

CWE NRAs Memorandum of Understanding of the Implementation of Flow Based Market Coupling in the CWE Region

Considering their long-standing cooperation in the framework of ACER CWE regional initiative,

Considering their active role in the Pentalateral Energy Forum, as to foster regional energy market integration as a stepping stone to the European internal energy market,

Considering the successful launch of market coupling in the region and its successive enlargements to other areas in Europe, and the short term go-live of the CWE Flow-Based Market Coupling,

Considering the commitment of the CWE Flow-Based market coupling project to design and implement a flow-based market coupling,

Considering the important progress made in this complex and highly innovative project,

Considering the impact national network or adequacy specificities still have on cross-border trade,

The representatives of the Regulatory Authorities of the Central Western European (CWE) region, hereinafter referred to as “CWE NRAs”, commit to give regulatory backing to the continuous improvement towards a fully EU-entrenched flow-based market coupling. The development of this enhanced flow-based market coupling will further facilitate cross-border trade by making more efficient use of transmission capacities in the context of changing generation patterns and flows, better enable the integration of renewables in a market environment and lead to a more secure and reliable electricity system.

To this end, CWE NRAs agree to monitor the impact of the “flow factor competition” phenomenon linked to the implementation of Flow-Based Market Coupling on the fairness of competition in the electricity market in an appropriate manner, including market behavior and agree to require, if and where deemed necessary, structural improvements of the methodology.

CWE NRAs shall request project partners to hire a consultant who will monitor the flow factor competition phenomenon and propose, if deemed necessary by CWE NRAs, a structural solution. CWE NRAs will provide to the project partners with a first draft of the terms of reference (ToR) for hiring a consultant, will finally approve these ToR and will ultimately choose the consultant. The budget for hiring the consultant

should be adequate to study flow factor competition in a satisfactory way, but not higher than 200.000€. The consultant shall refer to a committee composed by CWE NRAs and representatives of the project partners. All data needed for the monitoring shall be shared by the project partners with the consultant and with CWE NRAs .

The results of the monitoring of the phenomenon shall refer to the data of 12 months of an operating CWE Flow Based Market Coupling. Nevertheless, first results can be established after 6 months, and will have to be confirmed after 12 months. The monitoring will encompass base case construction, PTDF and GSK determination and observed and expected flows monitoring in important transmission elements.

Based on the monitoring results, CWE NRAs will decide whether the consultant shall propose possible structural solutions. In this case, the solution has to mitigate the issue itself. This means any solution needs to be reliable for the Flow-Based mechanism in general and not only for some border(s). The solution has to be developed by Transmission System Operators (TSO) and Power Exchanges.

The outcome of the study will be finally assessed by CWE NRAs no later than 15 months after the CWE Flow-Based Market Coupling go-live and, if needed, the solution agreed by CWE NRAs will be included in the proposal to be submitted by TSOs to CWE NRAs 19 months after regulation on Capacity Allocation and Congestion Management (CACM Guideline) has entered into force.