

Nordic CCM SH Meeting – meeting minutes

June 21, 2023, 13.00-15.00 (Webinar)

Participants	
Total participation: 53, including CCM project members	

Text in non-italics are comments, statements, questions or claims from the stakeholder(s).

Text in italics are answers or comments provided by the Nordic CCM project.

1. Welcome, EPR overview: progress, timeline, evaluation report (13.00-13.05)
2. Presentation: Overview of Consultation responses (13.05-13.35)
3. Open forum: Stakeholder feedback, comments, questions (13.35-13.55)
<p>SH comment: forecastability is our main concern. Forecasting the FB domain is a challenge in itself. Can TSOs shed a light on how they deal with the FBMC in their planning processes?</p> <p>CCM project: Statnett makes use of a fundamental market model combined with a FB grid model. The LT FB domain will be published 12 months after the DA go-live.</p> <p>Continued SH comment: good to hear – due to the Swedish security legislation it is not possible to develop our own models; we need to make use of the historical FB domains.</p> <p>CCM project: the moderator invites Silvia Messa (Volue) to elaborate a bit on the FB forecasting they perform and their experience with it in Core.</p> <p>Comment from Silvia Messa: not having the detailed data is not needed for the FB forecast model that we have – is it only based on PTDFs and RAMs. We apply an AI-learning from the past to forecast the FB domain. This is in operation for Core and under development for the Nordics as well. Time horizon: 15-20 days ahead but can also be used for longer timeframes (up to 90 days).</p> <p>SH question: LT forecast one year after the DA go-live. Why one year after?</p> <p>CCM project: the implementation of the LT CC is one year after the DA go live; after that it is a yearly process.</p> <p>Continued SH comment: The suggested move to LT FB allocation in all Europe (one auction based on a FB domain) has a minor impact in the Nordics.</p> <p>CCM project: indeed, for the Nordics we will have a better forecasting in the form of FB parameters.</p> <p>Continued SH question: Are there any implications for the DA FB domain?</p> <p>CCM project: LT inclusion as in Core does not exist in the Nordics.</p> <p>SH comment: biggest concern: large amount of non-intuitive flows – not properly addressed in the report. Impact on ID market and arbitrage opportunity; what would be the impact on the trading behaviour. What would be the impact on the imbalance costs? Risk is cost. Disappointed that the SEW is not assessed for the ID. Huge amount of hours with non-intuitive flows (mainly SE1-SE2). FB works better in the continent – due to the large BZs. FB impact on the forward market: harder to assess what are the fair prices for hedging → increase of risk / cost.</p> <p>CCM project: Your statement on FB and BZs is rather the other way around → large BZs are not optimal for FB. Why is a non-intuitive flow such an issue for a consumer? Non-intuitive flows (FB, nodal) are part of a well-functioning market and lead to a market optimum.</p> <p>Continued SH comment: I disagree on the positive aspects of non-intuitive flows; it goes at the expense of the market understanding. When we have a PPA we are also exposed to imbalance risks and volatility of prices. Problem is that this issue is not considered by the FB project. We have no comfort on how that will work.</p> <p>CCM project: Indeed, the market players' understanding of the market is important. Understanding develops over time. Concerns on non-intuitive flows may be linked to what we have today and, have had during the last 20 years. Non-intuitive flows are common practice in all the nodal systems in the world. The TSOs cannot make an assessment of the ID market welfare, as they do not have access to the bids. But in general we can state that a larger domain provides a higher welfare; providing a larger domain in the ID implies that we are able to provide more welfare.</p> <p>Please note that physical flows in the NTC solution today can also be non-intuitive. Now that with FB we move a step closer to the physical reality, you are able to see them.</p> <p>SH comment: add-on to the previous SH feedback. Major problem: focus is on the DA, and this will create issues on the following markets. This has not been analysed, and that is what we try to convey. Trond presented that the FB model is better. But his is not proven, as there may be a negative impact on the ID and the BT. This negative impact may even exceed the welfare gained on the DA. In addition, the DA value in itself is not precise, e.g. due to the hydro order books. As such the conclusions and the welfare gain are not proven.</p> <p>CCM project: FB will be introduced on the ID timeframe as well; the timeline is under development and discussion.</p> <p>Continued SH question: should we postpone the DA FB until the FB ID is available as well?</p> <p>CCM project: too big of a change... a stepwise process is needed to have all of this implemented. No big bang.</p> <p>Continued SH comment: Please publish the timeline for the ID FB. You create other constraints in other markets – this has not been assessed by the project</p> <p>CCM project: Difficult to see what is a negative impact on the ID. When we move from NTC to FB, we will have a larger domain for the DA market. The provides us with a least-cost (merit-order) generation for the DA. If we change this point of departure, it comes at a negative welfare cost.</p> <p>Continued SH comment: This is all based on the snapshot / input data that you have at that point in time. Deviations and uncertainties will increase when we incorporate more RES.</p> <p>CCM project: It is the best information that we have at that point in time.</p> <p>Continued SH comment: The error is so big – you should not optimize that far ahead, thereby locking into specific situations. We should evaluate whether it is a good decision to move into the direction of a more "physical" allocation mechanism. Project intention / scope is such that only the DA matters.</p> <p>CCM project: We focused on the ID as well. As we only have access to the capacities, that is the only thing that we can show. We invited you to come up with ideas on how the ID welfare could be assessed.</p>

SH question: ID can be studied for days with a big shift (in the wind forecast e.g.). How much ID capacity would be needed today (in NTC), and what could be done tomorrow (in FB). Is the ATCE continuously updated when there is a fundamental change?

CCM project: *The same procedure as today – TSOs are able to manually adjust the capacities that are sent, or have been sent, to the allocation mechanism. Please note that for the ID timeframe, dedicated D-1 CGMs and ID CGMs will be created, for the sole purpose of performing a new ID capacity calculation (based on the latest information available). This means that there will be updated capacities / an updated FB domain, even before the actual hour of operation. From that angle the proposed assessment is not a useful one. However, if deemed necessary or useful, you can run such an analysis yourself.*

SH question: ATC values change a lot with the new ATCE methodology. Smaller borders are prioritized by this method. We would have liked more analysis on this effect. ID validation by the TSOs: when will this start? As TSOs can alter the values, this is important to know.

CCM project: *Indeed, NTC implies prioritization. In the ATCE, we run an optimization with an objective function to assess the ATCE. ID validation is planned to be applied in the last 6 months of EPR. In this respect, a kind reminder that the TSOs are doing double work (the operational capacity calculation and the FB capacity calculation). In case of operational issues, the priorities are clear.*

Continued SH comment: Prioritization of borders is important.

CCM project: *Indeed, all pairs of BZs are important. Hard to state that one is more important than another.*

SH question to NordPool: system price simulations. How is that progressing?

NordPool: We have some questions to TSOs pending; the TSOs did not reply yet. We can publish when we have clarity from the TSOs.

SH question: Quite some questions remained unanswered. Will you answer those questions, using more time, or maybe on different fora?

CCM project: *We focused on the comments linked to the EPR report. However, TSOs have read/noted all questions and concerns raised by SHs. Not all questions were crystal clear, and TSOs had to make interpretations. TSOs invite stakeholders to read TSOs' answers and inform TSOs if there were misinterpretations.*

SH question: system price. Nordpool points to the TSOs.

CCM project (moderator): *I noted down this issue and the claims from our project partner Nordpool / Magnus. This will be clarified / followed-up on this.*

At the end of his presentation, Trond invites for the issues - perceived with the financial market / hedging – to be shared, so that the TSOs can comment on it.

4. Presentation: TSO feedback on consultation result (SH responses) (13.55-14.25)

5. Open forum: Dialogue and stakeholder feedback, comments, questions (14.25-14.55)

6. Closing words (14.55-15.00)

All participants are thanked for their constructive inputs!

The presentations have been uploaded on the Nordic RSC website: <https://nordic-rsc.net/flow-based/documents-presentations/>