ENTSO-E and the Target Model Update

Rodney Doyle

EirGrid Group Customer Conference
20th October 2011

Agenda

- The Network Codes
- Capacity Allocation and Congestion Management
- Forwards
- ENTSO-E progress on Day ahead
- ENTSO-E progress on Intraday
- Development Timelines

The Network Codes required to facilitate the IEM

Markets	System Operations	System Development
Capacity Allocation & Congestion Management	Operational Security	Generator connection
	Operational planning & scheduling	
Balancing	Load frequency control & reserves	DSO & industrial load connection

System Operator for Northern Ireland

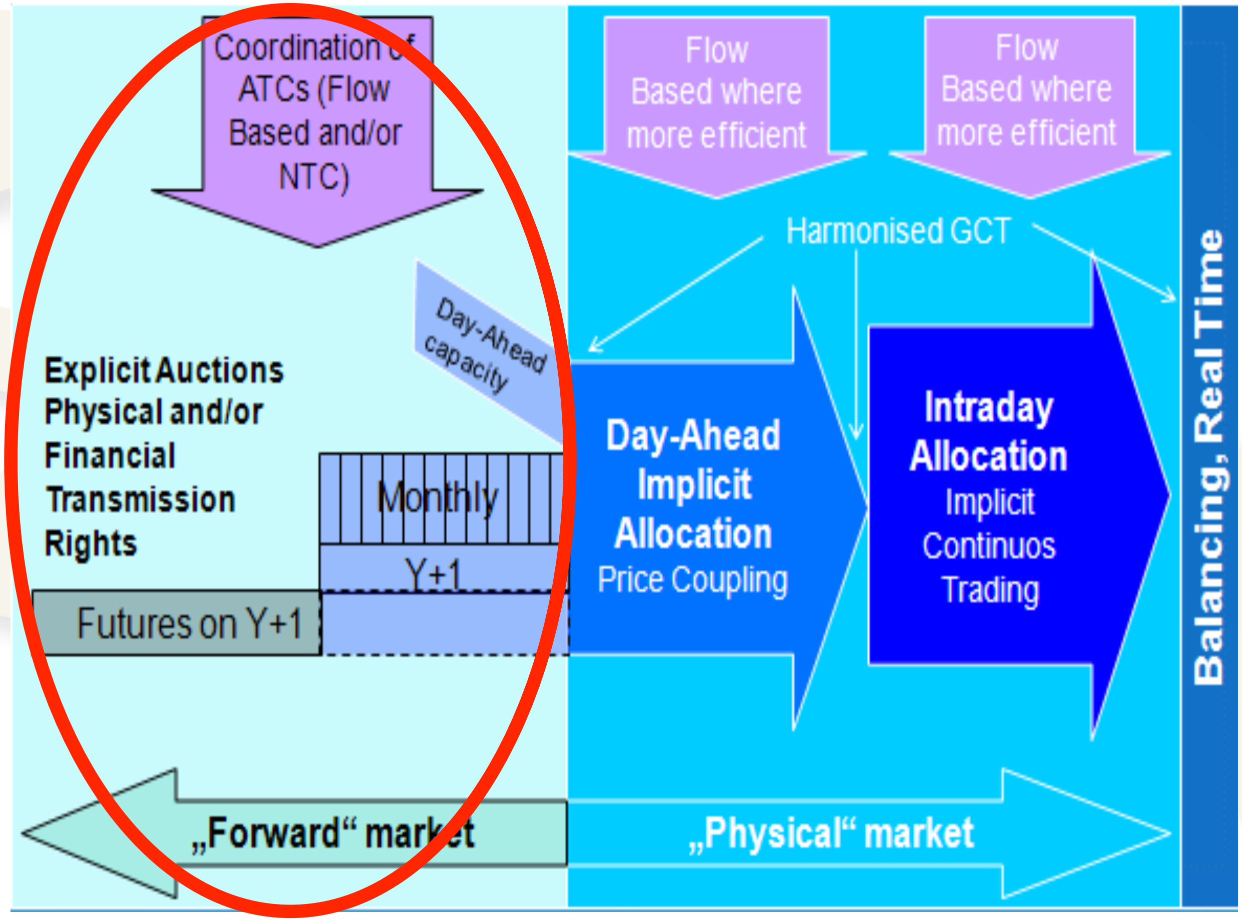
Single Electricity Market Operator

What is likely to be covered in the Network Code CACM

- Ensuring optimal use of capacity in coordinated way
  - Calculation of capacity (methods, common grid model etc)
  - Determination, review and approval of zones
- Achieving reliable prices and liquidity day-ahead
  - Process and design and market coupling solution
- Creating an efficient intraday market
  - Process and design and intraday trading solution
- Firmness & cost recovery based on a market-friendly regime
- Force Majeure
- Transparency
- Transitional arrangements & compliance

European Target Model - Forwards

- Long term hedging solution: PTRs with UIOSI or FTRs
- Harmonised set of rules for each
- Single platform for allocation of long-term rights
- Secondary trading

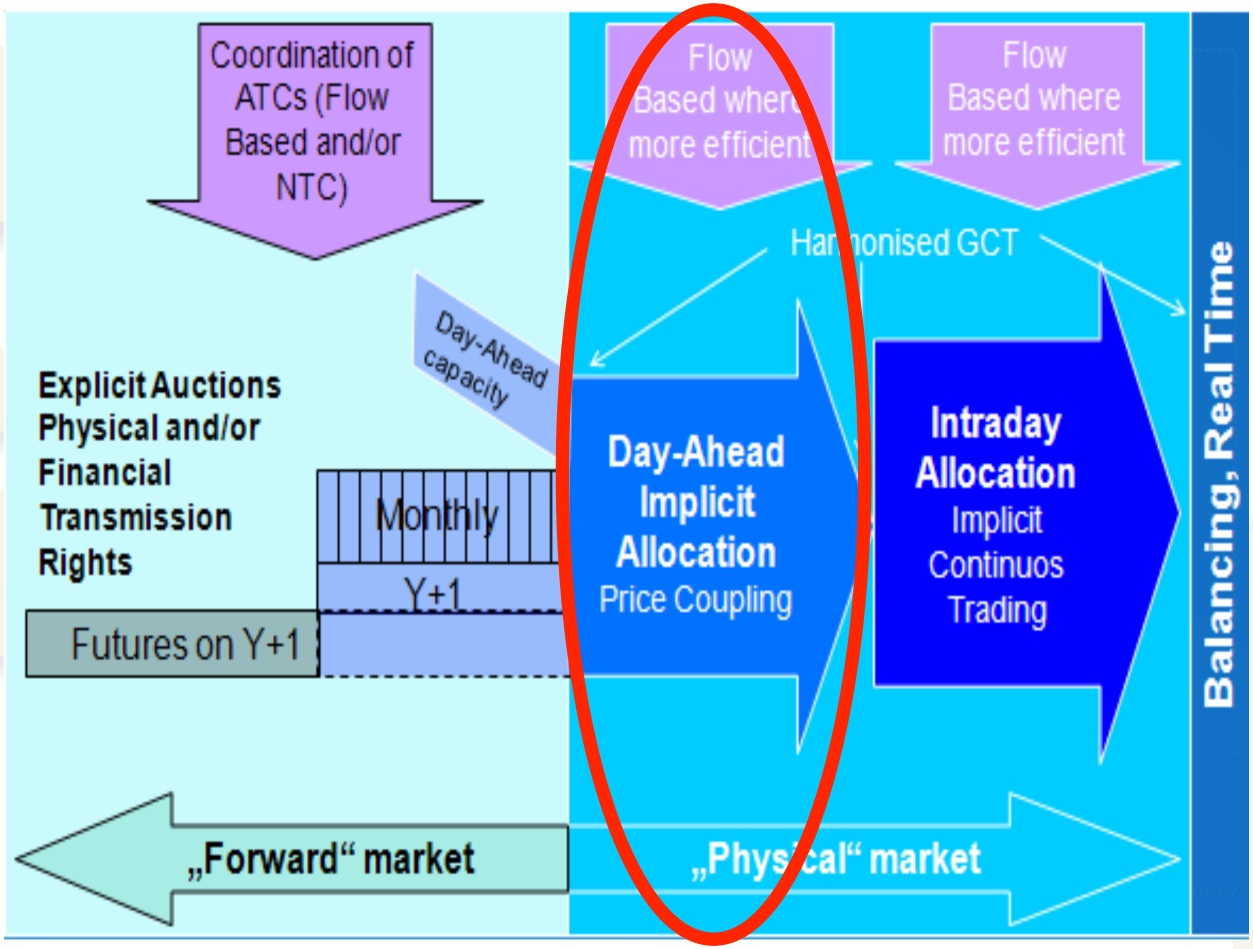


Forwards

- Proposal is for a consultation on the preferred model
- Consideration of a harmonised set of access rules across Europe
- Consideration of regional auction offices or potentially a single auction office for the whole of Europe
- Considering FTR's vs PTRs
  - FTRs may have to meet other EU financial regulations not just CACM
- Still under consideration as to whether it will be separate network code or addendum to CACM

European Target Model: Day-ahead

- Implicit auction via single Price Coupling algorithm
- Common central calculation of import/ export flows and prices
- Local PX receives import/export volumes and the price at which they have to clear



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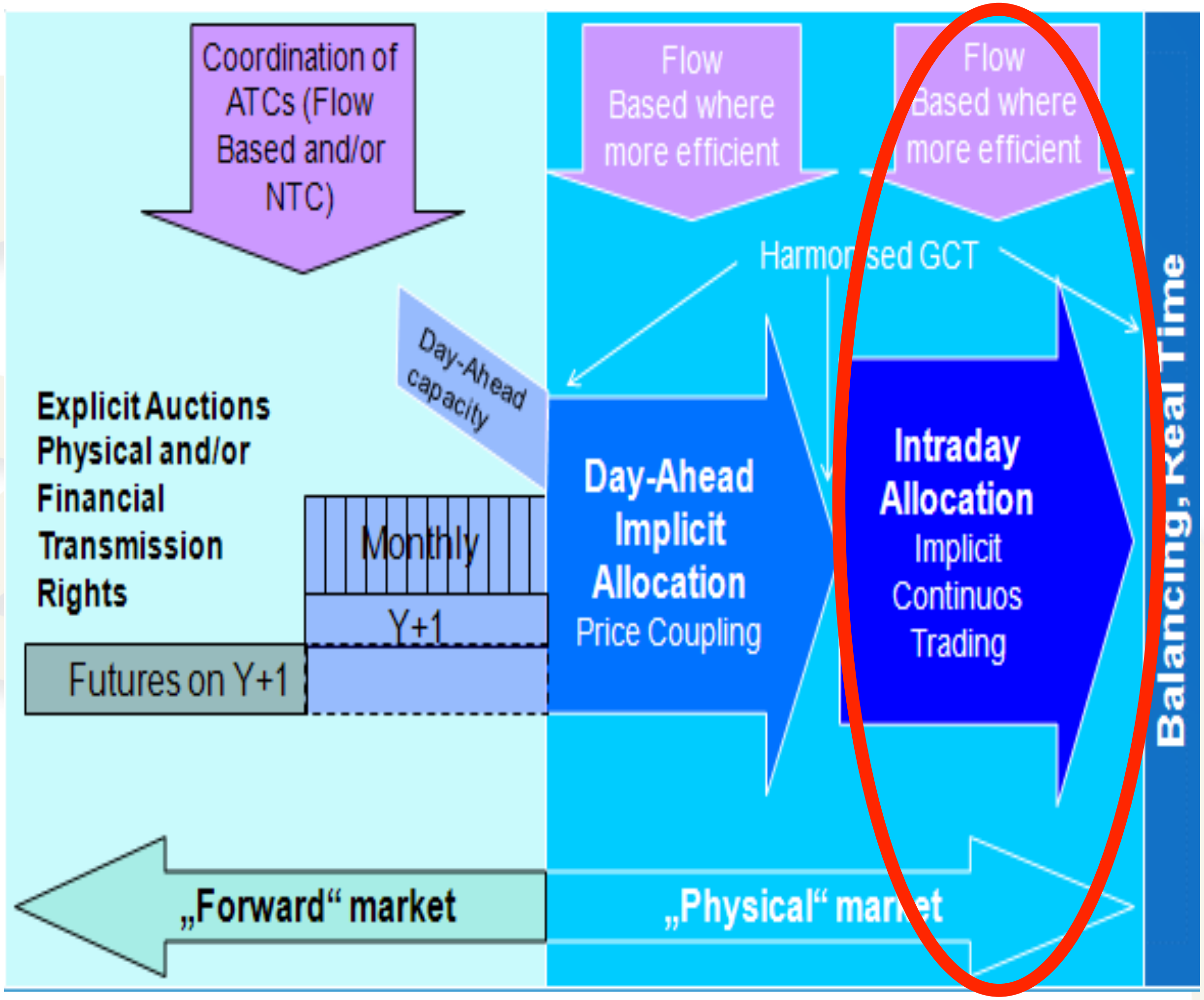
Day Ahead

- Market Coupling well established across Europe already
  - Rest of Europe will be compliant with day ahead by 2014
  - GB (IFA, BritNed) will already be part of the NWE price coupling end of 2012
- Algorithm work ongoing between the PX's and TSO's
- Current firmness rules will change by 2014
- Network code internal draft scheduled to be produced by January 2012
- Consulted on April 2012
- Law in advance of the 2014 deadline

European Target Model - Intraday

- Implicit continuous allocation (continuous trading)
- Regional implicit auctions may complement implicit continuous allocation under certain conditions
- ENTSO-E led process with participation of PXs and consultation of market participants



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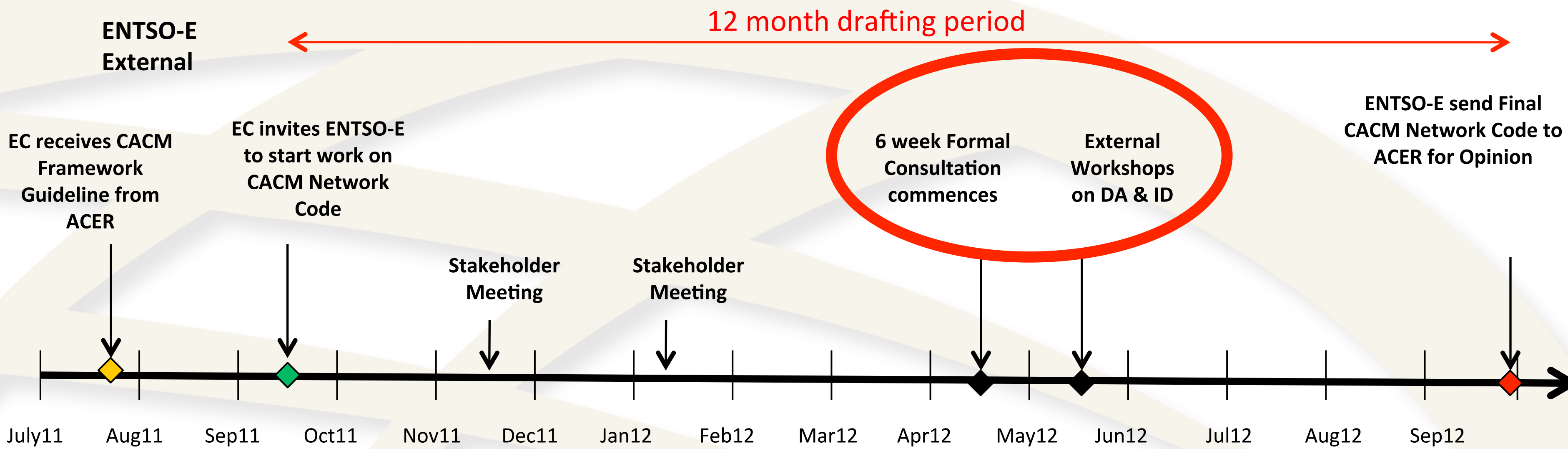
Intraday Update

- Network code internal draft scheduled to be produced by January 2012
- PCR algorithm will be consulted on in Q1 2012
- Consulted on April 2012
- Law in advance of the 2014 deadline
- Europe will have continuous intraday trading in place by 2014
- Regional auction may compliment implicit continuous
- Questions remain over how to charge for capacity intraday in a continuous model

Draft CACM Network Code Timeline



SONI System Operator for Northern Ireland

semo Single Electricity Market Operator

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Developments to 2014 and beyond

Europe