

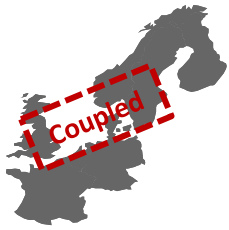


EirGrid Group **Customer Conference 2012**

25th October 2012

Delivering the Power System of tomorrow





Day ahead Market Coupling in North West Europe

A pilot for the Internal Energy Market

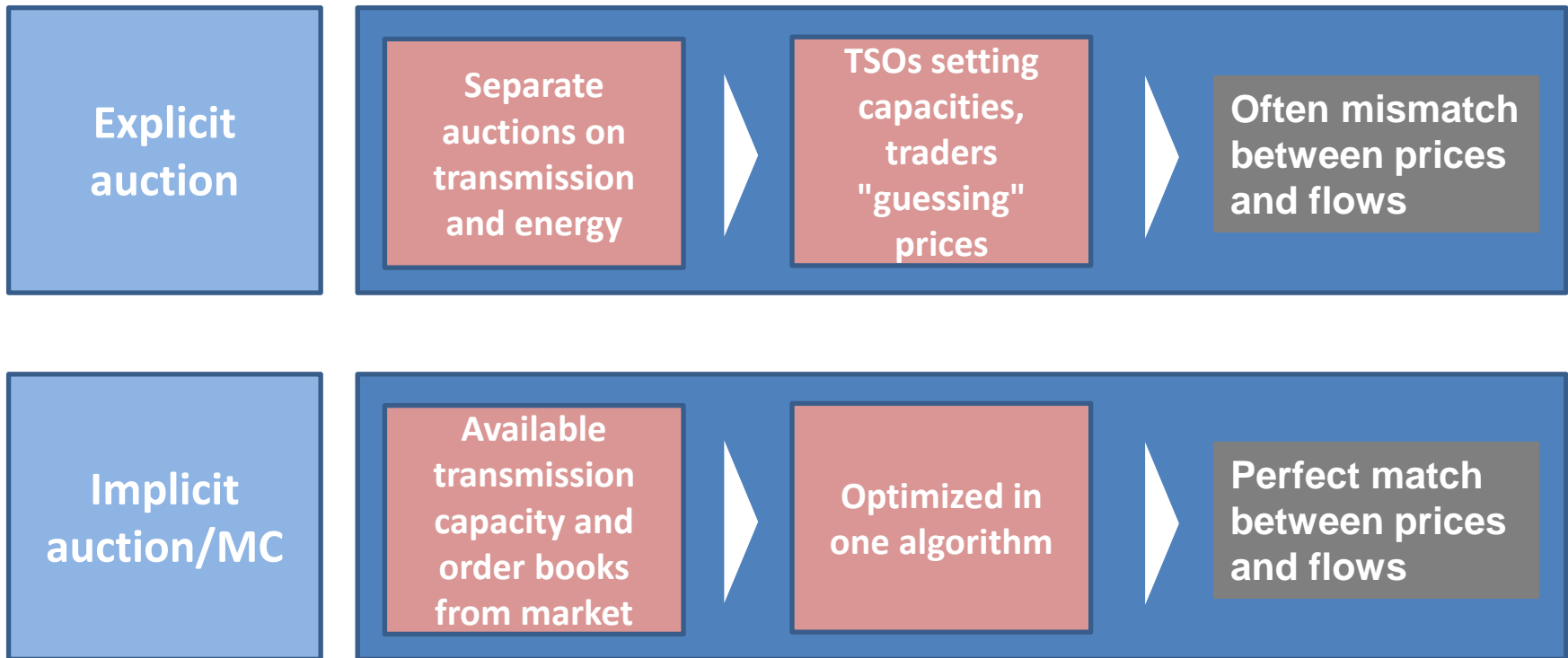
Bente Hagem

Co- Chair NWE Joint Steering Committee

October 25th 2012



What is Market Coupling in DA market?





Market Coupling is a key element in the Internal Energy Market

- 19th Florence Forum - Dec 2010
 - The Forum agreed that price coupling in North-West Europe should be developed and implemented by end 2012, as a first step for pan European price coupling.
- European Council - February 2011: *Internal Market completed by 2014*
- EC Communication: Making the Internal Market work, Dec 2012
 - ... *"The building blocks are there but they must be implemented effectively. Delays in implementation are not acceptable."* ...

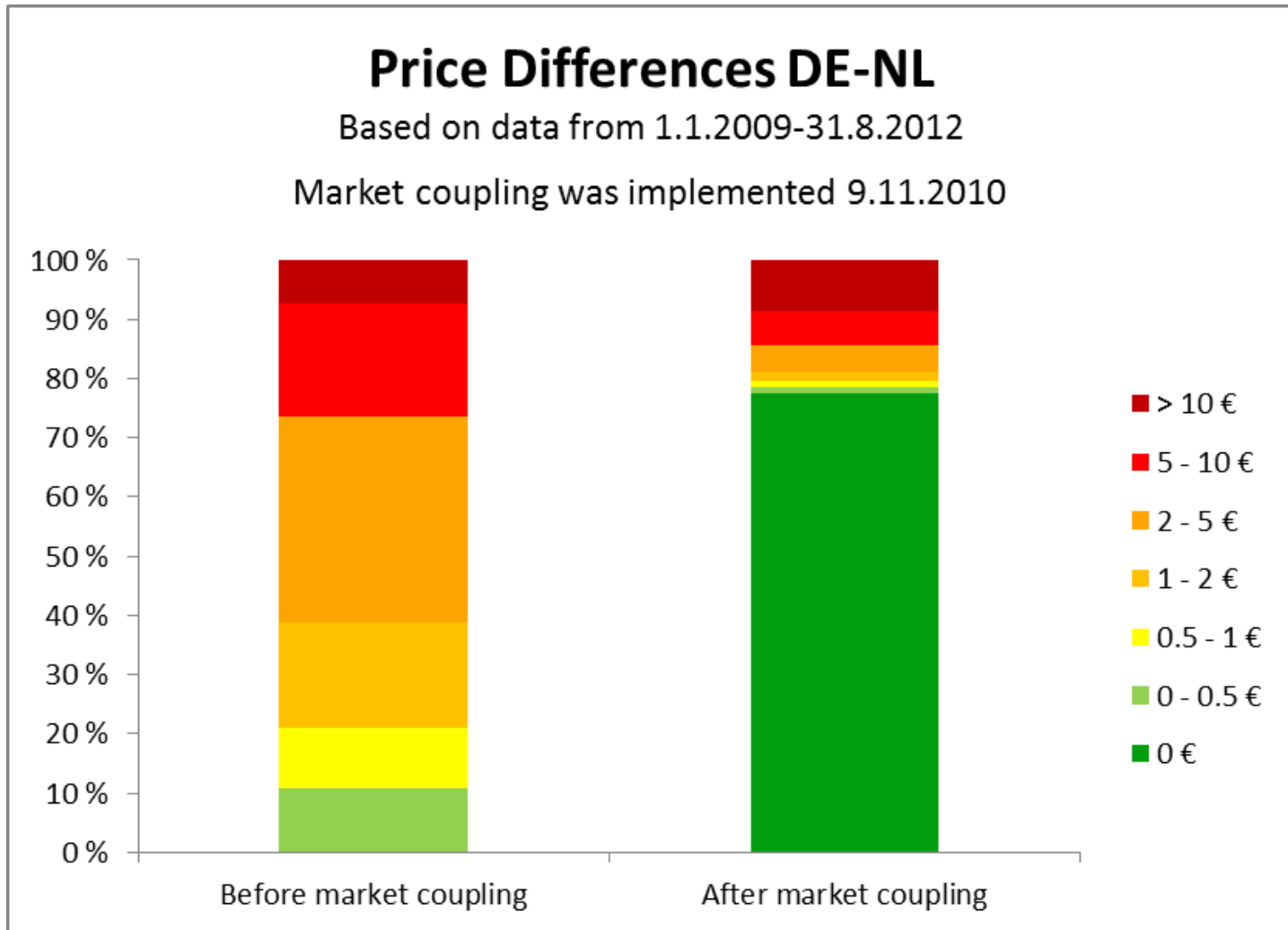


Benefits of Market Coupling (MC)

- MC is transparent and give efficient use of transmission capacity
- MC increases competition and give efficient price signals for production, consumption and investments
- MC reduces the need for market interventions, like capacity markets
- MC ensures maximization of the total social welfare across Europe

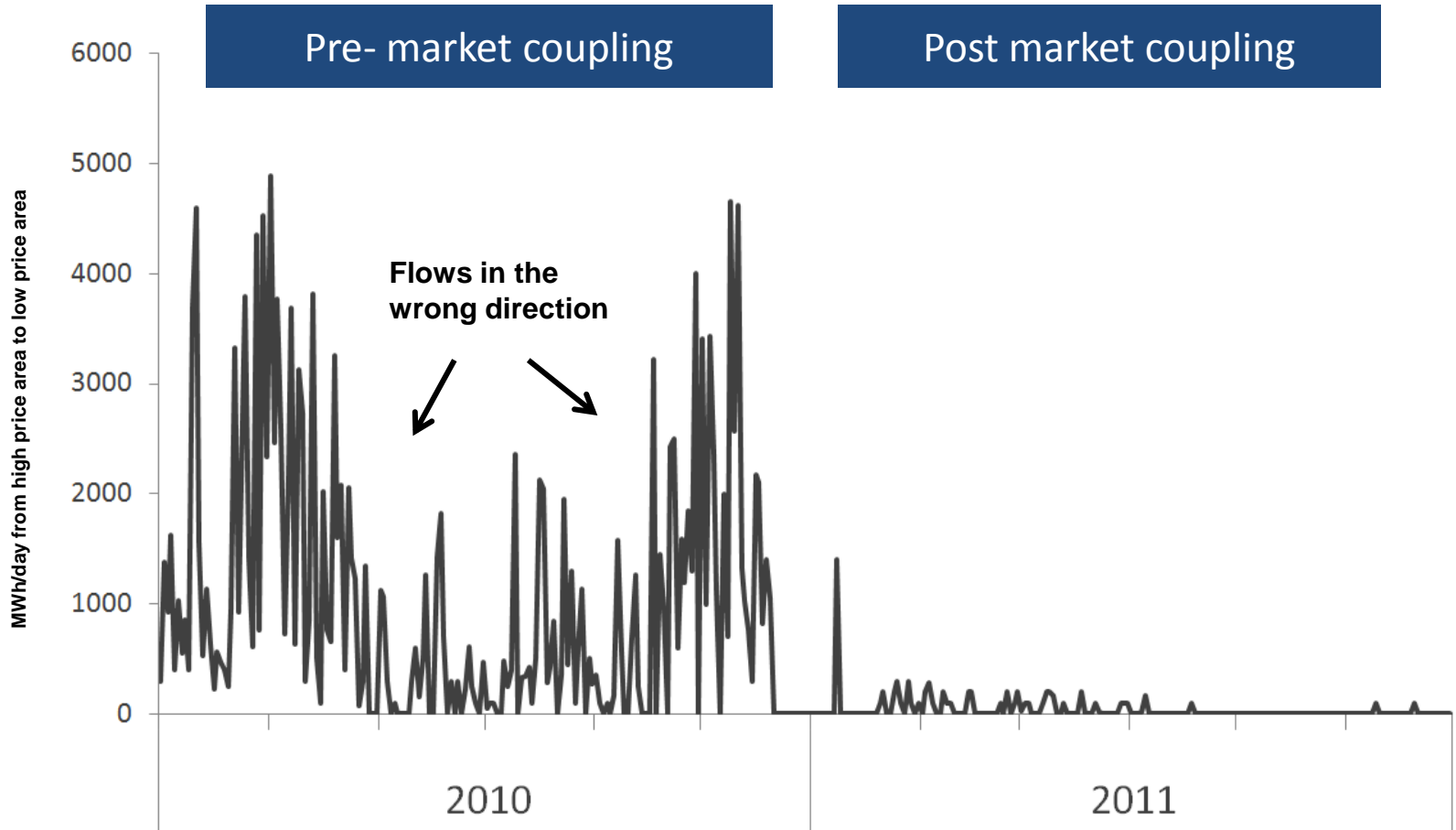


MC – Germany-NL gives price convergence



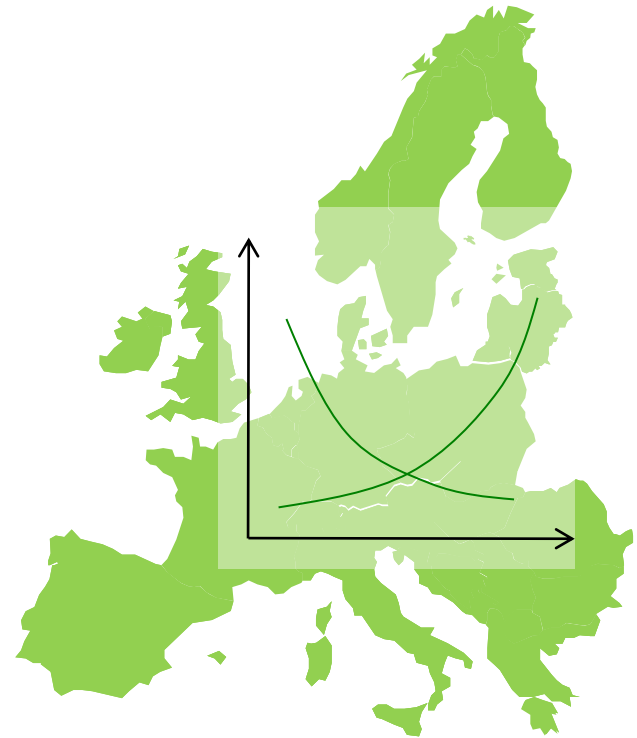


MC on NorNed (Norway- NL) reduces flows from high price to low price



MC creates substantial social welfare

- Estimated value NWE
 - 100-170 € mill/year
- Estimated value Europe
 - 180 -280 € mill/year














The development does not stop with MC

From	To	Economic surplus	Price consistency
Explicit	Implicit MC	Large	Large
NEXT STEPS:			
MC with ATC (Available Transmission Capacity)	Flow Based MC	Large	Large



Status - current day ahead market coupling

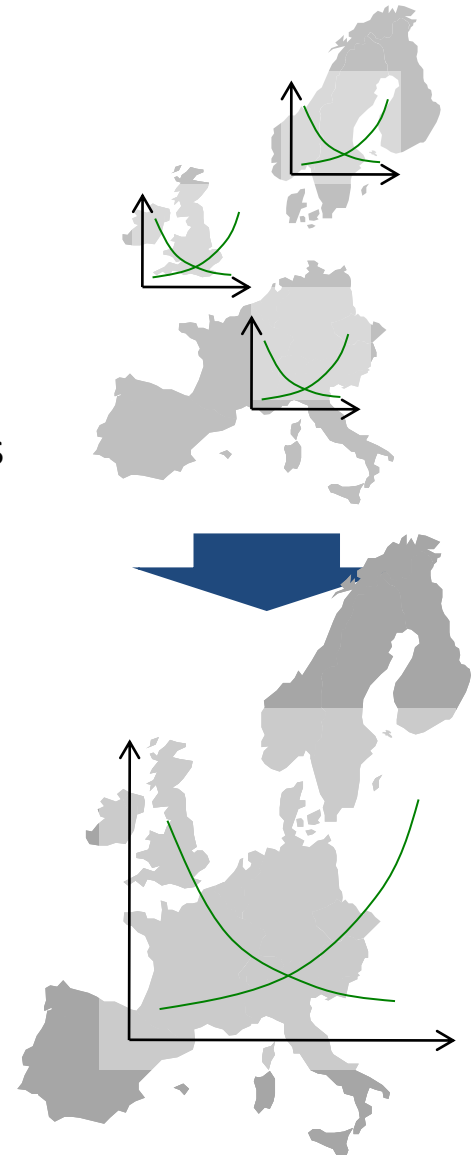


Regional Implicit Auctions		
	CWE	Price Coupling
	Nordic-Baltic	Price Coupling
	Swepol	Poland price coupled to Nordic via Swepol
	Austria	Price coupled to GE/CWE (no congestion)
	BritNed	GB price coupled to NL/CWE via BritNed
	Mibel	Price coupling
	ITVC	Volume coupling CWE-Nordic-Baltic
	Italy-Slovenia	Price coupling
	Czech-Slovak-Hungarian	Price coupling



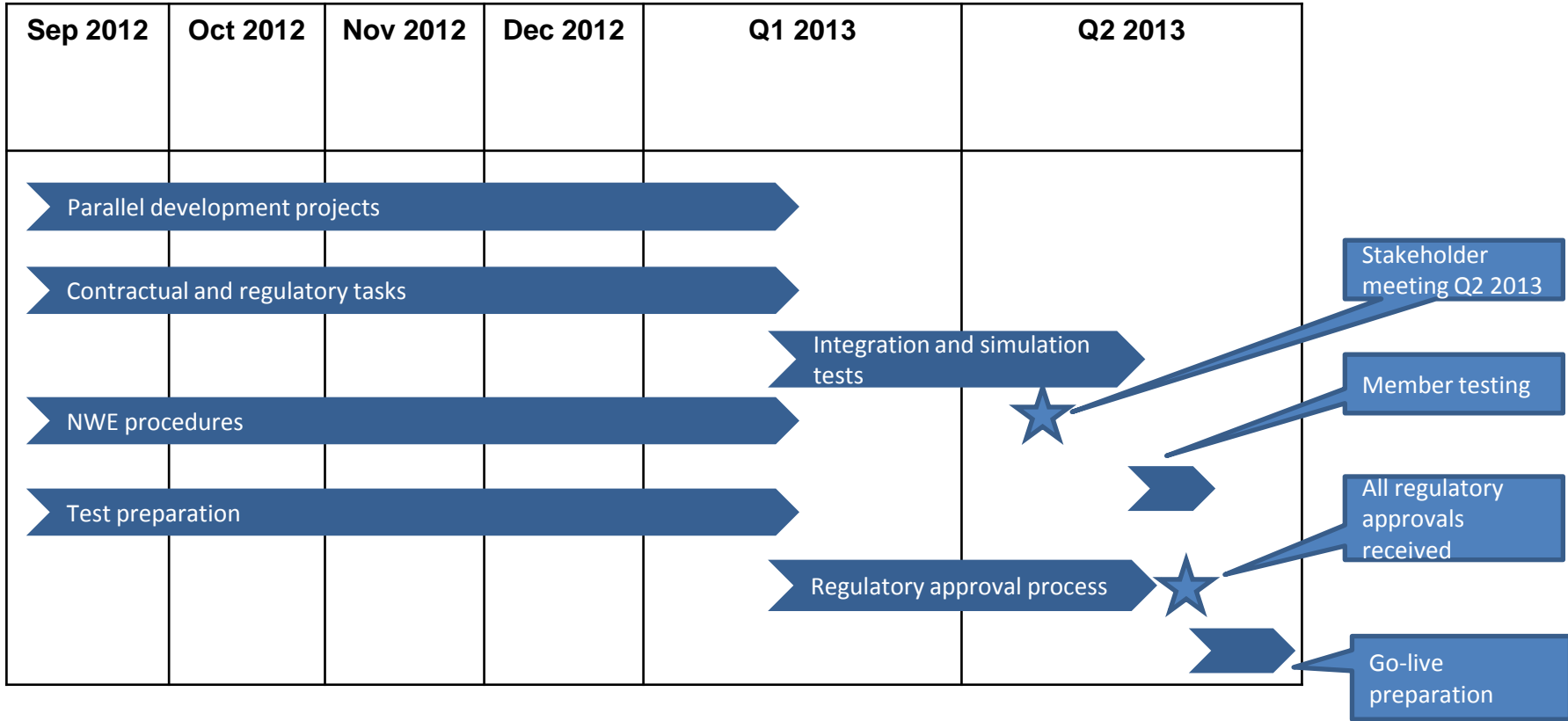
The NWE project – creates an European virtual Power Exchange for 2300 TWh

- Joint project between 13 TSOs and 3 PXs in the NWE region
- The PXs have developed a common algorithm to calculate the price and flows for the NWE region
 - Rotate operations, have Hot Back-up for robustness of the solution and keep regional competence
- The PXs have created PCR (Price Coupling of Regions) a contractual framework for developing and operations





NWE Price Coupling - Overall planning: Targeted go live: end Q2 - 2013





From NWE to a pan-European implementation by 2014

- The NWE project is the pilot project and shall be implemented and followed by the non-NWE regions
 - In the NWE project we have developed **extendable** solutions, but we are not an **extension** project
- ***The 41 TSOs and the 15 PXs need to act as one PX and one TSO***
 - The PXs have created Price coupling of regions.
 - The TSOs intends to use CASC (Capacity Allocation Service Company)



Creating an European Intraday solution

- The ACER roadmap contains a timetable for Intraday
 - The solution should be one European order book and one European capacity module
- Autumn 2012 - ACER support that the PXs perform a tender for a Intraday solution and deliver a fully functioned system by 31st March 2013
- NWE TSOs have delivered TSO requirements for the solution
- ENTSO-E will be directly engaged during the tender process via the NWE project to keep the rest of TSOs involved



Implementing the pan-European model by 2014

- Market coupling in NWE will be an important step for the IEM
- The solution is extendable to other regions
- Market coupling creates substantial social welfare
- We welcome you into our MC as soon as you are ready

