europex
association of european energy exchanges

EUROPEX RAISES SERIOUS CONCERNS ABOUT ASPECTS OF THE CACM NETWORK CODE AND GOVERNANCE GUIDELINE

3 December 2013

In its General Assembly, Europex, representing European energy exchanges, today expressed its serious concern that some sections of the final draft CACM Network Code/Governance Guideline[i] hinder rather than help the rapid implementation of the Target Model across Europe. The Commission itself has separately estimated the benefits of market integration to be in the region of €2.5-4bn per year, and this should be the clear policy priority. All proposals should be judged by whether they facilitate or endanger this goal.

1. Europex supports the finalisation of the Governance Guidelines and the CACM Network Code as soon as possible, to secure the European Target Model implementation. We should build on the success of the existing market coupling solutions (e.g., CWE, Nordic-Baltic, Mibel, Italy/Slovenia, CZ-SK-HU) and the basis for the European solution already established in the PCR and NWE/SWE developments. However, the draft fails to address adequately some of the known problems that can hinder progress, while unnecessarily introducing new ones.
2. To strengthen the process, Europex has previously pressed for a Governance Guideline that provides a clear structure of roles and responsibilities for NEMOs and TSOs together with a robust, fair decision-making framework. In contrast, the Operations Committee of TSOs and NEMOs seems to lack authority (having just monitoring and proposing responsibilities) and there is a lack of substance on the NEMO decision-making framework to ensure that decisions are not unreasonably hindered. The adequacy of relying on ACER's arbitration role between NRAs as a way to resolve any disagreements needs careful review since it would seem to depend on the regulation of all aspects of the NEMO function.
3. Instead of delivering a clear framework for power exchanges - who have been the driving force enabling market coupling so far - to work co-operatively to deliver market coupling solutions, some sections of the Governance Guideline create unnecessary uncertainty. By failing to recognise the European solutions already being rolled out and raising the prospect of alternative approaches, confusing the roles of NEMOs and TSOs, and adding new points unrelated to the Target Model implementation we risk further delay at a critical moment for the day-ahead and intraday market coupling projects. The priority should instead be on securing a clear commitment by all stakeholders to deliver the agreed solutions.
4. The Commission has chosen to focus heavily on rules setting out how to apply competition to NEMOs Europe-wide. Europex believes that imposing a standard model will conflict with the various regulatory and market designs in operation in Member States causing unnecessary disruption and a diversion of focus. It is not explained why existing competition law and respect for subsidiarity is not adequate.
5. Europex also believes that greater attention is needed on the early resolution of such issues as a common capacity calculation methodology, bidding zones, cross-border redispatch, pricing of intraday capacity, and firmness (reported as "timing issues" in the Network Code) if we are to realise the full benefits of market integration.
6. Europex regrets the delays already incurred in the drafting process and that key changes in the latest Governance Guideline draft have not been discussed with all stakeholders, nor adequately explained and justified. It is important that the EC adheres to due process, including proper consultation and impact assessment, given the significance of the issues.

Europex urgently desires to re-engage with the European Commission and relevant parties to finalize the Governance Guideline in a way that best ensures the successful implementation of the Target Model.

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[i] Regulation establishing a Network Code on Capacity Allocation and Congestion Management and a Guideline on Governance supplementing Regulation (EC) 714/2009 – 22 November 2013