

Implementation study annex 1: overview of regulators questions

This table contains all questions formally expressed by the 5 regulators regarding the MC project. In the table we refer to the relevant sections in the Implementation Study, where the answer can be found.

Question/remark	Answer to be found in
The regulators ask to the TSO/PXs to clearly demonstrate the advantages and the benefits for the region of the currently proposed mechanism compared with the existing situation. This comparison (detailed and quantitative) should at least concern the socio-economic welfare, the volume of capacities, the quality of the price signal and the absence of discrimination	Chapter 5
the selection of the critical branches taken into account in the FBMC mechanism. Internal branches can only be selected as critical branches in the FBMC algorithm, if it can be shown that such approach is more efficient than internal CM.	Chapter 4, section 2
the problematic of the “pre-congested cases”, linked with the generalisation of the capacity calculation method to the CW region, and the risk of their increase in the future	Chapter 4, section 2
the problematic of the non-intuitive results, and in particular the importance (quantitative) of the phenomenon, its impact on the price signal and possible improvements	Chapter 5
the mechanism that will be used for the allocation of congestion revenues	At this stage the congestion rent distribution mechanism is under construction
the benefits of the creation of zones of approximately of the same size on the economic welfare related to the question of the pre-congested cases and the question of the non-intuitive results	The creation of zones and the nodal pricing system have been declared out of scope of at the beginning of this project. Such task is not required according to legal frameworks in place, nor according to the MoU. Moreover, in the Pentilateral Energy Forum meeting of 21 November 2007 this issue was discussed, and it appeared to be that there was no consensus about the necessity of such analysis
the possibility to extend the CWE-FBMC to other regions	Chapter 3, specially section 3.6.8., and chapter 8, section 8.3.3
the quality of the algorithm and to deliver an audit report from a panel of independent experts	Chapter 3, and annex 3
Regulators urge the TSOs/PXs to select as soon as possible one of the three technical options as presented in the orientation study, in order to avoid unnecessary development costs	COSMOS is chosen
Regulators request to add elaborated proof to the mathematical statements as made in the orientation study and to give a clear mathematical formulation of the optimisation problem	Chapter 3 provides a description of the functioning of the algorithm, and its content is public. It may be the case that additional information is required by regulators. If so it is possible to submit this information only to the regulators, provided necessary confidentiality agreement is in place
Furthermore regulators clearly indicate that the development of the coupling mechanism should in no way be made at the detrimental of the long term transmission rights currently allocated in the region.	Chapter 4, section 4.2.3.
Regulators ask to the TSOs/PXs to arrange for the possibility to deliver all bid data to any of the regulators of the region for market monitoring purposes	To be discussed between regulators and power exchanges PXs can provide their bid data only to their regulator, according to current regulation. Other disclosure of their data is subject to strict confidentiality agreements.
the regulators ask to the PXs/TSOs to study the impact of volume coupling on the price signal and on congestion rents. In addition, the economic inefficiencies of this volume coupling should carefully be examined in the economic evaluation study	This request is not relevant any longer, since price coupling will be in place from the start

Regulators also ask Powernext and EEX to provide a clear timing on the merging process, which would allow the implementation of a harmonised price coupling	This request is not relevant any longer, since price coupling will be in place from the start
PXs should explain the interest of negative prices and the relevance to the MC-project.	See the management summary
the impact of this new possibility, and in particular the existence of different price limits on the 4 PXs should carefully be examined in the economic evaluation study and the absence of discrimination for trading on the different coupled PXs should be demonstrated by the promoters of the project	Chapter 5
Concerning transparency, the regulators consider that the implementation of FBMC has to be aligned with transparency on: <ul style="list-style-type: none"> • The expected availability of generation units (total figure per energy source and individual value for units larger than 100 MW) for the 24 hours of the day at least two days in advance; • The consumption forecast for the 24 hours of the day at least two days in advance; • Planned maintenance on the transmission network with a clear indication of the (name of the) concerned network element (min 2 days in advance) and ex-post, max 2 hours after real time, the tripping of transmission network element; • For each critical branch, with a clear indication of its name, the publication of its total capacity, reference flows and reliability margin and corresponding physical margin. The publication of the information on all critical infrastructure elements is independent from the final design of FBMC. • For each hour, publication of the PTDF matrix together with a simulation tool • For each PX, and four each hour, the publication of aggregated offers/bids curves 	Chapter 7
If volume coupling is selected for EEX, publication of the price difference (if any) between the EEX value and the value computed through price coupling	This request is not relevant any longer, since price coupling will be in place from the start
In addition, regulators consider that from the 1 st of January 2010, all relevant information for FBMC should be published on one (common) website	At this stage, project parties have decided to publish data on their own website. This decision was partly driven by the transparency report in which regulators requested the publication of data on individual websites.
CW regulators are in favour of full firmness. TSOs and PXs should make a proposal concerning the exact firmness modalities proposed for the implementation of the FBMC by the 15 th of August 2008	The Project Parties will discuss the issue of firmness based on the report ERGEG just launched