

DELIBERATION

Deliberation of the French Energy Regulatory Commission of 13 October 2016 to approve RTE's technical solution enabling the operation of several day-ahead and intraday electricity market operators in France

Present: Philippe de Ladoucette, President, Christine Chauvet, Catherine Edwige, Hélène Gassin and Jean-Pierre Sotura, Commissioners.

Pursuant to the provisions of article 9, paragraph 8 of Regulation (UE) 2015/1222 of the Commission of 24 July 2015, establishing a guideline relating to Capacity Allocation and Congestion Management (hereinafter referred to as the "CACM Regulation"), the French Energy Regulatory Commission (CRE - *Commission de régulation de l'énergie*) is competent to approve proposals for cross-zonal capacity allocation and other necessary arrangements regarding the presence of several electricity market operators (Nominated Electricity Market Operators, hereinafter referred to as "NEMOs") within a single bidding zone in accordance with articles 45 and 57 of the CACM Regulation.

1. CONTEXT

The CACM Regulation entered into force on 14 August 2015. It deals with the calculation and the allocation of interconnection capacity for day-ahead and intraday timeframes. It establishes market coupling, that is to say the joint allocation of interconnection capacity and energy, as a target model for day-ahead and intraday timeframes.

The CACM Regulation gives a central role to day-ahead and intraday market operators (NEMOs), which collect the buys and sells orders from market players and are responsible for market coupling to both timeframes.

In this regard, article 4 of the CACM Regulation provides that each Member State must designate at least one NEMO no later than four months after its entry into force. Unless otherwise provided for by the Member State, this responsibility is incumbent upon the regulatory authority, which is the case in France where CRE is responsible for designating NEMOs.

CRE thus made a call for applications from 28 July 2015 until 2 October 2015, the terms and conditions of which are detailed in the deliberation of 28 July 2015¹ and which concluded on 3 December 2015 with a deliberation² designating EPEX SPOT and Nord Pool as NEMOs in France.

Pursuant to the provisions of articles 45 and 57 of the CACM Regulation, the company *Réseau de transport d'électricité* (RTE) (Electricity Transport Network) was to submit a technical solution to CRE for capacity allocation and the other necessary arrangements to allow several NEMOs to operate in France, four months after the appointment of the NEMOs.

This technical solution proposed by RTE must comply with the requirements of the CACM regulation and be applicable regardless of the number of active NEMOs in France. Furthermore, it should be compatible with solutions developed in neighbouring Member States. In its deliberation of 3 December 2015 concerning the designation of NEMOs, CRE also asked RTE to propose the most efficient solution possible from a technical and financial point of view.

¹Deliberation of 28 July 2015 concerning applications in view to designate day-ahead and intraday electricity market operators in France.

² Deliberation of the French Energy Regulatory Commission of 3 December 2015 designating day-ahead and intraday electricity market operators in France

CRE ensured that the solution proposed by RTE is compatible with the solutions proposed, if there are any, by transmission system operators (hereinafter referred to as "TSOs") for the bidding zones that border with France.

2. OPERATION OF THE TECHNICAL SOLUTION PROPOSED BY RTE AND ANALYSIS BY CRE

RTE submitted its proposal to CRE for a technical solution to enable several NEMOs to operate in France on 4 April 2016 and updated it on 10 October 2016.

To allow several NEMOs to be active in the same bidding zone, the orders placed by market players with the various NEMOs must be processed identically with regard to market coupling. It is therefore essential that the order books for the various NEMOs are shared and that the orders placed with the French NEMOs can be matched with each other without limitations.

In order to meet these requirements, the technical solution proposed by RTE relies on market coupling procedures that exist or are currently being developed for day-ahead and intraday timeframes. So that orders placed with NEMOs can be matched without limitation at French level, the day-ahead and intraday coupling algorithms must consider that there is no limitation in interconnection capacity between French NEMOs. For the matching of orders between two different bidding zones, limitations due to interconnection capacities must be identical for all French NEMOs.

2.1 Technical solution for the day-ahead timeframe

2.1.1 Solution architecture

With regard to the day-ahead timeframe, the technical solution proposed by RTE is based on the price coupling of regions project (hereinafter referred to as "PCR") which currently organises the coupling between 19 Member States and the scope of which should be extended to all Member States of the European Union as part of the CACM Regulation. Within the PCR project, an optimisation algorithm called Euphemia allows interconnection capacity to be allocated implicitly and the net position as well as the spot price of each bidding zone to be calculated.

To date, PCR does not provide that several NEMOs active within the same bidding zone can each send their order books. The technical solution proposed by RTE therefore provides that the day-ahead coupling algorithm is to be modified to allow each French NEMO to send its order book. The algorithm should also consider that there is no limitation on interconnection capacity between the French NEMOs in order to calculate a single net position and a single price for the French bidding zone. RTE proposes to modify and use PCR to allow several NEMOs to share their order books with each other without limitation and therefore all be active in France.

Because of a PCR technical constraint, the data relating to interconnection capacities cannot be sent to PCR directly by a TSO but only through a NEMO. RTE proposes that the data exchanges required between RTE and PCR are done through a single access point per capacity calculation region which will be used in turn by the NEMOs. CRE considers that this alternating transfer of information means that the various NEMOs will be treated fairly.

CRE is in favour of the technical solution for the day-ahead timeframe as proposed by RTE.

2.1.2 Reference Spot Price

RTE proposes that the Reference Spot Price for France is equal to the day-ahead coupling price for the French bidding zone, unless there is total or partial decoupling. In this case, it will be equal to the average of the price of each NEMO weighted by its volumes of buys and sells. RTE will be responsible for determining and publishing the Reference Spot Price in France.

CRE is in favour of the determination and publication of the Reference Spot Price as proposed by RTE.

2.1.3 Setting up a back-up coupling for France

The technical solution proposed by RTE does not provide for the setting up of a back-up coupling for France between the NEMOs in the event of a total decoupling of France or of one of the NEMOs operating on the French market. In this case, the decoupled NEMO(s) will be isolated and prices will be determined by each NEMO over its trading hub.

CRE considers that the absence of back-up coupling for France is likely to constitute a barrier to entry for a new NEMO, as less offers would be submitted to it and it would be more exposed to price spikes in the event of

decoupling. CRE nevertheless considers, as RTE indicates in its proposal, that this back-up coupling between NEMOs exceeds the framework of the technical solution to allow several NEMOs to operate in France as proposed by RTE. CRE considers that this discussion should be conducted by all the NEMOs at European level as part of the drawing up of the back-up methodology by all the NEMOs as provided for by article 36 of the CACM Regulation.

2.2 Technical solution for the intraday timeframe

With regard to the intraday timeframe, the technical solution proposed by RTE is based on the project to create an integrated cross-border intra-day market (hereinafter referred to as "XBID", which stands for Cross-Border Intraday Market Project) which is currently being developed at European level and should enable continuous and implicit allocation of inter-connection capacities. XBID particularly allows the orders submitted by market players to the NEMOs from one bidding zone to be matched continuously with the orders submitted to the NEMOs from another bidding zone.

It is provided that, in XBID, all NEMOs use the same shared order book which would directly gather all the orders transmitted by market players. The task of sharing order books will therefore be carried out by XBID³ and the algorithm should guarantee the same access to capacity for all the French NEMOs. RTE proposes to use XBID to allow several NEMOs to share their order books with each other without limitation in France.

CRE is in favour of the technical solution at the intraday timeframe as proposed by RTE.

2.3 Cross-border energy exchanges

After the coupling procedures are completed, the NEMOs are responsible for nominating exchanges of energy between France and neighbouring bidding zones. These exchanges give rise to settlements which are both physical and financial.

Exchanges of energy for each French NEMO will be determined through scheduled exchanges resulting from coupling. The methodologies for calculating the scheduled exchanges resulting from day-ahead and intraday coupling will be submitted by all TSOs to all regulators concerned sixteen months at the latest after the CACM comes into force, namely by 14 December 2016, pursuant to the provisions of articles 43 and 56 of the CACM Regulation.

RTE proposes that, on condition that the methodologies for calculating scheduled exchanges allow the exchanges to be determined at a NEMO trading hub level, each NEMO can carry out these exchanges over all borders, both for imports and exports.

CRE considers that the fact that each NEMO is permitted to carry out exchanges of energy over its trading hub guarantees a fair treatment of the NEMOs.

3. CRE'S DECISION

CRE approves the technical solution enabling several NEMOs to operate in France as submitted by RTE.

CRE asks RTE and the French NEMOs to collaborate in order to ensure that the technical solution can be applied within a timeline compatible with the implementation at European level of the coupling procedures provided for by the CACM Regulation.

CRE asks RTE to ensure that the methodologies for calculating scheduled exchanges resulting from day-ahead and intraday single coupling which it should submit with all the European TSOs concerned pursuant to the provisions of articles 43 and 56 of the CACM Regulation allow the scheduled exchanges to be determined at the level of each French NEMO trading hub.

Paris, 13 October 2016

For the French Energy Regulatory Commission,

Philippe de Ladoucette

³ In XBID, the sharing of order books will be carried out within the "Shared Order Book (SOB)" module.