

# NWE MARKET COUPLING PROJECT



JESG – 17<sup>th</sup> April 2013

# Agenda

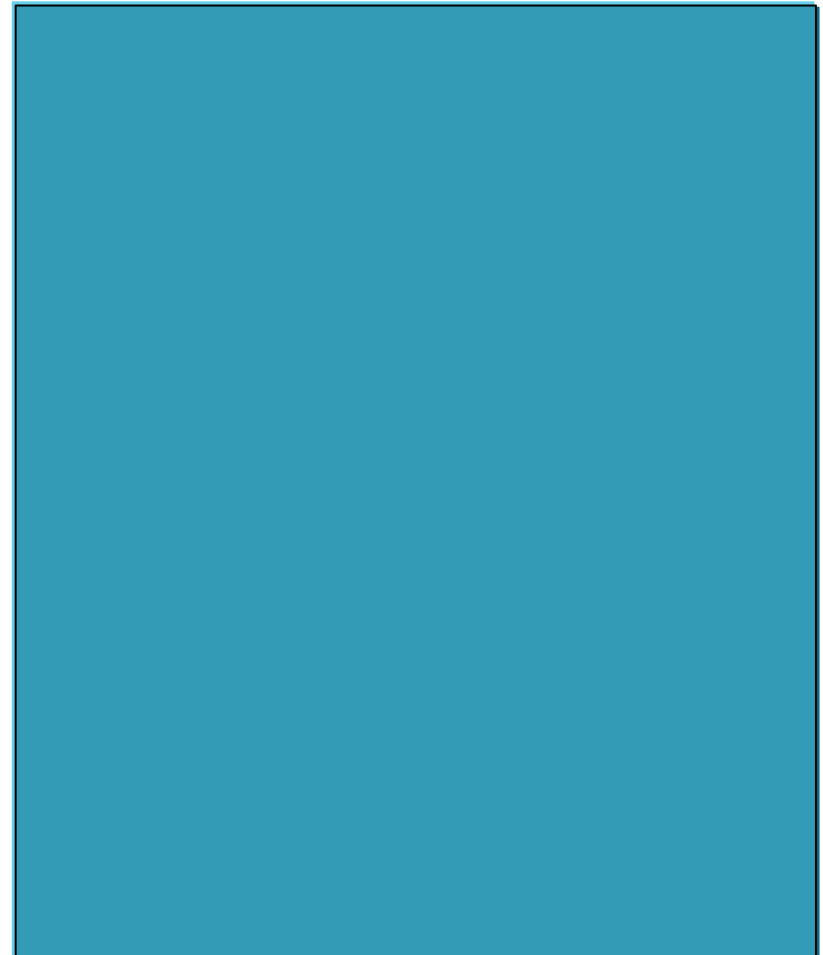
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- Background
- System Architecture
- Planning
- Market Consultation
- Impact on GB parties
- 2<sup>nd</sup> Stakeholder Forum

# Current Market Coupling Arrangements

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- Several regions within Europe have already implemented Market Coupling, with the results being viewed positively by the EC, NRAs, ACER and traders.
- The NWE project was initiated in 2011 to replace the existing market coupling systems in CWE & Nordic region, GB invited to join.
- European Commission and ACER view the NWE project as an important milestone in the delivery of the Internal Electricity Market by 2014.



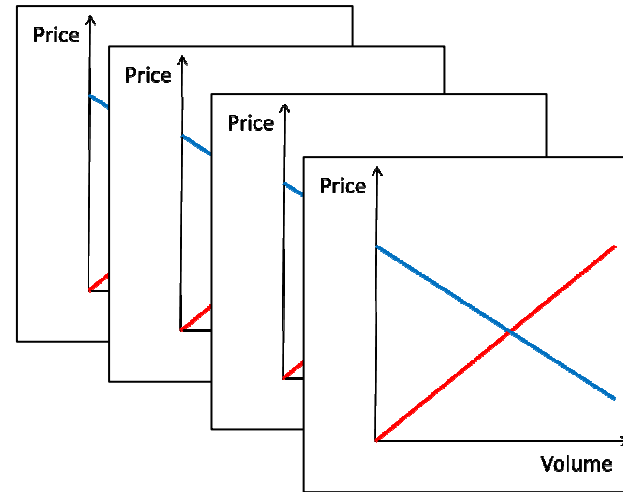
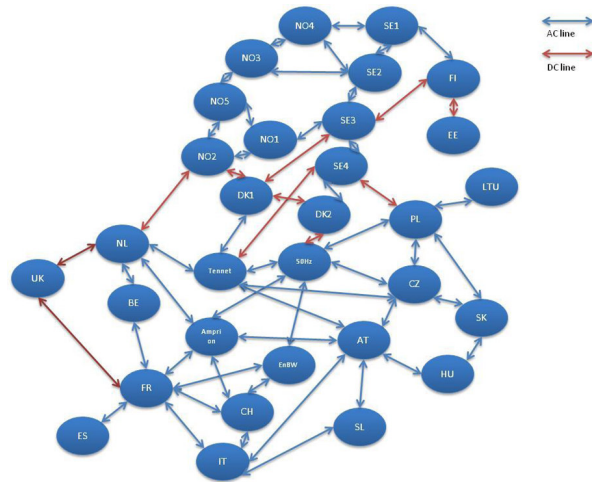
# NWE Market Coupling Project

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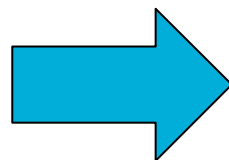
- Creates an interconnected day-ahead energy auction market across 13 countries.
- Annual regional consumption 2300 TWh.
- Implements the Day Ahead element of the EU 'Target Model' and is a step towards a single European energy market.
- Planned to go-live November 2013



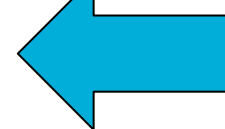
# Market Coupling



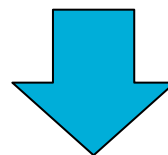
**Network model & ATCs**



**Market Coupling Algorithm**



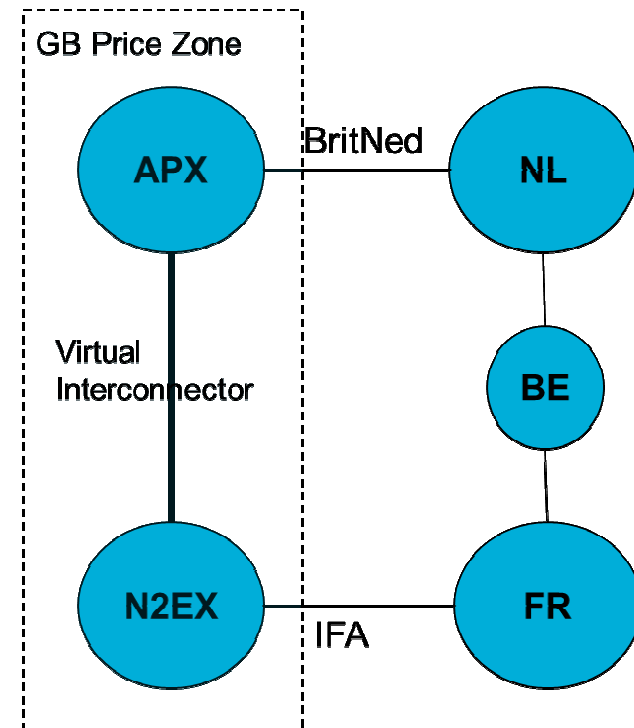
**Power Exchanges' Energy orders**



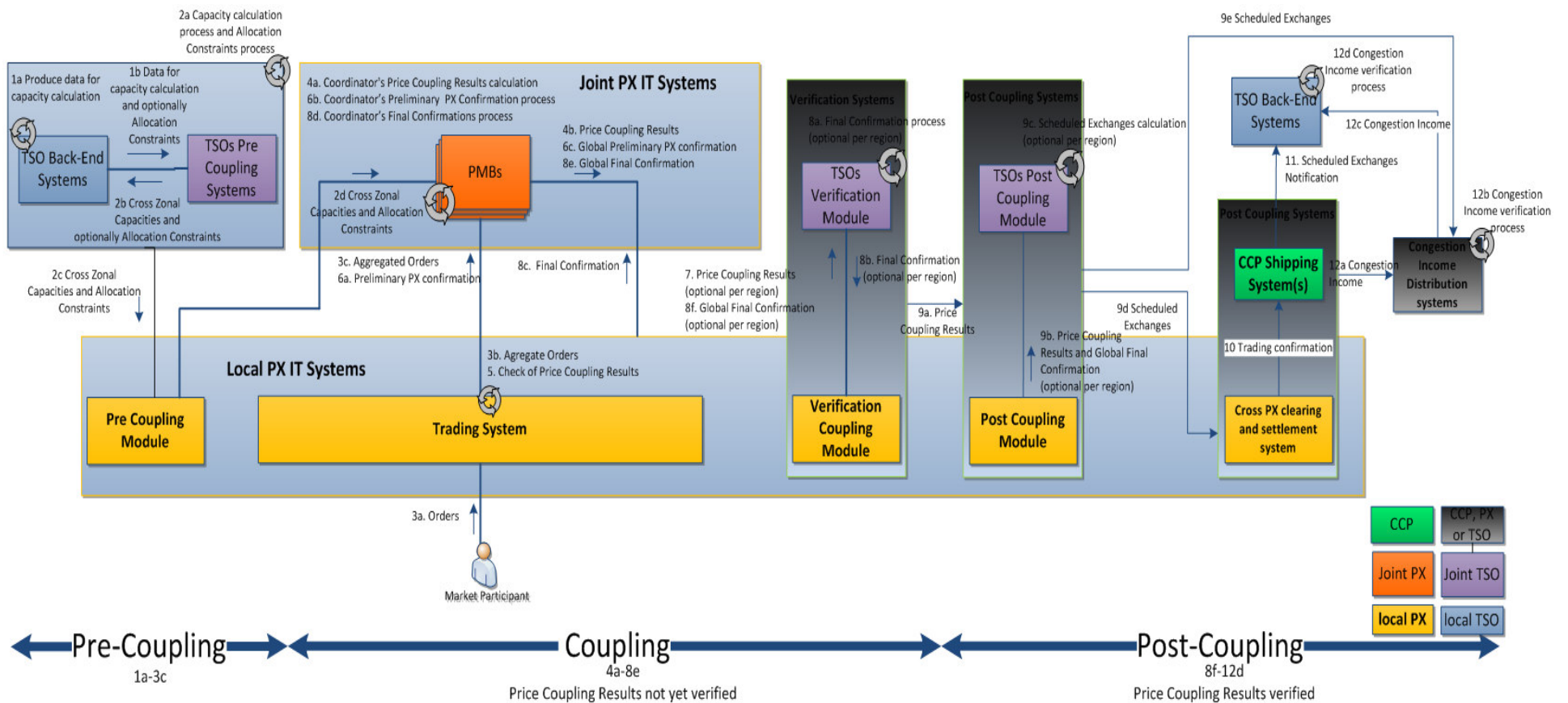
**Interconnector Flows & PX prices**

# GB Market Arrangements

- GB has the unique situation of having more than one Power Exchange (PX) operating a day-ahead auction.
- To ensure that all GB traders can have equivalent access to GB and continental liquidity, a “virtual interconnector” is included in the price coupling system.
- The two GB PXs will then have the same price (as orders can match freely between the two trading hubs).

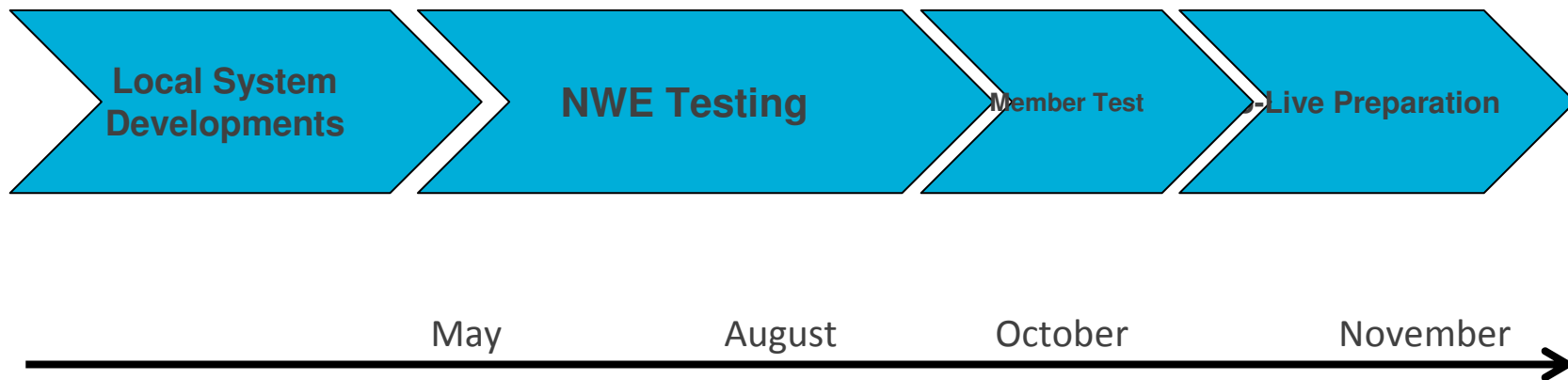


# High Level Architecture



# Planning Overview

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Member test: Tests with market participants to introduce them to, and to familiarize them with, the future NWE operational processes.

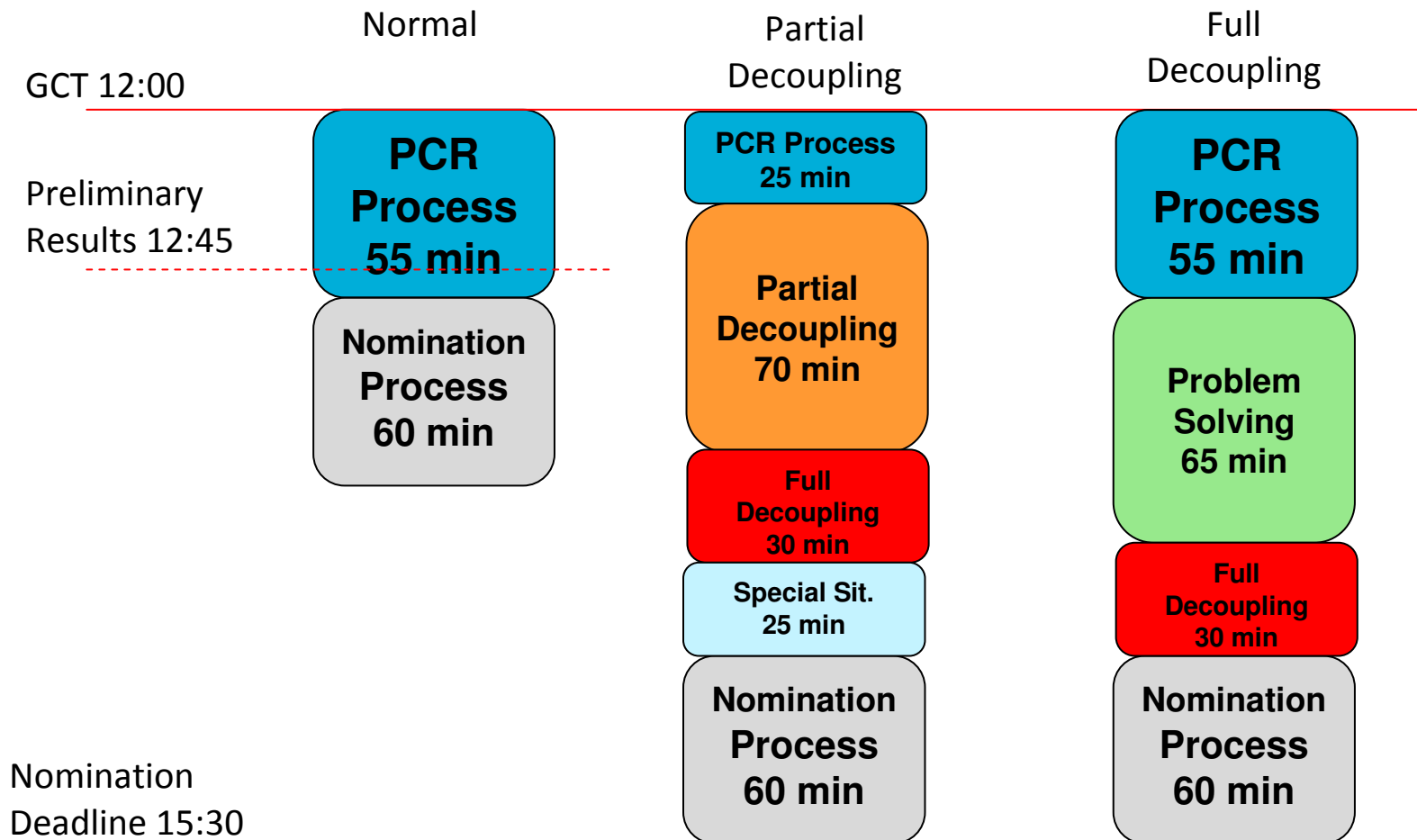


## Market Consultation

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- There was a project consultation in March seeking views:
  - Daily process timings,
  - Harmonisation of market price caps.
- Not all possible operational scenarios are feasible in the available time window. Options to resolve include moving Gate Closure time earlier, or shortening the notification window.
- Results currently being evaluated.

# Daily Processes – Possible Scenarios



All times CET

## Price Cap Harmonisation

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- Market maximum and minimum prices are different in the different regions:
  - NPS (GB) +£2000 / 0
  - APX (GB) +/- £1000
  - CWE +/- €3000
  - Nordic +€2000 / -€200
- Should the price caps be harmonised?
- CACM: Consultation, followed by NRA decision

## Impact on GB Parties

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- Interconnector Users
  - No longer able to trade day-ahead capacity (longer term auctions remain)
  - Use-it-or-sell-it compensation based on day ahead energy auction spreads
  - Interconnector Access Rules consultation in May
- Power Exchange Members
  - Revised auction timings
  - Pooled GB & NWE liquidity

## 2<sup>nd</sup> NWE Stakeholder Meeting

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Friday 14 June 2013 @ Sheraton Heathrow Airport

The North-Western Europe (NWE) Power Exchanges and Transmission System Operators are working on implementing an NWE Price Coupling Solution, which will replace the current coupling mechanisms in Great Britain, Central Western Europe and the Nordic-Baltic regions.

The project partners are pleased to invite you to an information session about the NWE Price Coupling Solution, to better explain both the solution and the implementation planning.

# Any questions?

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