



NWE presentation IG Meeting 20 February 2013

NWE Day-Ahead Price Coupling

IG Meeting 20/2/2013





NWE operational scenarios and timings

The NWE project in cooperation with PCR has established the feasible operational scenarios for NWE go-live taking into account following aspects:

- 1) Gate Closure Time of 12.00 hrs CET
- 2) PCR process timings
- 3) Notification process time for CCPs and market participants of 1 hour
- 4) Time allowance for special market procedures such as a second auction
- 5) Time allowance for partial/full decoupling
- 6) Notification deadline in CWE of 15.30 hrs.

The following 2 slides (slide 3 & 4) cover all **possible** operational scenarios, slides 5, 6 & 7 cover all **feasible** operational scenarios at NWE go-live taking into account the above mentioned aspects.

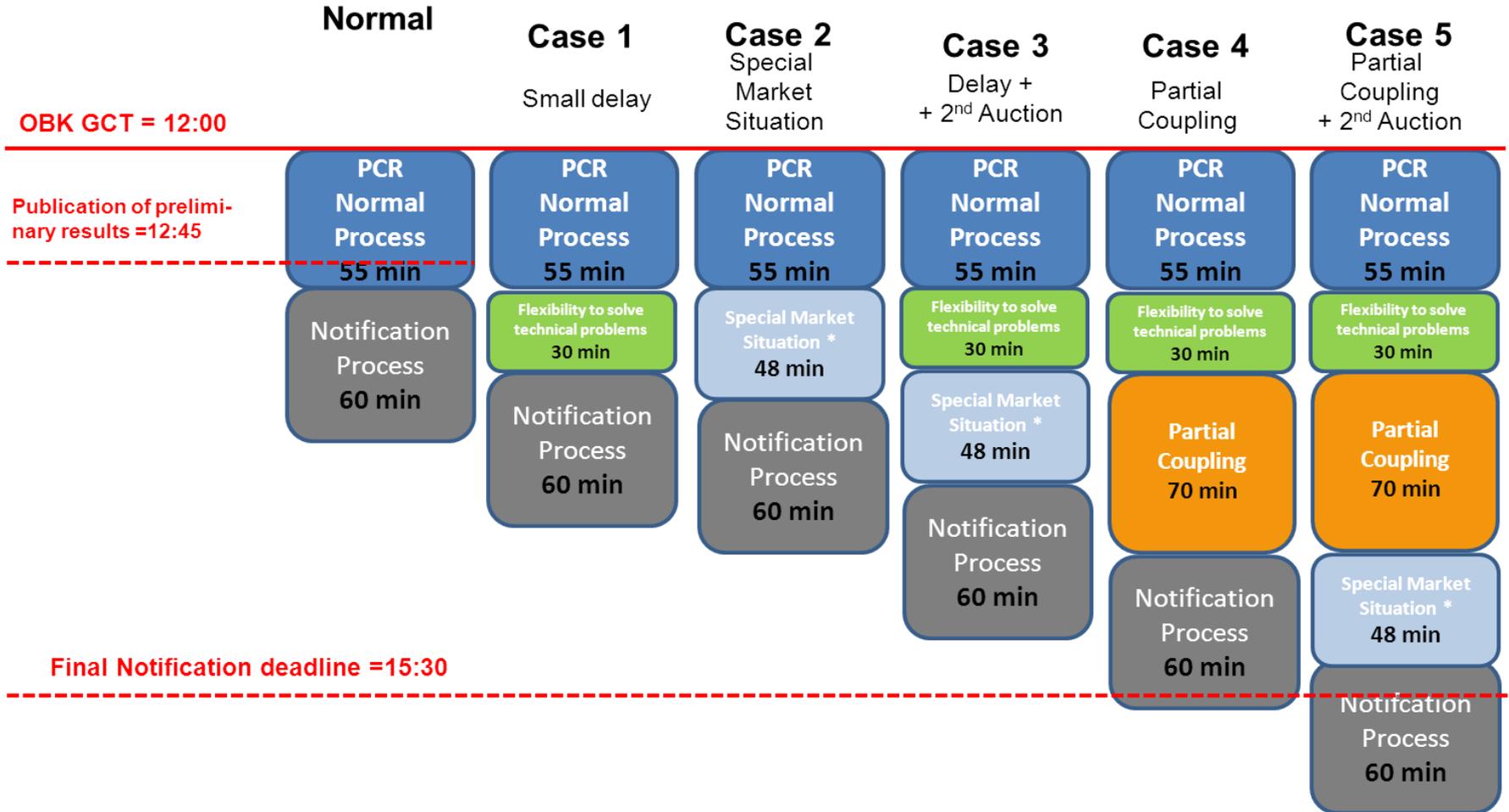
The risks and an alternative proposal for the short term (before NWE go-live) are introduced as of slide 8. The next steps and possible long term measures (after NWE go-live) are mentioned on slide 11.

Terminology:

- Partial Coupling – is any scenario where CZCs for one or several interconnectors in NWE are set to zero and where the price coupling is run with the Euphemia algorithm taking into account these constraints.
- Full Decoupling – is the scenario where no CZCs for any of the interconnectors in NWE are taken into account, id est the day-ahead auction performed is a local auction using Euphemia or the PXs local trading system algorithm as matching algorithm.
- Notification process – sending of the local, cross border and generation notifications to the TSOs.

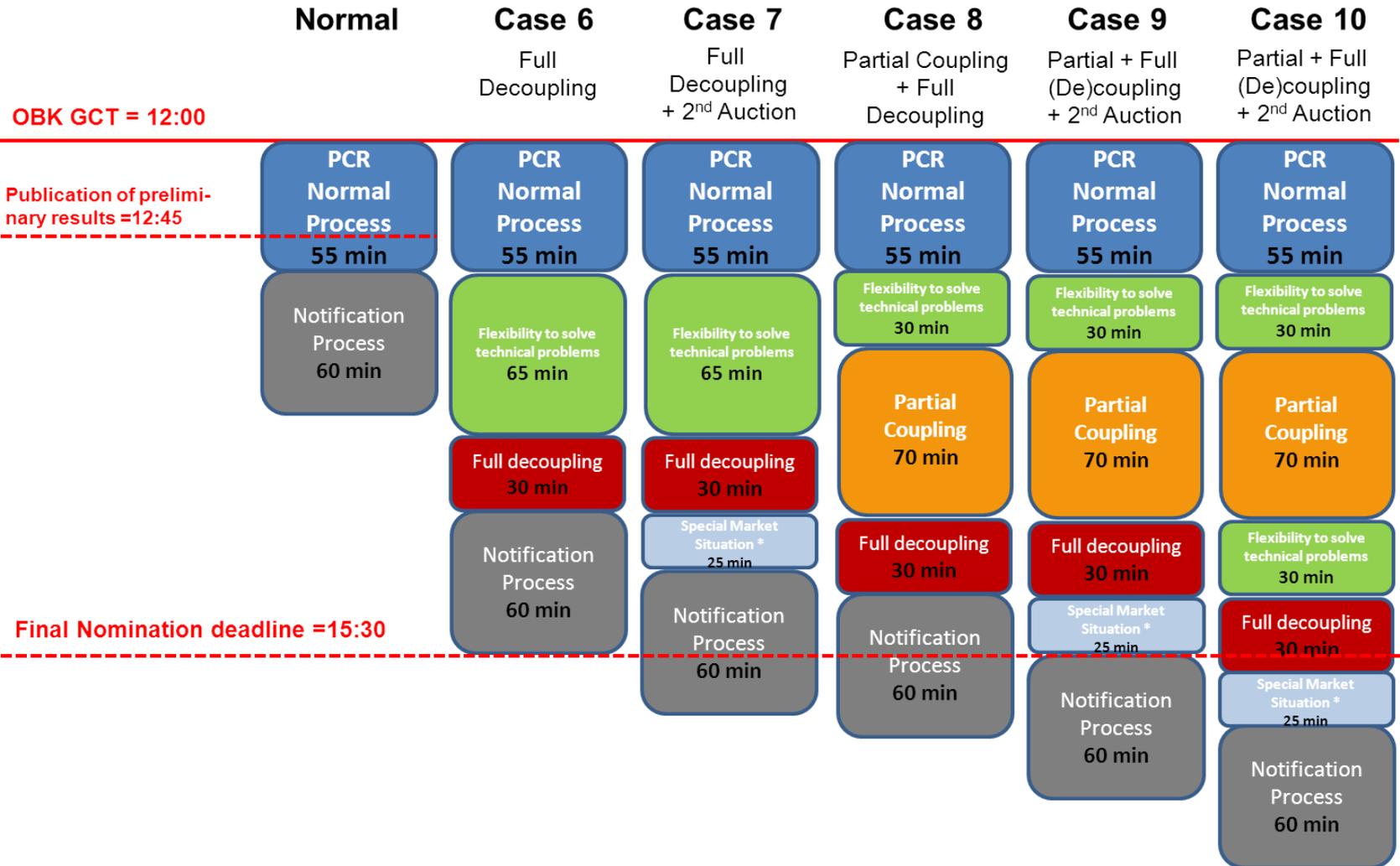


Possible scenarios (1)





Possible scenarios (2)





Feasible scenarios for NWE (1)

This leads to following conclusions regarding the feasible scenarios for NWE

The following scenarios are feasible within the NWE deadlines:

- 1. Small delay
- 2. Special market situation
- 3. Small delay + Special market situation (e.g. second auction)
- 6. Full Decoupling
- 7. Full Decoupling + Special market situation (by shortening the flexibility for technical issues from 65 to 40 minutes in comparison with this scenario presented by PCR).

The following scenarios are not feasible:

- 4. Partial Coupling
- 5. Partial Coupling + Special market situation
- 8. Partial Coupling + Full Decoupling
- 9. Partial Coupling + Full Decoupling + Special market situation
- 10. Partial Coupling + small delay + Full Decoupling + Special market situation

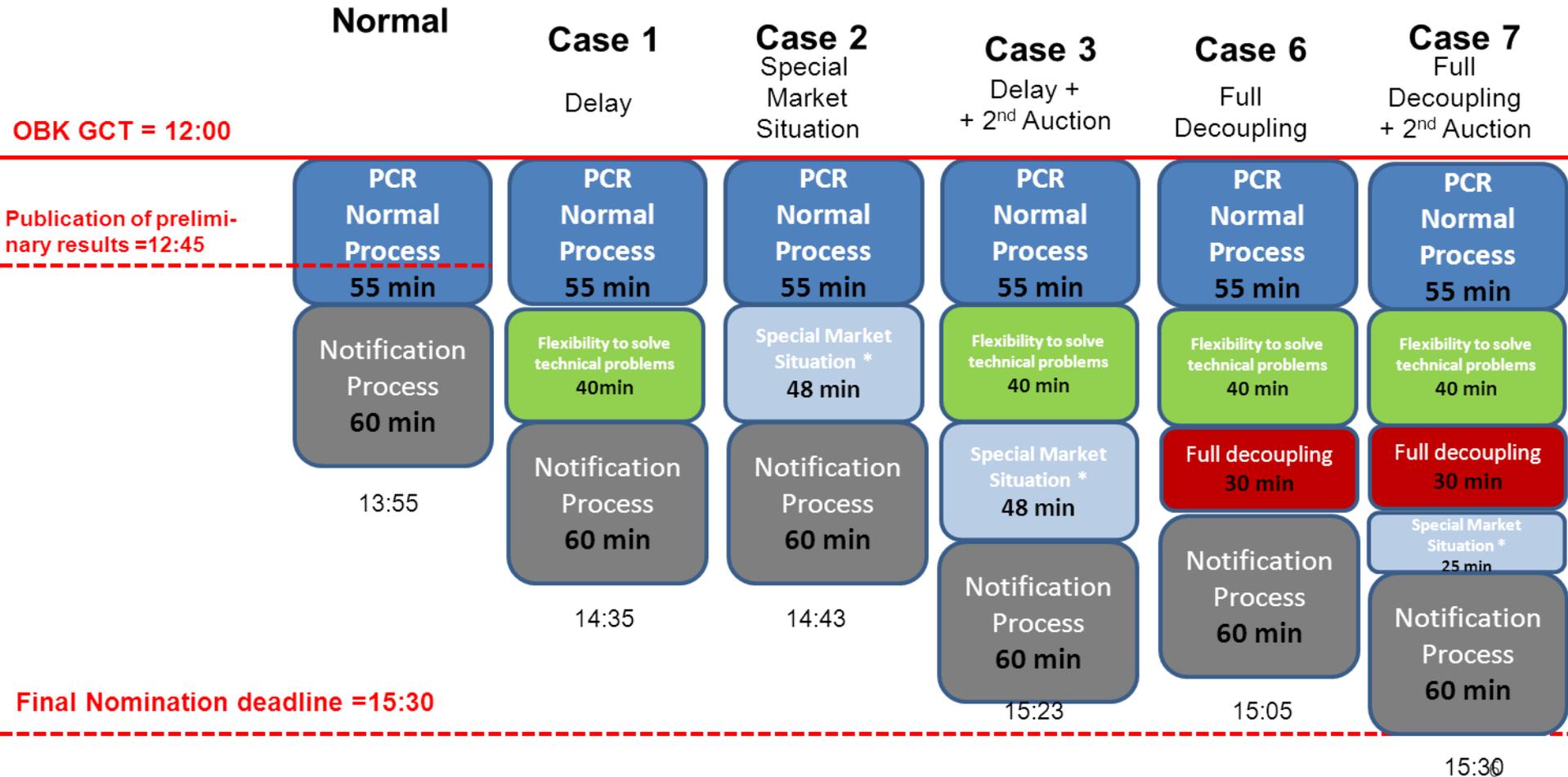
However: the scenario where Partial Coupling is known in advance, or during the pre-coupling or in the first 25 minutes of the normal process (e.g. CZCs for a particular border not delivered, or order books not available from 1 PX) is a feasible scenario. This scenario needs to be worked out more in detail.

NB: PXs find the flexibility for solving technical problems of 40 minutes too short !!



Feasible scenarios for NWE (2)

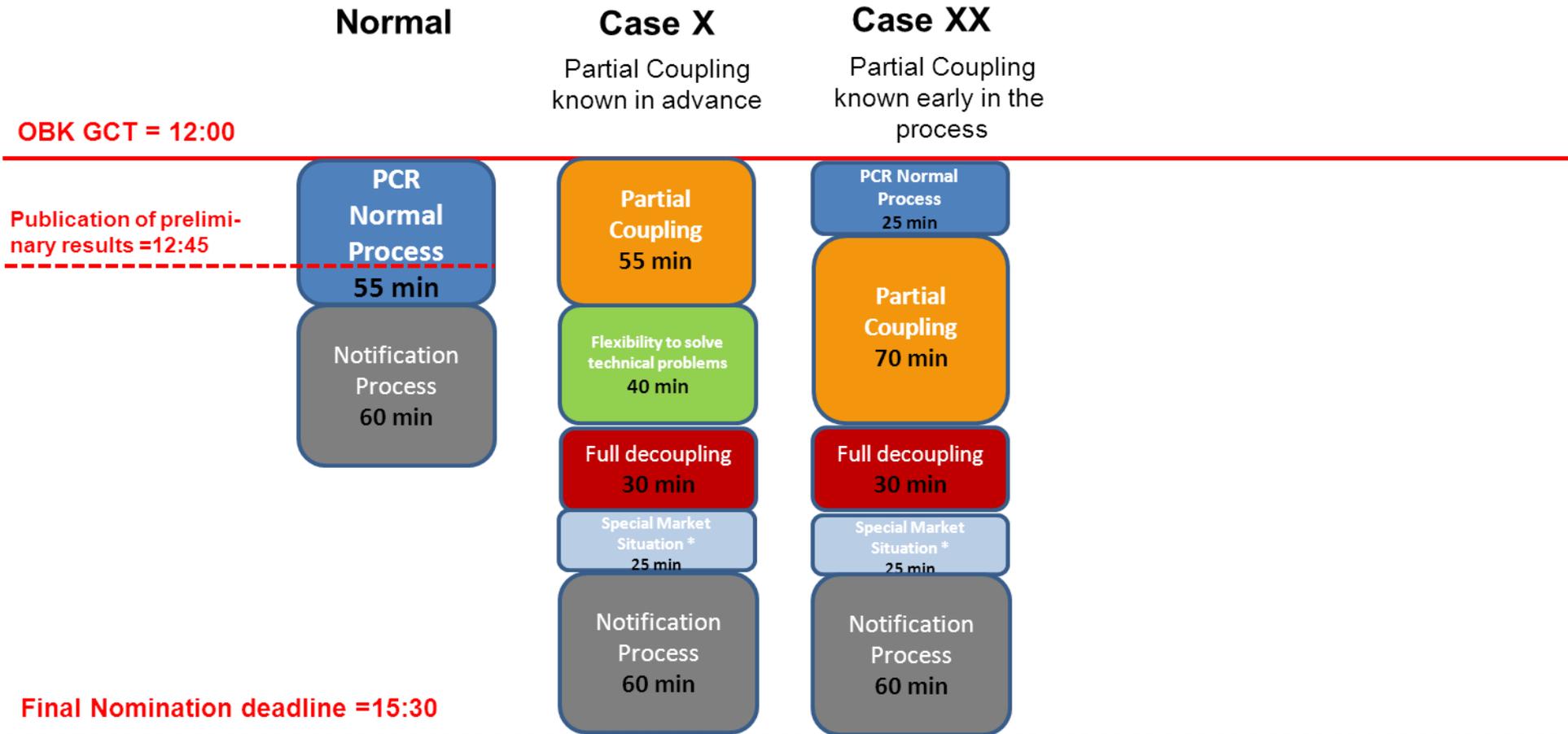
In order not to jeopardize the NWE target go-live date following scenarios are feasible with process timings as shown:





Feasible scenarios for NWE (3)

Feasible Partial Coupling scenarios (still to be worked out in more detail):





Risks & proposal to reduce the decoupling risk

Risk

- No partial coupling scenarios, if not known in advance or early in the process, are supported in the short term.
- Failure at one TSO/PX during the process can cause the full decoupling of NWE.
- PXs find the technical problem solving flexibility of 40 minutes too short, leading to a deadline to decouple at 13.35 hrs, which increases the risk of decoupling more often.

Proposal

Therefore it is proposed:

- To increase the technical problem solving flexibility from 40 minutes to 55 minutes.
- This means that the deadline for decoupling will become 13.50 hrs.
- This implies that in the rare cases of partial coupling or full decoupling the time for the notification process will be reduced from 60 minutes to 45 minutes.

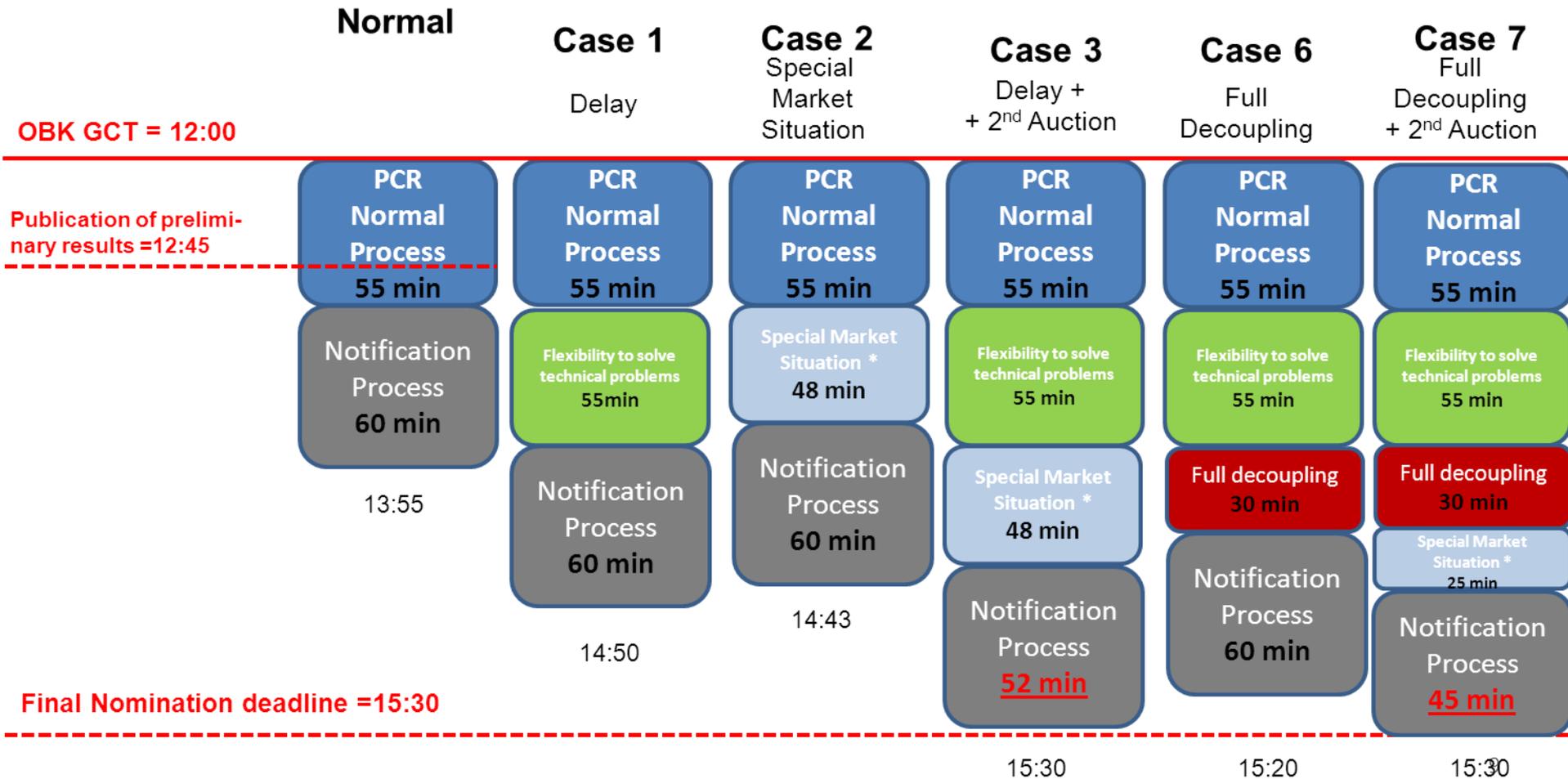
The market participants will be consulted on this proposal. The consultation is targeted to go out by end of February 2013.

Following slides will show the proposed scenarios.



Feasible scenarios for NWE – alternative proposed (1)

Following proposal allows more technical flexibility to reduce the chance for decoupling, but reduces in case 3 and 7 the notification process time.





Feasible scenarios for NWE – alternative proposed (2)

Normal

Case X

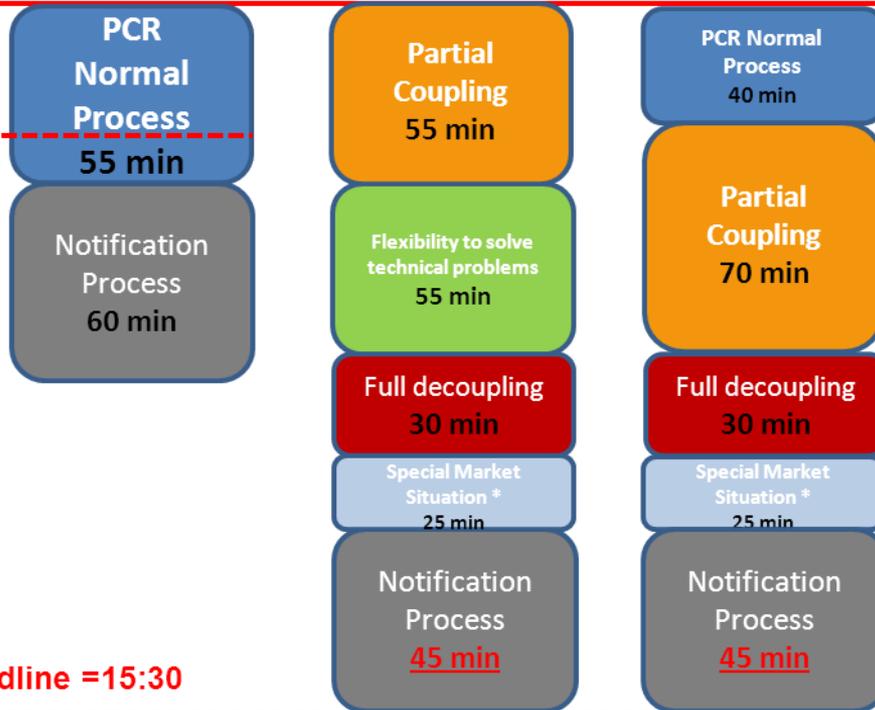
Case XX

Partial Coupling
known in advance

Partial Coupling
known early in the
process

OBK GCT = 12:00

Publication of preliminary results = 12:45



Final Nomination deadline = 15:30



Towards the future (after NWE go-live)

If decided to be needed/ desired, in order to allow for partial coupling in scenarios 4, 5, 8, 9, 10, the overall process time must be extended with at least 70 – 90 minutes.

This then will require most probably a combination of following measures*:

1. Earlier GCT (e.g. 11.00 or 11.30 hrs)
 2. Extension of the notification deadline in CWE (e.g. until 16.00 hrs)
- Some optimization in the PCR processes might still be possible (e.g. streamlining/harmonizing the validation of the results), but in general PCR process optimization will lead to limited time gain.
 - Another scenario that could be investigated (technically, procedurally, etc.) is performing a partial coupling and a full decoupling in parallel, but the feasibility of such scenario is doubtful.
 - Both an earlier Gate Closure Time and a later notification deadline are very complex to implement. These measure cannot be implemented before go-live and there is no certainty whether they can be implemented after go-live
 - Therefore:
 - Discussions must be started how to allow for a longer over all process time for price coupling
 - All stakeholders must be involved in this discussion
 - The consultation targeted for end of February 2013 will already include questions regarding the 2 measures mentioned above.

* Under the assumption that the reduction of the notification process from 60 minutes to 45 minutes for rare decoupling cases is already agreed upon before NWE go-live.