



NWE Day-Ahead Price Coupling

Questions asked by Market Parties Platform, Nordenergi

- 1. What is the relation between the NWE price coupling project and the flow based project? Possible interference? Why was the Flow-Based project delayed? Sequence?**

The CWE Flow-Based project and the NWE project are two separate projects but they are indeed interlinked. As reported in December 2012 and recently (MON 18th FEB) confirmed via a public announcement, the current plan for NWE Day Ahead Price Coupling go-live is November 2013.

Implementing NWE before CWE Flow-Based has been agreed and has among others the advantage that the Interim Tight Volume Coupling (ITVC) algorithm of EMCC (which becomes obsolete after the NWE Price Coupling go-live) and current PX calculation systems, do not have to be adapted and tested for the flow based methodology.

- 2. What is the planning of the NWE Day Ahead project?**

The planning of the NWE Day Ahead project will be published beginning of March on the CASC, EPEX, APX, Belpex and NPS websites and will be updated on a monthly basis.

It should be taken into account that the complexity of the project is high with a lot of dependencies: covering several countries with more than a dozen project partners involved.

The most important goal is the reliability and the robustness of the final solution, guaranteeing the best solution for market participants. The parties involved in the NWE Day Ahead project target a go-live in November 2013 subject to successful finalisation of the testing of the price coupling solution and subject to receiving the necessary regulatory approvals in time.

- 3. What are the additional requirements for the algorithm (compared to the current CWE or Nordic algorithm)? Have these requirements been finalised or are they still being discussed in the project?**

Please see the material distributed from the NWE Stakeholder Seminar on the 26 September.

- 4. How will the back-up process be organised?**

In order to make sure this answer is answered in the right way we will differentiate between backup and fall back processes.

Backup process

For the price coupling performed by the PXs there will be a rotating responsibility for the so called PMB Coordinator function, performing the price



coupling calculations that day, and also the PMB Hot Backup Coordinator, who runs the whole process in parallel each day to enable immediate take-over of all tasks in case the Coordinator cannot perform the price coupling. Additionally, the remaining PX(s) will via the PMB Operator function also be able to run the whole calculation process in parallel. Finally the PXs via the communication used between the PMB systems, as well as the TSOs for what concerns capacity allocation, will approve the results as provided to them via the PMB Broker Cloud in a process coordinated via the Coordinator of the day.

As far as all vital systems on TSO and PX side related to the pre- and post-calculation processes between the parties and internally have the necessary backup measures in place.

Fallback process

In case the Price Coupling System processes or systems that are used on the TSO or PX side for pre- or post calculation processes and which the success of the joint NEW price Coupling is dependent on should fail and result in decoupling, the NWE parties will resort to the fall back process. Please note that different fall back scenarios (partial and/or full decoupling) could be handled depending on the problem and the timing of occurrence.

For the fallback process the NWE parties will continue with the current arrangements in place for the CWE region, the Nordic-Baltic region and the CWE-Nordic interconnectors.

For the borders within the CWE region and for the CWE-Nordic interconnectors (except the Baltic cable) this means using the shadow auction system of CASC, and associated PX processes (re-opening of order books etc.). That is also the current fall back solution in CWE and for the CWE-Nordic ITVC solution.

In case the Price Coupling fails, NPS will perform a price coupling 'locally' for its own region, i.e. Nordic-Baltic and also the current Price Coupling towards Poland via SwePol, after the Shadow Auction process is executed by CASC for given CWE-Nordic links.. There will not be explicit auctions on any borders within the Nordic-Baltic region.

For GB, the IFA and BritNed cable the fallback mode will be explicit auctions, which will be performed on the relevant auction platform (CMS IFA or BritNed Kingdom depending on the situation of decoupling), and then followed by a common price calculation for the N2EX (NPS) and APX spot markets in UK, which in the case the issue would be related to problems to find a price coupling result in UK would also possibly be split in two separate PX calculations.

5. How will the test runs look like?

Testing of the NWE Price Coupling Solution will be performed jointly by the NWE parties after the implementation and testing of:

- the PCR PX project systems has been carried out and approved by the PCR PX parties, i.e. this refers to the PCR Matcher-Broker (PMB) systems and its



embedded Price Coupling Algorithm (Euphemia), which then will be used as core infrastructures for the NWE PXs to perform the NWE Price Coupling calculation.

- the other local systems at TSOs, PXs and their service providers involved in pre and post coupling.

The subsequent testing on the NWE project level aims primarily at validating that the systems implemented by PXs and TSOs and in between of them at sub-regional level are consistent (compatible) with each other and allow the correct processing of the price coupling data in the foreseen timeframe and that procedures designed for the NWE region are consistent with sub-regional procedures and realistic when applied in real conditions. The testing includes normal operations (normal scenarios) as well as backups and fall back operations (back up- and fall back scenarios). The following particular tests will be performed:

- i. Connectivity test to ensure that data can be exchanged and integrated correctly through the NWE chain
- ii. Integration tests on the local systems to validate that they meet the technical requirements in an integrated environment
- iii. Simulation test by operations to validate that the whole chain of systems meets the requirements in term of functionality in real time and is consistent with the designed procedures.
- iv. Member test with market participants to introduce them to and to familiarise them with the future NWE operational process

The elapsed time for the first 3 test phases (connectivity, integration and simulation tests) is estimated to be 10 to 12 weeks. The elapsed time for the Member test will be approx. 2 weeks.

6. How will the coupling be affected by the cable connections between GB/Nordic and CWE (for example with respect to grid losses and ramping)?

The existing ramping constraints on given interconnectors between some Nordic areas and between Nordic and CWE will remain in place. In the case where CWE-Nordic and GB-CWE interconnector owners would like to activate allocation constraints on HVDC cables such as losses and ramping constraints the relevant TSOs or interconnector owners will formulate a request for this which will subsequently be presented for NRA approval/rejection.

7. How much time will market participants get to update their systems?

There are no changes to be expected in PX trading systems for bidding into or receiving results from the respective PX Spot markets, from that perspective it is not envisaged that the market participants need to update their systems. There might be minor changes for the Explicit/Shadow Auction systems in use. If this is the case, market participants will be informed in due course by the relevant TSOs.



8. How is stakeholder consultation organized? How is compliance with the final CACM Code ensured?

The project will organise two stakeholder meetings to ensure that an appropriate level of stakeholder engagement takes place. The first stakeholder meeting was held on 26 September and the second stakeholder meeting is foreseen on 14 June 2013. The Market participants will also be asked for input on the procedures, timings, fallback etc. in February/March 2013. Furthermore, PXs and TSOs will maintain contact with market parties to interact on such issues.

With respect to the question on compliance with the final CACM NC, it must be taken into account that the CACM NC is still a draft: a check on compliance will only be possible once the new regulatory framework is confirmed.

9. Is the governance solution of the PCR arrangement in compliance with the current draft CACM codes and the draft governance guideline?

There is at this stage no indication that there is a conflict between the PCR concept and arrangements and the proposed EC Governance Guideline and CACM NC drafts. However, it should be noted that the latter are still drafts, therefore a check on compliance can only be performed once the new regulatory framework is confirmed.

10. How is liability arranged for the PCR arrangement?

As far as market participants are concerned in relation to their trading activities on the PXs, liability issues are governed by the market rules of the respective exchanges to which the market participants signed up to as Member.

11. Why wasn't any information available before the workshop?

The NWE Price Coupling project is a project of high technical complexity, high-level requirements and size, covering several countries with more than a dozen of project partners involved. Therefore, the project parties wanted to ensure that good explanation of the material was given in the seminar to avoid any misinterpretation and assure equal access to the information for all interested parties. The project parties also had the desire to present the latest updated development of the design and implementation status.

12. What is the status and planning of the NWE intra-day project?

The NWE Day-Ahead Project and the NWE Intra-Day project are two different projects. Therefore, the status and planning of the NWE and 2014 pan-Europe Target Model for Intraday are out of scope of the NWE day ahead Price Coupling project. Instead we can refer to processes and follow-up being done via AESAG and where applicable towards ACER and EC (DG ENER) on this matter.



13. Have the AESAG input from stakeholders been taken into account?

The project is discussed within AESAG and with the National Regulatory Authorities. Input from both is taken into account while further developing the systems.

14. It would be useful to have an NWE project site somewhere.

A website can be a useful communication channel. We have therefore chosen for the solution to publish all relevant information on the CASC website and the websites of the respective PXs (as stated under point 2).

Furthermore, all relevant information on the NWE project, such as slides and other information from the 26th September NWE Stakeholder Forum, is available on the respective websites of the involved PXs and TSOs. The material is also available on the website of ACER.

Moreover, we would like to inform you that the NWE Day-Ahead Price Coupling is currently updating its Q&A which will also be published on the CASC, EPEX, APX, Belpex and NPS websites.