

## CONCLUSIONS

### European Electricity Regulatory Mini-forum on Congestion Management

Republic of Ireland / France / UK  
London, 15 February 2005

The European Electricity Regulatory Mini-Forum for Republic of Ireland, France, and UK on congestion management took place in London on 15 February 2005.

Representatives of the European Commission, energy regulatory authorities, Member State governments, TSOs and power exchanges from France, the Republic of Ireland, and United Kingdom met with a view to accomplishing the objectives as set out in the conclusions of the 11<sup>th</sup> Regulatory Forum ("Florence Forum") in Rome 16-17 September 2004.

#### 1. Overview

Introductory remarks by the European Commission and the mini-forum host Ofgem noted the aim of the mini-fora to provide a plan and detailed timetable for the introduction of at least day-ahead co-ordinated market based mechanisms, such as auctions. They noted in addition that the mini-fora could provide input for congestion management guidelines.

#### 2. Status report

TSO representatives from the four network territories involved in this mini-forum – the Republic of Ireland, Northern Ireland, France, and Great Britain – explained market arrangements prevailing or to prevail. This included a description of the British Electricity Transmission and Trading Arrangements (BETTA) which are to be extended to the whole of Great Britain from April 2005, and an overview of the issues to be tackled in amalgamating the Republic of Ireland and Northern Ireland electricity markets to form one "All Island" electricity market.

TSO representatives described the present mechanisms for allocating capacity and so managing congestion on each of the electricity interconnectors between the four territories. These are all based on or involve explicit auctions. There is presently some co-ordination between auctions for capacity for Scotland - Northern Ireland and Northern Ireland – Republic of Ireland.

The TSOs also set out an assessment of the degree to which trade across borders of the four territories might be considered to be correlated.

#### 3. Flow based market coupling

A representative from ETSO / Europex presented and explained their proposal for Flow-based Market Coupling. They explained that this was a method for holding and co-

ordinating implicit auctions such that flows on electricity interconnectors involved in the auction can be optimized in order to maximize, subject to constraints, aggregate economic benefits to the parties involved. The method would imply some co-ordination between power exchanges and harmonization of some market parameters (e.g. gate closure) in the participating territories.

#### 4. Discussion

Participants noted that incremental improvements to arrangements which could enhance efficiency of trade might be possible. For example, regarding the electricity interconnector between England and France (“Interconnector France Angleterre” - IFA), it may be possible to:

- refine further the operational effectiveness of the Use It Or Lose It rules
- improve the ease of secondary trading of capacity
- examine the potential market and system operation efficiency by better allowing the parties at one end of the IFA to access the intra-day and balancing market at the other end

Regarding the co-ordination of auctions, participants agreed that more co-ordination of auctions could deliver benefits to market parties where the prevailing trade across one border could be strongly associated with an expressed desire by market parties to trade simultaneously across another border. The analysis presented by TSOs regarding correlations of trade tended to suggest, in the first instance, that trade across any one border tends to occur independently of trade across other borders.

Discussion of the proposal for Flow Based Market Coupling centred around the way this model might or might not deliver benefits above and beyond those already being delivered by the present set of explicit auctions, and the questions of the kind of implementation issues that such a scheme might present. The complexity of flow based methods were less important in the Ireland – France – UK context because of the relatively linear flows across the region. Participants also noted however that increased interconnection between territories (e.g. England to the Netherlands, Republic of Ireland to Wales) could in future increase the potential benefits of co-ordination, whether explicit or implicit.

Participants also noted that the implementation of such a scheme could also imply some costs. The scheme raises some regulatory issues, such as the oversight of power exchanges, which would also need to be addressed were any such scheme to be introduced.

## 5. Conclusions and way forward

### Mini-forum participants :

1. welcomed and encouraged the development of the proposed "All Island" market in the Republic of Ireland and Northern Ireland.
2. suggested that further improvements across the four territories could be obtained from better co-ordination of trading and improvements in the utilisation of capacity. They requested GB, French, Republic of Ireland and Northern Ireland regulators and TSOs, in consultation with market participants, to develop improved arrangements for bidding and nomination, particularly regarding those set by TSOs and Power Exchanges, and to consider the participation of power exchanges in the allocation of interconnector capacity at the day ahead stage as well as improving the provision of intra-day interconnector capacity to the market. For the benefit of the four territories this co-ordination should also take into account the situation between France and other continental countries. A report should be prepared by TSOs, in suitable collaboration with other interested parties, and sent to Regulators and the European Commission by December 2005, with a progress report in September 2005.
3. suggested that the arrangements under (2) should in principle be extendable to trade between France, GB, and the "All Island" market once the "All Island" market has been established, after further consultation with the regulators and TSOs concerned.
4. were of the view that since electricity flows between the Republic of Ireland, Northern Ireland, Great Britain, and France are essentially linear flows, the impact of Flow Based modelling was less relevant.