



IWEA response to the European Commission Consultation on the Governance Framework for the European Day Ahead Market Coupling

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The Irish Wind Energy Association (IWEA) welcomes the opportunity to respond to the Consultation on the Governance Framework for the European Day Ahead Market Coupling.

Consultation Questions

(1) Is the problem definition correct?

The scope of the governance framework is dependent on understanding what market coupling activities will be managed by public monopolies and what activities will be competitive.

(2) Do you agree that governance of market coupling shall be addressed in a legally binding guideline?

A legal instrument will provide robust and clear governance arrangements. We would support a legally-binding instrument.

(3) Which is your preferred option? Why?

IWEA believes that it would be appropriate to move to an Option 3 scenario, where there is a high level of harmonisation of local market coupling governance arrangements, including the relationship between TSOs and power exchanges. IWEA supports Option 3.3, which includes some level of flexibility to take into account regional differences. This offers a good compromise between harmonisation across Europe while allowing for some flexibility within regions. It is important that the Market Operators and the Power Exchanges are encouraged to work together in the arrangements that are introduced.

A legally binding instrument leading to a set of harmonised arrangements across Europe is necessary to ensure a robust and reliable market coupling process. On the other hand, during this transition period to a full single market, it is inevitable that there will be diversity of local market coupling governance arrangements and we believe that this should be allowed for in the legally binding guideline. Member states which are required to make significant changes to their markets and structures should not be required to implement more than the minimum required to achieve day-ahead market coupling at this stage, where flexibility is afforded by the network codes this should be respected. Significant changes will be required in Ireland and these may prove to be expensive to customers requiring further changes by virtue of governance arrangements could impose additional and unnecessary costs on customers.

(4) What are in your view the main impacts of different options? Can you provide elements for assessment of impacts of the different options?

We believe that as Option 1 is voluntary it may not lead to sufficiently quick progress in implementing day ahead trading.

Options 2 and 3 strike a balance between achievement of day ahead market coupling and freedom to preserve a diversity of arrangements in Member States. However, at least in the initial stages we believe it is appropriate to allow Member States more freedom in determining local arrangements.

We do not consider it necessary or appropriate to pursue Option 4 as it would involve the creation of a new entity which is not necessary and may not serve the needs of its customers due to its standardisation.

(5) Are the criteria for a good solution as presented in the list right? Do you have other criteria to add?

IWEA agrees with the criteria put forward by the Commission for the selection between the different options, however we would also include transparency. The algorithm, the operation of the coordinated matching and the development of the solution must be fully transparent. Likewise back up calculations and fall back procedures in case of system failure.

- **"Unbundling"**: There should be clear separation between regulated market services and competitive market services, allowing for a level playing field for the providers of the competitive market services. This unbundling will also promote other criteria such as extendibility of the solution and cost efficiency of the solution.
- **"Harmonization"**: although it is more or less implicit in the "one-stop-shop" consideration, it is necessary to emphasize the necessity of a **high degree of harmonization** since one of the elements to assess the final chosen solution should be to have a **level playing field across Europe** (i.e. same market rules in all markets)
- **"Participation"**: in designing change management processes of the governance framework it is important that all Member States and stakeholders are given the opportunity to participate and that the specificities of different markets are taken into account.

(6) Is the proposed timeline for the network codes and guidelines as presented in Annex 1 sufficient?

The timeline is ambitious but necessary. The different framework guidelines and network codes should proceed according to the plan.

(7) If you think that governance of market coupling shall be addressed in a legally binding guideline, is the relation between this guideline to the related network code as presented in this paper correct?

Yes, the relationship presented is correct.

(8) What should be the cost sharing solutions of market coupling, between countries and between TSOs and power exchanges, both regarding the initial investment costs and the operation costs?

Costs associated with the monopoly public service functions performed by regulated entities and the TSOs in day-ahead market coupling should be regulated on a cost recovery basis and socialized across Europe (via grid tariffs) as the entire system will benefit from market coupling. The total costs across all Member States should be assessed and divided amongst all customers, rather than each

Member State paying for its own costs. The cost sharing principles should be clearly agreed (and approved by ACER) upfront to avoid future disputes and delays in the implementation process.

Competitive market service functions should be performed by different service providers in the market. Competition between PXs within the same bidding zone must be allowed. Therefore competition between exchanges and free choice for market participants will lead to cost efficiency.

(9) Which aspects of market coupling do need specific regulatory oversight?

- Due to the split between monopoly public service and competitive market tasks, the relation and interplay between the different involved entities should have regulatory oversight.
- Monopoly functions should be monitored by the NRAs and ACER, market participants need full confidence that their bids and offers are submitted for coordinated matching and that TSOs make cross-border capacity fully available.
- Participants must also be sure that the market coupling algorithm chosen by PXs and TSOs is correct and robust and that there are fall back solutions in the event of problems. For this reason, regulatory oversight of the performance of the algorithm itself is necessary.

(10) What differences do you see between the need of governance arrangements for organising intra-day trade compared to the day-ahead market coupling? Should a legally binding guideline on governance also cover the intraday timeframe?

The IWEA believes that very similar issues arise with respect to intra-day trade and believe that the same governance framework be applied to both where possible.