them to publish the data.

This situation is very unsatisfactory, considering that wholesale energy markets provide **key price signals** which **affect the choices** of producers and consumers, as well as investment decisions in production facilities and transport infrastructure. In particular, lagging transparency on flow-based parameters significantly increases uncertainty on forward markets, negatively affecting power generators' decisions and hedging strategies.

Market participants welcome the initiative of TSOs to open a dialogue (e.g. in the CCG meetings) on these issues. While TSOs are taking steps to improve documentation and educational material on the functioning of market coupling in a flow-based environment, progress is stalling on the question of the disclosure of



fundamental data. **Market participants need to make headway on this question quickly** in order to be able to operate in better conditions, and for the whole system to benefit from the flow-based methodology rather than suffer from the uncertainties it creates.

Market participants therefore request the support of regulators in their call for more transparency.

### Transparency requests

Market participants formulate the request that the **complete set of flow-based parameters** is subject to **ex-ante publication** by the **TSOs**.

This request covers:

- Nodes explicit ID, including topology changes by hour
- Critical Branches/Critical Outages (CBCO) explicit ID, i.e. including full mapping with the lines and nodes (line + eventual trip for N-k calculation), and transparency on remedial actions affecting CBCOs.
- Remaining Available Margins (RAM), including a breakdown into Fmax, Fref, FRM and FAV in explicit ID by hour
- Power Transfer Distribution Factors (PTDF) matrices by hour, including maximum import and export limits, and transparency on any changes to the matrices
- Generation Shift Keys (GSK) by hour at least by Control Area and ENTSO-E Fuel Type, ideally by node<sup>1</sup>.
- Generation, load and exchanges assumptions in the Common Grid Model by hour, at least by Control Area and ENTSO-E Fuel Type, ideally by node

These data points should be consistent with the Day-2 Congestion Forecast (D2CF) Common Grid Model and should be published at the same time as the operational parameters for D (i.e. 08:00 or 10:30 D-1) so that market participants can use it for their D+1 forecasts.

The rationale of this request is that this information relates to the availability of transmission capacity for commercial allocation in a flow-based environment and is therefore highly **likely to significantly impact wholesale prices**. As a matter of example, a change on a line in one area will affect not only the price on this market but will most likely also have effects across national borders. As a result, this information once in the public domain will be taken into account by all market participants in the short run, as a market signal to **act on wholesale markets**, therefore allowing price discovery based on trustworthy information, and in the longer run, for **investment** decisions.

It is therefore essential that this information is made **publicly available as soon as available to TSOs**, for market participants to actually have the **same level of information as TSOs** and be able to **forecast wholesale prices** and hence have access to the **right price signals** reflecting the actual conditions of the network and energy supply and demand.

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<sup>1</sup> This should not hamper work on the NRA request that GSK methods should be harmonised, to avoid as much as possible TSO arbitrary choices (e.g. on the merit order) and unrealistic outcomes (e.g. ex-ante sharing keys not representative of the actual supply/demand share, units generating more than Pmax)

### Legal grounds supporting the request

This request complies with **existing flow-based transparency requirements and European transparency Regulations.**

First, the **EU Regulation No 714/2009** on conditions for access to the network for cross-border exchanges in electricity (the "**Access Regulation**") recognizes that *equal access to information on the physical status and efficiency of the system is necessary to enable all market participants to assess the overall demand and supply situation and identify the reasons for fluctuations in the wholesale price.* With this perspective the regulation lays down requirements for TSOs to publish data on the availability and use of the networks, capacities of cross-border interconnectors and generation, load and network outages. This includes information on generation, supply and demand (including forecasts, network and interconnection capacity, flows and maintenance, balancing and reserve capacity).

In particular, Article 15.3 of the Access Regulation foresees that transmission system operators shall publish **estimates of available transfer capacity for each day**, indicating any available transfer capacity already reserved. Those publications shall be made at specified intervals before the day of transport and shall include, in any event, **week-ahead and month-ahead estimates, as well as a quantitative indication of the expected reliability of the available capacity.**

The Access Regulation contains Guidelines which stipulate in more detail which requirements TSOs need to fulfil in this regard, for example: "(...) (d) daily: day-ahead and intra-day transmission capacity available to the market for each market time unit, taking into account all netted day-ahead nominations, day-ahead production schedules, demand forecasts and planned network maintenance work." Furthermore, all information shall be available for the market in due time for the negotiation of all transactions - such as the time when bids have to be sent into organized markets.

Annex I of Regulation No 714/2009 has been amended by **Commission Regulation (EU) No 543/2013** (the "**Transparency Regulation**") which contains more detailed rules for the publication of information related to generation **and use of network capacities, including cross zonal capacities between bidding zones.**

Article 9 of the Transparency Regulation explicitly stipulates that TSO shall provide information **on future changes** to network elements and interconnector projects. The information shall include (d) **the impact on interconnection capacity per direction between the bidding zones.**

Moreover, according to Article 10, TSOs shall *provide information relating to the unavailability of transmission infrastructure, including changes in the planned unavailability of interconnections and in the transmission grid that reduce cross zonal capacities between bidding zones by 100 MW or more during at least one market time unit, specifying among other information the estimated impact on cross zonal capacity per direction between bidding zones.*



MPP and EFET believe that articles 11 and 12 of Regulation 453/2013 referring to the obligation for TSOs to publish information relating to the estimation and offer of cross-zonal capacities and information relating to the use of cross-zonal capacities, and more specifically information on relevant flow-based parameters, forms the basis for an accurate publication of this information to all market participants and not only to ENTSO-E. The question of the completeness and reliability of the related data on the ENTSO-E Transparency Platform is here of high relevance.

**Furthermore**, increased transparency on the full set of flow-based parameters that impact available transmission capacity is in line with the **new obligations of EU Regulation No 1227/2011 (“REMIT”)**, which establishes a requirement **for all market participants (including TSOs)** to publish **inside information** relating to wholesale energy products; this includes the transmission capacity of power and gas. The scope of ‘inside information’ to be made public under REMIT is broad and covers *“information of a precise nature which has not been made public, which relates, directly or indirectly, to one or more energy wholesale products an which, if it were made public, would be likely to significantly affect the prices of such wholesale products.”*

REMIT recognizes that publication of inside information in accordance with the Access Regulation constitutes public disclosure. To the extent not covered by the Access Regulation, article 2 of REMIT refers to inside information as (b) *“information relating to the capacity or use of transmission facilities”* and (d) *“any other information that a reasonable market participant would be likely to use as part of the basis of its decision to enter into a transaction relating to, or to issue an order to trade in, a wholesale energy product”* and insists that they must be made public.

**MPP and EFET consider that TSO publications under REMIT do not comply with the request to publish price sensitive information related to network capacities and their use.** As a matter of fact, TSOs are publishing information on availabilities of lines but are not disclosing any information regarding the impact of these changes on the flow-based domain. The fact that market participants do not have access to this information **to understand the shaping of the flow-based domain and its evolution** makes it extremely difficult for them to properly value scarcity, form a better view on supply and demand fundamentals and anticipate wholesales **prices in day-ahead and beyond.**

#### **In conclusion**

We believe that for all **price-sensitive information**, being the basis of market participants' decisions to enter into transactions in wholesale energy products, **should be made public to all market participants as soon as possible.**

Furthermore, MPP and EFET are convinced that providing **greater transparency** by making publicly available **ex-ante more information on flow-based parameters** as well as on **network changes impacting these flow-based parameters** will help build confidence and foster the development of market participants’ knowledge of the current market drivers. This will, indeed, enable market participants to identify and understand elements having a direct impact on the formation of wholesale prices.



**The identified shortcomings in the transparency of day-ahead flow-based market coupling** result in a lack of visibility for market participants on how changes (like the inclusion of a new PST) will affect the domain. It is important to note that the lack of transparency makes it extremely difficult for market participants to forecast the flow-based domain beyond day-ahead, which has a significantly negative impact on the efficiency of the forward market. **This concern should be addressed immediately by regulators and by TSOs.** Enhancing the overall transparency under flow-based approach is vital to avoid that market participants operate in such an unpredictable market.