

To **PLEF SG1**  
From MPP  
Date 8 April 2016  
  
Subject Transparency requirements of capacity calculation and allocation – discussion note

### **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.

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:

- CBCO, including the mapping with the lines (line + eventual trip for N-k calculation, nodes ID) in fixed ID formats, and transparency on remedial actions affecting CBCO
- RAM, including a breakdown into Fmax, Fref, FRM and FAC in fixed ID
- PTDF matrices, including maximum import and export limit and transparency on any changes of the matrices

The rationale of this request is that this information is **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 will be taken into account by all market participants in the short run, as a market signal to **act on wholesale markets**, and in the longer run, for **investment** decisions.

It is therefore essential that this information is made **publicly available as soon as available by 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 energy supply and demand.

### **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 Transmission System Operators (TSOs) to publish data on the availability of 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 calculate and provide to the ENTSO for Electricity: (a) the planned unavailability, 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] also believe that articles 11 and 12 of Regulation 543/2013 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, could form a basis for a request for publication to all market participants and not only to ENTSO-E.

**Furthermore**, increased transparency on the full set of flow-based parameters is in line with the **new obligations** of **EU Regulation No 1227/2011 (“REMIT”)**, which has established a general obligation **for all market participants (including TSOs)** to publish **inside information** relating to wholesale energy products; this includes both the delivery and 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) “*any other 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.*

**To date, 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 impossible for them to anticipate wholesales **prices in day-ahead and beyond.**

Pursuant to REMIT, this information has to be made public as soon as available, there is no legal justification in limiting the publication to the day after.

### **Conclusion**

We believe that 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.**

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. **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.