

Nordic CCM SHG – meeting minutes

DRAFT Version

July 1 2020, 9.00-12.00 (Web Conference)

Participants		
<p>CCM project</p> <ul style="list-style-type: none"> Ulrik Møller (Energinet) Stefan Svensson (Svk) Emma Wennberg (Svk) Trond Jensen (Statnett) Jussi Matilainen (Fingrid) Ritva Hirvonen (Fingrid) Pieter Schavemaker (E-Bridge, PM) Johannes Bruun (Energinet) Timo Kaukonen (Fingrid) Erik Ek (Svk) <p>FBIMP project</p> <ul style="list-style-type: none"> Jens Stenport Nørgaard (PM) 	<p>NRA</p> <ul style="list-style-type: none"> Kimmie Byriel Laage-Petersen (DUR) <p>NEMO</p> <ul style="list-style-type: none"> Hilde Rosenblad (EMCO) Rose Sargant (Nasdaq) Sylvie Tarnai (EPEX) 	<p>Other participants</p> <ul style="list-style-type: none"> Anders Sivertsgård (Norwegian energy) Rickard Björström (Vattenfall) Carsten Chachah (Danish energy) Håkon Egeland (Statkraft) Petteri Haveri (Energia) Jens Mortensen (Orsted) Magnus Thorstensson (Energiforetagen) Martin Schröder (Dansk Energi) Jan Rönnback (Fortum) Heini Ruohosenmaa (Fortum) Vidar Hansen (ECO)

Text in non-italics are statements, questions or claims from the person mentioned.

Text in italics are answers or comments provided by the person mentioned, or the project.

1. Status update (9.00-9.30)

Q: Petteri: Will/can the internal parallel runs be used for analysing the efficiency compared to (C)NTC, and how ID capacities are affected?
A: CCM: *Main objective of the internal parallel run is to mature the process and to come to the point in time where we are able to perform the external parallel run, and to deliver results on a day-by-day basis. The simulation results will be published, and will be used for a comparison with the current NTC system.*

Q: Heini: The timeline does not show the one year of simulations asked for by stakeholders?
A: CCM: *Nothing has changed in this respect; this is not part of the amended CCM that is in the NRA approval process since April. It is not planned to do one year of simulations (in addition to the one year of external parallel run). Indeed, although we did mention this in the first version of the CCM, this is simply not feasible. We need CGMs to do this, and we can't go back in time and use historical data for this, as the CGMs are still being developed at this moment in time.*
Q: Heini: *So you rather implement fast than analyse properly?*
A: CCM: *We have one year of external parallel run – this is 6 months more than what is legally required. This should provide a proper basis for analysis.*

Q: Jan: Which project will analyse the results from the external parallel run?
A: FBIMP: *A market impact analysis will be done in the FBIMP project (the joint project with the NEMOs). The socio-economics, and power system impact will be analysed by the SAWG under the CCM project. The two groups will interact with one another.*

Q: Håkon: Why do we have a 14-day grace period?
A: FBIMP: *Not to share any confidential information among the NEMOs, a 14-day grace period has been agreed upon.*
Rose: *I don't know the exact background, I need to check on that.*
Hilde: *to protect the data from coming too close to the real production date; performing simulations on the actual date could lead to other effects. Decision has been taken with the launch of the SF (Simulation Facility) a few years back.*
Sylvie: *The 14-days grace period is an ongoing discussion in PCR. Some NEMOs are not willing to make their order books available. NRAs requested to reduce the grace period. EPEX is willing to do so, yet waiting for the other NEMOs.*
CCM: *To reduce the grace period, the order books are needed from all European NEMOs: an agreement among the Nordic NEMOs does not suffice.*
FBIMP: *The 14-days grace period discussion is addressed in the FBIMP project.*

Q: Carsten: I don't understand which information is sensitive or confidential
A: FBIMP: *It is the order books.*

Q: Håkon: is the 14 days grace period linked to NEMO data only? How will you link this to the Core FB?
A: CCM: *The 14 days grace period is linked to the NEMO data only. When Core uses NTC in production, we use their NTCs in our parallel runs. When the Core applies FB in production, the FB data of Core is applied in our parallel run.*

Håkon: We need to test what we will have in operation.
A: CCM: *It is wise to test the system with both regions running FB.*
Håkon: *It is not just wise, it is a requirement.*
A: CCM: *It is not a requirement - legislation states that the new system needs to be tested alongside the current system*
Heini: *Core being in FB, may have a large impact on the welfare*
Hilde: *Can't you run 12 months of simulations when the FB data from Core is available?*

Q: Jan: Are the external parallel runs done by using Euphemia and the right CGMs?
A: CCM: *Indeed, the industrial CGMs – the CGMs to be used during operations - are used during the parallel runs. Euphemia is used for the market simulations.*

Q: Vidar: what is the status of the CGM development?
A: CCM: *This is work in progress.*

Q: Jens: No prototype CGM is being used anymore?

A: CCM: *Indeed, all focus is now on getting the industrial CGM up and running (the industrial CGM is merged by the Nordic RSC, and is the CGM to be used during operations).*

Q: Anders: How do you coordinate issues between the 3 projects (CCM – NorCap – FBIMP)?

A: *Coordination is organized on multiple levels, e.g. among the project managers, and by having a joint TSO Steering Committee.*

Kimmie presents the NRA status on the approval process, and indicates that it is less likely that the amended DA/ID CCM proposal will be sent to ACER.

Q: Håkon: How will the stakeholder responses to the NRA consultation be taken into account?

A: Kimmie: *NRAs assess the results and if NRAs agree among themselves, it will be reflected in a RfA (Request for Amendment) e.g.*

Q: Håkon: With regard to the grace period, not the TSOs are the problem, but the NEMOs – what can the NRA do in this respect?

A: Ulrik: *there are no legal tools at hand for the NRAs.*

Kimmie: *we can issue an RfA, with obligations on the TSO. We currently have more of a dialogue with NEMOs than enforcement.*

Ulrik: *It is important to have this dialogue: if a 14-days grace period does not make sense, the external parallel run does not make sense.*

Håkon: *The parallel run serves more purposes, such as a socio-economic assessment. The grace period does not impact the ability to do so.*

Q: Jens: when will the order books be available on an operational timeframe?

A: CCM: *This is only possible when the NEMOs use the operational environment.*

Rose: *We need to be as cost efficient as possible: SF vs production system. Three NEMOs need to discuss among themselves how to organize and to operate the operational environment: this is quite costly. The SF is an already- available system that can be used for parallel run purposes.*

Carsten: *It is not just cost that should be considered, the benefit for the market needs to be considered here as well.*

Hilde: *This is not the right time or forum to discuss this. Using and occupying a test system for a full year for a parallel run needs to be discussed elsewhere.*

CCM: *FB will be implemented, the questions is only when.*

Jan, Heini: *You need to prove efficiency, and show it to us.*

Petteri: *Those NEMO-things need to be solved on a European level soon, like sharing of bid curves, calculation of system price, and this blocking of an efficient testing of the new capacity calculation methodology. This needs to be tackled in Autumn.*

FBIMP: *When we start the external parallel run in December, we need to make use of the SF in the beginning of the external parallel run period.*

2. Presentation Vattenfall on the letter sent to the Nordic NRAs (9.30-11.30)

Rickard gives a presentation that - in a nutshell – confirms that FB is more efficient, but that there are some concerns on how things work out: ID (FB DA and ID ATC), transparency and trust, and how does FB fit into the bigger picture of things happening

Q: Håkon: DA is optimizing 12 BZs, why are you only looking at two in the ID example?

A: Rickard: *Nothing can beat the FB in terms of socio-economics. But there is an impact on the ID / regulation market where BZs may get locked in. This should be analysed.*

Jan: *We agree to this example. FB implementation in the Nordics is more challenging than in Core, as there is lower liquidity in ID in the Nordics.*

Håkon: *There is a lower need for ID in the Nordics (and yes this need may increase in the future). The value in the DA is much higher than in the ID. The idea behind FB is to increase the cross-border capacity, and FB is the better methodology to do that.*

Heini: *We would like to see an assessment of the impact on the ID and regulation market. This has an impact on the overall welfare picture.*

Håkon: *DA has the first priority to use cross-border capacity. Cross-border capacity could be reserved for ID.*

Jan: *We should not take the discussion on the balancing market. Good proposal from Vattenfall.*

Erik: *Well-explained. Svk will dive more into details in a meeting with Vattenfall later this week.*

Q: CCM: The liquidity in the ID market. How is this a problem?

A: Rickard: *We have relatively small BZs in the Nordics (compared to Germany e.g.), and most of the ID trade uses cross-border capacity. Lower ID capacity will lead to market participants being in an unbalanced position more often.*

Q: Heini: Setting the ID capacities to zero to prevent arbitrage, is this legally allowed?

A: CCM: *we will look into the materials provided. Non-intuitive flows are there to relieve congestions in the system. Zero capacity means that no capacity can be provided as that would aggravate the congestions.*

Q: Rickard: When can we have a recalculation on the ID?

CCM: *This is dependent on the implementation – both IT and the development of the D-1 and ID CGMs - at the Nordic RSC. We cannot provide you with a clear date on this now.*

Q: CCM: Your example on the regulation resource, is that based on simulation results or made up?

A: Rickard: *This example is made up.*

Magnus: *FB is theoretically the best solution, but ignoring the other markets is not a true analysis.*

CCM: *If the Norwegian and Swedish CNEs cannot be published, this is due to legislation in Sweden and Norway, and not due to FB.*

Q: CCM: What is the timeframe of forecasting?

A: Rickard: *Short-term forecasting is done 7-10 days ahead.*

Q: Håkon: Transparency is important, especially for hydro. We need to predict the prices. Do you not have the full information on the CNEs today? We just need the capacities.

A: Rickard: *Indeed, we have the NTCs today. DA NTCs capacities are very transparent today. We can forecast and model the NTCs. This is harder to model when we don't have the right information.*

Q: Håkon: It is satisfactory what we get today, while we face reductions of capacity without a good reason. The provision of FB (more physically-based) capacity, seems better?

A: Erik: *same opinion as Håkon. Today we deliver one NTC value, with no information what is restricting the capacity. Under FB, you will receive more, and more complete, data. The transparency certainly does not decrease.*

Heini: Today we know the constraints taken into account in Euphemia. In FB, we have more data but it does not mean more transparency. Internal CNEs that are not unique labelled or named are not visible to us: new CNEs can be added, while the market participants are not aware of it - unless unique IDs are provided.

Håkon: Euphemia is not a physical model, just a market model.

Jan: The allocation will be based on the FB model in Euphemia. In FB, more detailed data is available in Euphemia. The results are not stable or understandable for some countries.

Håkon: Do you not want to utilize the power system?

Jan: If you have a power system, and you want to utilize it, you need to publish it.

Heini: We will get less information than what will be published in Core. We need to have the same level of transparency.

Q: CCM: Is this a discussion on simplicity rather than transparency? NTCs are capacities between two bidding zones, simple yes, but it is not transparent (as it aggregates many effects in one value).

A: Rickard: We need to be able to make the forecast. I agree that NTC is not transparent, but we figured out how the NTCs work (as we are a larger company that is able to do so). You may be correct that we want it to be simple.

Heini: It is important to be able to forecast the prices, and to be able to explain the market results.

Q: CCM: Have you looked into the nodal systems and how they cope with the hedging issues in those markets?

A: Rickard: No.

Håkon: Financial transmission rights seem to be proposed in the legislation and used in the nodal markets.

Rickard: The impact assessment on the financial market is what we ask for.

Jan: If the market loses trust (e.g. due to non-availability of information and non-intuitive flows), this may reduce the liquidity in the market (as the market may move into bilateral contracts). This impacts risk hedging as well.

Heini: DA volumes decreased in the continent, due to a lack of transparency. We would like to prevent this from happening in the Nordics

Q: Anders: Is an increased risk in the financial market automatically a socio-economic cost?

A: Rickard: No.

Rose: can you please explain how you think it will impact the trading of EPADs?

Rickard: Risk premiums go up and trading goes down

Rose: I don't understand how it will be different from today?

Rickard: Liquidity is low, and FB is expected to affect area prices while system prices remain unchanged. If things happen that you don't understand, consumers will be afraid as they don't understand the spot anymore (with some high prices in some areas). They will buy whatever there is; everybody wants to buy but nobody wants to sell. Risk premium goes up when you don't understand it. Key problem: it is not studied.

Q: CCM: For the bid and ask on Nasdaq, would you expect a higher price spread?

A: Rickard: spread between bid and ask will further widen. EPADs are traded with a risk premium. More need for hedging of consumers.

Q: CCM: Will we see more imbalances in the future; will the imbalance markets become more important?

A: Rickard: Yes. Our concern is that there will be more locked-in bidding zones on ID (in the intermediate solution) and higher costs. You should not reserve capacity from the DA market, but this can be the consequence. Key question: how does it all fit together?

Q: CCM: If capacity were to be reserved on the DA market, where should this capacity in the system be reserved: on some places or throughout the system? Do you see a solution to such a difficulty?

A: Rickard: Good question, and it would be good to take this more into detail; I do see the problem.

Rickard: From Vattenfall side the ID is the largest concern.

Q: Håkon: What do we gain from a 12-months simulation period, in addition to the 12 months of external parallel run? Isn't the parallel run intended to demonstrate and assess the impact of the FB system?

A: Rickard: We will now only see the 12 months. It is a big change, and the external parallel run should give a one-to-one comparison with the operational setup.

Q: CCM: The 12 months of simulations; should we interpret this request as a request to have 24 months of parallel runs?

A: Rickard: Yes.

Q: Anders: Svk is investing serious money on the North-South interconnections. More is ongoing, and can we analyse all this?

A: Rickard: Svk is providing capacity that we are more than happy with. We have the FB DA and the ID ATC; given the fact that FB is such a huge change, there should be at least a qualitative reasoning how this all fits together.

Heini: The focus is on the DA market only for now, we need a more holistic view on other markets and the changes ongoing.

Håkon: Heini, do you have a proposal how to analyse that?

Heini: For ID, you can assess the ID capacities and evaluate the changes on the ID trade possibilities.

Håkon: This will be done in the parallel runs

Heini: Only for the last 6 months of parallel run; we want to have this in the full 12 months. And we want to see the benefit in addition to just publishing the capacities.

Rickard is thanked for his excellent presentation and valuable contributions!

TSOs would like to understand the problem and frame the problem in a way that all agree upon. The presentation is the first step into this. Bilateral discussions with key stakeholders will follow, and market participants can contact their TSOs to discuss their concerns. Objective: clear problem statement that all can agree upon. Main priority topics: Hedging and ID.

Q: Hilde: Can Statnett or Svk shed a light on the Swedish / Norwegian legal assessment on what can be published?

A: Stefan: Best to postpone this topic. Internal legal assessment and first discussion with the Swedish NRA took place; we need to get back to this topic at a later stage.

Q: Jan: how do we make sure that this continues?

A: CCM: The first contacts have been established to organize bilateral discussions: Orsted, Vattenfall. Feel free to invite us, and we will be happy to visit you.

Jan: I understood that you will approach us. What is your time table?

CCM: In the upcoming months, the TSOs will gather the inputs from key stakeholders. The objective is to have a clear problem statement that all can agree upon. In the next stakeholder group meeting, the problem statements will be shared, and the potential next steps discussed.

Erik: We have plans to interact with the stakeholders more closely. We need to have a proper mutual understanding of the issues. Closely after summer this will gear up in Sweden.

3. AOB (11.30-12.00)

Q: Jens: what did we agree on the grace period?

A: CCM: This topic is to be addressed in the FBIMP project (NEMOs and TSOs) - the TSO / Stakeholder request is clear.

The presentation has been uploaded on the RSC website: https://nordic-rsc.net/wp-content/uploads/2020/08/07012020-Nordic-CCM-SHG_Vf.pdf

Action items

Description	Responsible	Due date
1. TSOs will enter into a bilateral dialogue with key stakeholders to understand and frame the issues	TSOs	End of September
2. Problem statements will be shared, and the potential next steps discussed.	TSOs	Next SHG meeting