



**SOUTH-WEST EUROPE
ELECTRICITY REGIONAL ENERGY MARKET**

**DETAILED ACTION PLAN
2007-2009**

10th September 2007

1. BACKGROUND

In June 2005, ERGEG published the consultation document entitled “The Creation of Regional Electricity Markets”, which was committed to the idea that the final aim of a single electricity market could be achieved by the creation of regional markets as an intermediate step.

As a result, on 27th February 2006, the ERGEG launched the Electricity Regional Initiative (ERI), by means of which the project was initiated for the setting up of seven Electricity Regional Energy Markets (Electricity REMs):

- Central-West: Belgium, France, Germany, Luxembourg and Holland.
- Northern: Denmark, Finland, Germany, Norway, Poland and Sweden.
- France, UK, Ireland: France, Republic of Ireland, Northern Ireland and Great Britain.
- Central-South: Austria, France, Germany, Greece, Italy and Slovenia.
- South-West: France, Portugal and Spain.
- Central-East: Austria, Czech Republic, Germany, Hungary, Poland, Slovakia, Slovenia.
- Baltic: Estonia, Latvia and Lithuania.

For each of these regional markets, the regulatory bodies, under the leadership of one of the countries forming the region (Spain in the case of the South-West Electricity REM), will assume the role of managing the work, establishing the necessary structures and helping the involvement of the remaining relevant subjects: European Commission, national authorities, operators and stakeholders involved in the markets.

Each of the identified regional markets has a “Regional Co-ordination Committee” (RCC) which is constituted by the regulatory bodies of the initiative. On 30th May 2007 a second Regional Coordination Committee meeting for this region took place in Paris. During that meeting the three regulators involved in the region (CNE, CRE and ERSE) agreed on a first work programme and, particularly, on a set of priorities for the region.

Furthermore, regulators agreed on establishing a Technical RCC to bring forward deeper analysis on how to develop work under different priorities. The so-called technical RCC held its first meeting on 7 June 2007 in Madrid and agreed to produce a detailed action plan for the region in the coming two years. Regulators also agreed on releasing this detailed action plan for public consultation through the ERGEG’s process of Implementation and Stakeholders Groups meetings.

This final version of the detailed action plan has been agreed during the 1st Implementation Group meeting held in Madrid on 20 July, taking into account comments by National Governments, TSOs and PXs participating in the region.

2. INTEGRATION ADVANCES IN THE SW REGION PRIOR TO ERI

The South-West Electricity REM takes the benefits from previous regional integration experiences as MIBEL and the Spanish-French Mini Fora in 2004-2005.

The Iberian Electricity Market (MIBEL)

Spain and Portugal have been working on the Iberian Electricity Market (MIBEL) since 2001 when both governments signed a collaboration protocol to set up this common electricity market in the Iberian Peninsula. A discussion paper on this initiative was launched in December 2001 for public consultation whose results led the two regulators to work on a regulatory model for this common market in 2002. In 2003, the CNE and ERSE published the regulatory model for MIBEL (March 2003) and both governments signed a Memorandum of Understanding in Figuera da Foz (November 2003). Finally, an International Agreement for the constitution of the Iberian Electricity Market between the Kingdom of Spain and the Portuguese Republic was signed in October 2004 in Santiago de Compostela.

This International Agreement establishes that the supervisory bodies of the MIBEL will be, in Spain, the National Energy Commission (CNE) and the National Commission of the Securities Market (CNMV), and, in Portugal, the Energy Services Regulatory Body (ERSE) and the Securities Market Commission (CMVM).

The Countries created a Council of Regulators made up of representatives of the CMVM and ERSE in Portugal and the CNMV and CNE in Spain. One of the assigned functions is that of following up the application and development of the MIBEL. Other functions include:

- Obligatory informing prior to imposing penalties for very serious breaches, within the MIBEL context.
- The coordination of the actions of its members in the exercising of their powers of supervision of the MIBEL.

- Issuing of reports on proposals or regulatory modifications of the MIBEL and on the regulations proposed by the governing companies of the markets that are set up.
- Any other functions agreed by the Countries. In particular, for 2007, as stipulated in the Badajoz Summit, once the Energy General Directors of Portugal and Spain establish the regulatory Compatibilization Plan.

The Council of Regulators shares the information necessary to monitor and supervise the markets, available for each regulatory body. Furthermore, it draws up monthly confidential reports on useful indicators for the monitoring of the markets of the MIBEL. Besides, a monthly report is also published publicly on the website of each body, considering that the transparency of the said markets is the best tool in order to encourage agents to participate. Moreover, it meets periodically to analyse the evolution of the markets and discuss incidents that occur, requesting the intervention and works of the Market Operators and of the Iberian System Operators when considered necessary.

The MIBEL is made up of the set of organised and non-organised markets in which transactions or electricity contracts are carried out and in which financial instruments are negotiated taking electricity as their reference. It is a market with 29 million customers and 300TWh of consumption. With the start up of the forward market on 3rd July 2006, a significant step has been taken in the development of the MIBEL.

The negotiation on a forward market of the MIBEL, managed by the OMIP, whose clearing house is the OMIClear, takes place in a continuous market and in auctions in which the Iberian distributors are obliged during a transitional period, to purchase a determined volume of energy. As set forth in the International Agreement of Santiago de Compostela, the above mentioned mechanism serves the purpose of providing the futures market of the MIBEL with initial liquidity. As such, the percentage of energy that the Spanish and Portuguese distributors have acquired in the forward market has been 5% of the energy on the regulated tariff in the second half of 2006. This percentage has risen to 10% in 2007 in line with the agreements adopted in the last Portuguese-Spanish Summit which took place in Badajoz on 24th and 25th January.

The cost of energy and the obligation established by the OMIP-OMIClear for distributors and the last resort supplier to participate in the OMIP's auctions is acknowledged as a cost of the system at the expense of the electricity tariff.

The energy negotiated in the above mentioned market from its recent start-up (3rd July 2006) until the end of April 2007 amounts to 10.158 GWh and the number of participating agents is currently 21 negotiating members, 11 clearing members and 20 settlement members. At the beginning of this forward market, the greatest percentage of negotiation is concentrated in the auction sessions. In fact, negotiation in the continuous market (outside auctions) has reached in February 2007 a maximum of 19,8% of total negotiation in the forward market.

Although initially the OMIP will act as the managing operator of the forward market and the OMEL as the managing operator of the spot market that has been operating since 1st January 1998, the creation of an Iberian Market Operator (OMI) will be effective as from October 2007

Last of all, in order to develop the MIBEL, the Governments of Spain and Portugal have decided to agree a plan to make their respective regulations on this matter compatible.

The plan is grouped into six main areas:

- i. Definition of the general principles of organisation and management of the OMI to be implemented before October 2007.
- ii. Reinforcement of the links between System Operators through an exchange of holdings between the REE and the REN and through speeding up the reinforcement of interconnections.
- iii. Definition of common rules in order to increase competition in the MIBEL and reduce the market power by introducing the concept of Dominant Iberian Operator with restrictions harmonised between the two countries, by carrying out virtual capacity auctions for the entry of new traders and by removing Energy Acquisition Contracts (CAEs) in Portugal.

- iv. Encouragement of liberalisation and definition of the tariff convergence plan through an articulated last resort tariff policy, through the harmonisation and convergence of interruptibility mechanisms and access tariffs, through the creation of a harmonised mechanism for the acquisition of energy by last resort supplier or distributors, through convergence in the actions of logistics operators for switching supplier and, lastly, through an harmonised meter replacement plan.
- v. Implementation of a mechanism for the management of interconnections based on market splitting and explicit auctions that optimise the use of interconnections and competition in the Iberian context.
- vi. Harmonisation of the mechanisms for capacity payments, taking into account the specifics of each system, to be implemented before July 2007.

In this context, the Iberian Electricity Market is working as a unique electricity market since July 2007.

Common position CRE-CNE 2005

Market based management of congestion is necessary at all European borders, to ensure that proper price signals are sent to the market, and to encourage either the construction of new generation and/ or transmission infrastructure or the shedding of load, depending on the relevant economics. Market-based methods on a cross border basis have been clearly recognized by participants in the Florence Forum since March 2000.

According to Regulation 1228/2003, market-based capacity allocation mechanisms have to apply in interconnections. The Spanish and French regulators reached an agreement in 2005 for implementing explicit auctions and nowadays it is how the Spanish-French interconnection works. Nevertheless, both countries also got an agreement on the way of gradually changing to implicit auctions and market coupling (CRE-CNE's common position published on 18th January 2005 and Spanish Ministerial Order ITC/4112/2005)

The South-West Electricity REM: Building on previous initiatives

Against this background, the South-West Electricity REM will be the regulatory framework to bring forward further work on these previous initiatives. The South-West Electricity REM comprises France, Portugal and Spain but aims at integrating the Iberian (MIBEL) and the French electricity market since Spain and Portugal have made up a single market (MIBEL) since July 2007, and they will share a unique market operator since October 2007. Two issues will be crucial to consider MIBEL as just one effective electricity market this year:

- There is just one wholesale market (run by OMI).
- There is a joint interconnection management mechanism that includes an allocation method to be applied when interconnection congestion occurs.

Hence, both points will be essential in achieving successful results in the region first priority, thus enhancing interconnection capacity between MIBEL and the French market

Furthermore, since France is participating in other four ERGEG's region, improving capacity availability for the MIBEL-France interconnections will be a key work to ensure convergence and consistency between the SW Electricity REM and other regions towards an effective European Energy Market.

3. PRIORITIES FOR THE SOUTH-WEST ELECTRICITY REM

On 30 May 2007, regulators have agreed on two set of priorities for the region which will be developed in two different phases. In a first phase for the SW REM, the following priority works will be addressed:

- I. Interconnections and available transmission capacity. Among other issues, full support of governments and TSOs in charge of developing new interconnections will be crucial.
- II. Transparency requirements under EU legislation.
- III. Evolution of the mechanism for congestion management in the France-Spain interconnection in its various implementation phases, and coordination with procedures in the Iberian Peninsula. Improvement of both the technical and operational procedures

currently used at the Spanish-French interconnection (first phase of the common proposal by CNE and CRE) and development, as soon as possible, of the next step (agreed second phase in the CNE-CRE's proposal). In this context, the following issues will be addressed:

1. Improvement of the coordination of TSOs regarding the calculation of available capacity, towards the use of a common transmission model.
2. Implementation of a “Use-it-or-sell-it” mechanism.
3. Improvement of the degree of firmness of capacity rights and improvement of compensation scheme.
4. Improvement of intraday capacity allocation mechanism: possible evolution from two to six explicit auctions and discussion for implementing a continuous trading platform for this timeframe (cf. ELBAS mechanism and target mechanism in Central West REM) in order to improve the use of interconnection capacity.
5. Implementation, as soon as possible, of market coupling mechanisms between France and MIBEL in the broader context of other market coupling mechanism.
6. Coordination and potential harmonization of auctions rules and auctions platforms: the use of a harmonized (in coordination with other regions) set of rules and a single auction platform would reduce transaction costs.

IV. The compatibility of the rules of the market: timetables of sessions and processes, negotiated products, intradaily markets, etc.

In a second phase, at least the following set of issues would be addressed:

V. Analysis of possibilities in order to introduce balance mechanisms through interconnections.

VI. Analysis of the compatibility of measures to be adopted in security of supply matters.

Moreover, an analysis will be made of the potential difficulties caused by the different level of regulatory powers given to the regulators involved in the initiative (CNE, ERSE and CRE) and the existence of several administrative procedures in order to approve legal changes, particularly in the Spanish case.

4. DETAILED ACTION PLAN FOR THE REGION IN THE COMING TWO YEARS

4.1. *Priority I: Interconnections and available transmission capacity.*

The Regional Co-ordination Committee considers the elaboration of a regional transmission capacity investment plan a very important topic.

In order to be able to assess in an objective and transparent manner from a regional perspective the possible needs for investment, the TSOs in the South West region will be invited to jointly draft a regional transmission capacity plan (RTC plan), identifying structural congestions and thus the need for additional investments within the regional transport network.

For this purpose, TSOs will be requested to provide, as a first step, a description of:

- the current situation in terms of cross-border infrastructures,
- the existing plans and proposals for developing new cross-border capacities, as well as a description of administrative, technical or other barriers and difficulties.

4.1.1. Deliverables

The following deliverables will be produced on interconnections and available transmission capacity:

- *Deliverable I.1: Analysis of the current status of the interconnection infrastructures.*
- *Deliverable I.2: Presentation of the concrete interconnections planning for the future.*
- *Deliverable I.3: Agreement on further actions to make possible new infrastructure projects, further actions to manage possible congestions, taking into account the functions and powers of each regulator.*

4.1.2. Actions and work schedule.

DELIVERABLE I.1: Analysis of the current status of the interconnection infrastructures		
ACTION	RESPONSIBLE	DEADLINE
First presentation on the current status of interconnection infrastructures in the region	By TSOs to the SG	September 2007

DELIVERABLE I.2: Presentation of the concrete interconnections planning for the future.		
ACTION	RESPONSIBLE	DEADLINE
Presentation of the concrete interconnections planning for the future.	By TSOs to the SG	December 2007

DELIVERABLE I.3: Agreement on further actions to make possible new infrastructure projects, further actions to manage possible congestions, taking into account the functions and powers of each regulator. IN STAND-BY. Under the new High Level Group appointed by the E.C.		
ACTION	RESPONSIBLE	DEADLINE
First proposed actions to bring forward new interconnection projects	TSOs	IN STAND-BY
Agreed actions	IG	IN STAND-BY
Public consultation	through the SG	IN STAND-BY
Conclusions from the public consultation	IG	IN STAND-BY
Publication of final proposed actions to bring forward new interconnection projects	IG	IN STAND-BY

4.2. **Priority II: Analysis of convergence in transparency and information management.**

This part is devoted to reach a higher degree of coordination in data exchange across the region, paving the way to the desired internal market paradigm via a more levelled playing field in terms of improved information requirements. This request for increased transparency appeals every market participant, from system and PXs operators to suppliers and single producers, though TSOs and PXs are specifically addressed.

As main references to build a sound cross-national study on information management compatibility, following documents are to be considered:

- Chapter 5 of the *Congestion Management Guidelines*¹ (CMG) deals with transparency issues. The publication in due time of information such as planning and security standards, infrastructure deployment, forecasts on demand and possible outages, available and allocated capacity in different time horizons, etc. is crucial to facilitate the integration of market actors in a cross-border scenario. These guidelines are binding as of 1 December 2006, and contain several new publication requirements addressed to TSOs. TSOs are obliged to publish certain information-items regarding network availability but also regarding load and generation. The regulators emphasize the importance of a quick and solid implementation of these new transparency requirements by the TSOs.
- ERGEG's *Guidelines on Good Practice on information management and transparency in electricity markets*² (GPP) have established a consistent approach addressing specifically the topic of transparency in provision of market related information across Member States. Incorporation of these Guidelines into legal framework is still being discussed and therefore they are not binding yet.

¹ COMMISSION DECISION of 9 November 2006 amending the Annex to Regulation (EC) No 1228/2003 on conditions for access to the network for cross-border exchanges in electricity. These guidelines on the management and allocation of available transfer capacity of electricity interconnections between national systems, to ensure that congestion management mechanisms evolve in a manner compatible with the objectives of the single market, entered into force 1 December 2006.

² Guidelines on Good Practice on Information Management and Transparency in Electricity Markets, ERGEG document Ref.: E05-EMK-06-10, as of 2 August 2006.

With regard to aims pursued within the scope of this Action Plan, both Guidelines above should be deemed as a most valid framework to invite views and focus proposals, under the understanding that, regardless of the regional character of this initiative, any suggested improvement in transparency issues should take into account eventually ultimate pan-European information handling standards and therefore be long-term orientated. A short-sighted or merely transitory proposal might be even counterproductive, as it would be surpassed in the next future by a true European-wide policy, thus incurring in further transactional costs. Proposals are intended to be as stable and definitive as possible.

In some markets, e.g. the Spanish one, a set of well defined procedures already exists which respond to regulatory principles different from those inspiring GGP. In this situation, the adoption of new transparency criteria must be suited to the particular circumstances of these markets and guarantee that they are at least as effective as the existing ones.

The main objective will be to identify and discuss any implementation problems that are relevant for the South-West region. Furthermore, the RCC will focus on questions such as:

- which type of information should be disclosed, by whom and in what time frame,
- how to get definitions aligned,
- how to organise data collection,
- how and in what format to disclose this information and
- whether the requirements will be fulfilled by regulation or self-regulation of the market players concerned.

Furthermore, the Regional Co-ordination Committee will closely monitor the implementation of the new transparency requirements resulting from the Guidelines for Congestion Management. However, the prime action to implement the transparency requirements will remain on each of the TSOs and will be supervised by its national Regulatory Authority.

As further reference, ETSO published recently its *Legal Survey on Transparency*³, conscious of the central position where GGP place TSOs as “*nominated providers of data in most instances, and as facilitators of transparency*”, in its own words.

³ Legal Survey on Transparency, an ETSO document, as of May 2007.

4.2.1. Deliverable

The following papers will be delivered:

- *Deliverable II.1: An in-depth comparative analysis of the state-of-the-art as regards information management and wholesale market data handling across Member States in the region.*
- *Deliverable II.2: A consistent regulatory proposal, having ERGEG's GGP as reference and benchmark, on how, to what extent and incurring in which costs is possible to reach a stable, satisfactory -as well as feasible- degree of transparency.*

4.2.2. Actions and work schedule

DELIVERABLE II.1: An in-depth comparative analysis of the state-of-the-art as regards information management and wholesale market data handling across Member States in the region.		
ACTION	RESPONSIBLE	DEADLINE
Questionnaire issued to TSOs and PXs	RCC	September 2007
Responses to the questionnaire	TSOs & PXs	November 2007
First Paper on main findings from replies to the questionnaire	RCC	December 2007
Public consultation	through the SG	February 2008

DELIVERABLE II.2: A consistent regulatory proposal, having ERGEG's GGP as reference and benchmark, on how, to what extent and incurring in which costs is possible to reach a stable, satisfactory -as well as feasible- degree of transparency.		
ACTION	RESPONSIBLE	DEADLINE
Conclusions from the public consultation under deliverable II.1	IG	April 2008
Regulatory proposal	RCC	May 2008
Presentation to the SG	RCC	June 2008

4.3. Priority III: Improvement of cross-border congestion management methods

Regarding the Portuguese-Spanish border, the MIBEL will mean that both the Spanish and Portuguese electricity markets will be a unique electricity market although two areas with different prices may exist when congestion occurs as from 1st July 2007.

In the context of the French-Spanish border, improvement of congestion management could be regrouped as follows:

- Optimization and transparency of the cross-border capacity calculation
- Coordination and improvement of the long and medium term capacity allocation
- Implementation of a day ahead market coupling between the Iberian market and the Central-West region
- Improvement of intraday capacity allocation
- Cross-border access to balancing markets

Under this priority, consistency at both, the Portuguese-Spanish and French-Spanish borders will be ensured. In particular harmonisation of long term auctions rules between France-Spain and Spain-Portugal will have to be addressed.

4.3.1. Deliverables

- *Deliverable III.1: Optimization and transparency of the cross-border capacity calculation*

The aim is to improve the coordination and transparency of TSOs regarding the calculation of available capacity, towards the use of a common transmission model as requested by the article 3.5 of the CM Guidelines. For this purpose, TSOs are requested:

- to provide a general and common scheme for the calculation of the transfer capacity, according to article 5.2 of the Regulation. This scheme should be based on relevant and detailed information (e.g.: Where is located the different limiting constraints? To which extent do these limiting constraints affect the level of cross-border capacity? In case of an internal congestion that

would affect the cross-border capacities, which methodology and projects are planned for solving this internal congestion? Cf article 1.7 of the CM guidelines)

- to providing an historical of the redispatching costs, as well as their causalities, that each TSOs has supported in 2006 for guaranteeing the allocated cross-border capacities. TSOs will also explain to which extent the activation of these redispatching costs is coordinated between TSOs and how they are distributed between TSOs.
- to propose a clear structure for the allocation of capacity between different timeframes, regarding article 2.6 of the new Guidelines for Congestion Management.

– *Deliverable III.2: Coordination and potential harmonization in the long and medium term explicit auction mechanisms*

The aim is to harmonize in coordination with other regions and improve the nature and amount of long and medium term products, analysing work undergone in other ERIs. These expected improvements will be divided in two parts, according to the requested time for implementation.

For “quick win” improvements (to be implemented by January/February 2008 - to be confirmed), the following issues shall be particularly addressed (Deliverable III.2.a):

- Improvement and transparency of the degree of firmness of capacity rights: The degree of firmness of allocated capacity rights should be clearly stipulated within the auction rules. Unilateral modifications, by TSOs, of the degree of firmness in the auctions specifications should not be allowed.
- Improvement of compensation scheme in case of curtailment of capacity: the compensation scheme should be coordinated within the South-West region. In particular, TSOs are requested to carry out a study on the cost and risks of introducing compensation at full market price.
- Implementation of a compensation scheme in case of cancellation of auction.
- Clarification of TSOs’ responsibilities for the management of cross-border access.

For the “longer-term” improvements to be addressed by 1st January 2009, the following issues shall be subject to the correspondent feasibility studies (Deliverable III.2.b):

- Implementation of a “Use-it-or-sell-it” mechanism
 - Feasibility study for a single auction platform in coordination with other regions.
- *Deliverable III.3: Implementation of a day-ahead market coupling mechanism between the Iberian and the Central-West markets*

The Regional Co-ordination Committee fully supports the integration of energy markets and the allocation of day-ahead cross-border capacities through a decentralised approach, with the aim of maximising the social welfare.

The Phase II of the common position of CNE and CRE drew up in 2005 planned a market coupling approach for day ahead allocation timeframe. In the meantime, France implemented since 21 November 2006 a trilateral market coupling (TLC) for the Belgian-Dutch-French energy markets and announced an extension of the TLC to the German market by January 2009. On the 1st July 2007, Portugal and Spain will be integrated in a single market (MIBEL) that will be provided with a “market splitting” as an interconnection management mechanism. The RCC fully supports the implementation, as soon as possible, of market coupling mechanisms between France and the Iberian market, taking into account ongoing developments in the Central-West region.

As a first step, regulators ask TSOs and market operators to analyze impact of one single PXs gate closure time.

- *Deliverable III.4: Improvement of cross-border intraday capacity allocation.*

On the French-Spanish border, TSOs have put in place two coordinated intraday explicit auctions (one in D-1 and one in D). The RCC requests TSOs to assess the current explicit auction method and the possible improvements.

At a next step, TSOs might consider the drafting of a detailed proposal for the implementation of a continuous trading platform for this timeframe (cf. ELBAS mechanism and target mechanism in Central West REM) in order to improve the use of interconnection capacity.

– *Deliverable III.5: Cross-border or Reciprocal access to balancing markets.*

The enhancement of cross-border balancing trade and cross-border or reciprocal access to national balancing markets contribute to enhance the security of supply of each country and bring about a global decrease in costs of balancing services by fostering competition. At the 13th Forum of Florence the regulators concluded that the integration of balancing markets should be considered as a crucial step in the integration of the European electricity markets. Theoretically, Spanish market participants are allowed to participate in the French Balancing Market. But their participation is limited to the day-ahead stage because of existing constraints on generation scheduling and access to cross-border capacity. This process of activation of Spanish bids/offers on day-ahead has become incompatible with the requirements for TSOs to balance the system close to real time after market participants have fixed their position. Since September 2006, RTE is no longer allowed to activate balancing offers on day-ahead unless it appears necessary to maintain the network security or it contributes to lower the costs of balancing energy procurement. In practice, no Spanish offer has been activated by RTE since February 2006.

The French and Portuguese market participants are allowed since 1998 to participate in the six Spanish intraday market sessions. Nevertheless they are not allowed to participate in the Spanish balancing market that includes the tertiary reserves procurement (“regulación terciaria”) and the deviation management (“gestión de los desvíos”) that REE uses to procure balancing energy between two consecutive intra-daily sessions of the OMEL.

As a conclusion, the past experience shows that a new mechanism should be developed to allow effective cross-border trade of balancing energy. In this perspective, the currents works in the other regions could be helpful for future discussions in the South-West Region. A feasibility study for the creation of balancing perimeters in the Spanish system in order to introduce more flexibility in the use of cross-border capacity rights will be a first step.

4.3.2. Actions and work schedule

DELIVERABLE III.1: Optimization and transparency of the cross-border capacity calculation		
ACTION	RESPONSIBLE	DEADLINE
<p>Paper on common proposals for optimizing and increasing the transparency of cross-border capacity calculation.</p> <ul style="list-style-type: none"> - Providing a general and common scheme for the calculation of the transfer capacity. This scheme should be based on relevant and detailed information (e.g.: Where is located the different limiting constraints? To which extent do these limiting constraints affect the level of cross-border capacity? In case of an internal congestion that would affect the cross-border capacities, which methodology and projects are planned for solving this internal congestion? Cf article 1.7 of the CM guidelines) - Providing an historical of the redispatching costs, as well as their causalities, that each TSOs has supported in 2006 for guaranteeing the allocated cross-border capacities. TSOs will also explain to which extent the activation of these redispatching costs is coordinated between TSOs and how they are distributed between TSOs - Proposing a clear structure for the allocation of capacity between different timeframes 	TSOs	November 2007
Public consultation	Through the SG	December 2007
Final paper on common proposals	Agreed by the IG	January 2008
Implementation of proposals	By TSOs	1 st March 2008

DELIVERABLE III.2.a: "Quick-win" Improvements in the long and medium term explicit auction mechanisms		
ACTION	RESPONSIBLE	DEADLINE
<p>Paper on common proposals for a coordinated and potentially harmonized and improved set of auction rules with other European borders, including, in particular, the following issues:</p> <ul style="list-style-type: none"> - Improvement and transparency of the degree of firmness of capacity rights. Art. 8.01 (a and b) of IFE rules (October 2007). - Improvement of compensation scheme in case of curtailment of capacity (Compensation scheme at full market spread). (October 2007). - Implementation of a compensation scheme in case of cancellation of (day-ahead and intraday) auction art. 6.04 of IFE rules (November 2007) - Clarification of TSOs' responsibilities for the management of cross-border access art. 9.02 of IFE rules (November 2007) 	<p>TSOs</p> <p>PXs will advice through the IG</p>	<p>As specified in the column "ACTION"</p>
Public consultation	Through the SG	November/December 2007
Implementation of proposals	By TSOs	January/February 2008 to be confirmed

DELIVERABLE III.2.b: "Longer-term" Improvements in the long and medium term explicit auction mechanisms		
ACTION	RESPONSIBLE	DEADLINE
<p>Paper on common proposals for a coordinated and improved set of auction rules with other European borders, including in particular:</p> <ul style="list-style-type: none"> - Feasibility study for a single auction platform in coordination with other regions - Implementation of a UIOSI mechanism towards market coupling (December 2007) TSOs + PXs <p>"Ad hoc" task force to work on this issue. Regulators, TSOs and PXs will appoint a person to join the ad hoc TF.</p>	Regulators, TSOs and PXs	January 2008
Public consultation	Through the SG	February 2008
Final paper on common proposals	Agreed by the IG	March 2008
Implementation of proposals	By TSOs	1 st January 2009
Monitoring exercise on the implementation	RCC	Starting in January 2009
Monitoring report on the implementation	IG	July 2009
Public consultation	Through the SG	September 2009
Publication of the Monitoring report	RCC	1 st October 2009

DELIVERABLE III.3: Implementation of a day-ahead market coupling mechanism between the Iberian and the Central-West region		
ACTION	RESPONSIBLE	DEADLINE
Report on concrete problems to implement ... (i.e: analysis of one single PXs gate closure time from PXs and TSOs)	TSOs & PXs	November 2007
Concrete solutions to implement market coupling	TSOs & PXs	January 2008
Agreement (on one single gate closure)	IG	February 2008
Public presentation and consultation	Through the SG	June 2008
Conclusions from the public consultation	Agreed by the IG	October 2008
Implementation	TSOs & PXs	Depending on November discussions

DELIVERABLE III.4: Improvement of cross-border intraday capacity allocation		
ACTION	RESPONSIBLE	DEADLINE
Public consultation paper on possible methods of intra-day cross-border trading	TSOs & PXs	December 2007
Public consultation	Through the SG	February 2008
Agreement on the proper method	IG	July 2008
Detailed proposal for the implementation of the proper method	TSOs & PXs	1 st January 2009

DELIVERABLE III.5: Cross-border or Reciprocal access to balancing markets		
ACTION	RESPONSIBLE	DEADLINE
Feasibility study of creating balancing perimeters in the Spanish system "Ad hoc" task force to work on this issue. Regulators, TSOs and PXs will appoint a person to join the ad hoc TF.	TSOs	December 2007
Detailed analysis of current barriers to cross-border access to balancing markets (national legislations, national time-frames, etc) and choice of the models to be implemented (TSO-TSO vs actor-TSO model as described by ERGEG and ETSO)	TSOs	Taking into account the feasibility study of creating balancing perimeters and according to schedule for III.4 December 2007
Action plan	IG	December 2007
Public consultation on the action plan	Through the SG	February 2008
Conclusions from the public consultation and required regulatory proposals (if needed)	RCC	July 2008
Implementation of solutions	IG	1 st January 2009

4.4. **Priority IV: Analysis of the compatibility of the rules of the MIBEL and French markets.**

On the 30th of May 2007, Presidents of the National regulatory authorities involved in the region (CNE, CRE and ERSE) agreed on the need to undertake an analysis about compatibility of market rules in the region. Since the main goal of the South-West region will be the effective integration of both MIBEL and France towards a European electricity market, regulators agreed on ensuring compatibility between the MIBEL and the French electricity market rules.

This work will take all benefits from discussions and progress achieved under priority III on coordination and improvement of cross-border congestion management methods. Particularly, this analysis will take into account all potential market incompatibilities that stakeholders raised in the process regarding priority III.

4.4.1. Deliverable

- *Deliverable IV.1: Assessment report on the compatibility of market rules between MIBEL and the French electricity market.*

4.4.2. Actions and work schedule

DELIVERABLE IV.1: Assessment report on the compatibility of market rules between MIBEL and the French electricity market. IN STAND-BY		
ACTION	RESPONSIBLE	DEADLINE
Draft discussion paper	RCC	to be established after first results under priority III
First discussion	IG	
Public consultation	Through the SG	
Conclusions paper from the public consultation: detailed analysis of points of conflicts and proposed regulatory changes	RCC	
Final Agreement	IG	
Final proposal of regulatory changes	RCC	

This deliverable was put in stand-by until further advances are made in specific deliverables under previous priorities, especially priority III.

Additional task: Analysis of the administrative procedures for the changing of the legislation in force in each country.

In May 2007, the three regulators involved in the region (CNE, CRE and ERSE) agreed on a first 2007 work programme. In this programme, it was agreed the preparation of a draft paper on analysis of the administrative procedures for the changing of the legislation in force in each country.

Moreover, the creation of competitive regional markets requires strong and independent regulation. Experience from successful European markets demonstrates that this is the case, and that where this is not the case market development will be inhibited. It is also clear that the creation of laws and market rules will not be effective if they are not adequately monitored and enforced. However, the powers of national regulators vary widely. Regulators need proper and similar powers and duties to co-operate efficiently and to facilitate consistency in regulatory decisions which will be important as the EU energy market becomes increasingly integrated.

It is also important to consider the legal mechanisms that are used to put in place the regulatory framework for competitive European single gas and electricity markets. Experience shows that the dynamic nature of markets and our developing understanding of them require that the detailed rules applying to the market should be capable of change in a fair but straightforward and timely way.

An analysis of the administrative procedures for changing the legislation in force in each country will be carried out aiming to identify differences among regulators' powers and duties as well as difficulties that may exist in the integration of the South-West Electricity REM and, if necessary, to promote regulatory changes and coordination regarding administrative procedures.

Deliverable

Under this priority, work in the REM will lead to the following deliverable:

- *Additional deliverable: Analysis of the administrative procedures for the changing of the legislation in force in each country.*

Actions and work schedule

ADDITIONAL DELIVERABLE: Paper on analysis of the administrative procedures for the changing of the legislation in force in each country.		
ACTION	RESPONSIBLE	DEADLINE
First draft paper	RCC	June 2007
Presentation to the IG	IG	July 2007
Public consultation on potential regulatory gap	Through the SG	September 2007
Conclusions from the public consultation	RCC	November 2007
Publication of conclusions	By the RCC to the SG	December 2007