

USER GUIDE DAILY IMPLICIT AUCTION

This User Guide describes the arrangements for allocating capacity through day-ahead implicit auctions.

Introduction

BritNed's primary access mechanisms will be a blend of implicit auctions at the day-ahead stage and explicit auctions of physical capacity rights with a maximum product period of one year.

Daily implicit auctions enable the automatic trading of power between two exchange-type day-ahead markets in GB and The Netherlands. The power exchange operator selected by BritNed is the APX Group ("APX")¹. APX provides suitable day-ahead markets on both the Dutch and the GB side.

In 2007 the proposed high-level access regime was approved by the regulators. The Exemption Decision does include several conditions and provisions relating to the access rules of the BritNed interconnector. These conditions and provisions relate to the approval of the access rules, the publication of these rules, the application of Use-It-or-Lose-IT ("UIOLI") and Use-It-or-Sell-It ("UloSI") provisions and auction data publication (such as on available capacity and the results of the implicit auction).

Early November 2009 the FUI (France, United Kingdom, Ireland) Forum Stakeholder Group called for a coordinated approach to price couple the existing and future GB interconnectors with CWE by the 1st quarter of 2011. The Stakeholder Group acknowledged that BritNed should develop an alternative solution in case a coordinated solution would not be feasible in the required timescales.

To meet the above stated goal BritNed and APX have developed a CWE Extension Solution that can facilitate both the IFA and the BritNed interconnector. The proposed approach envisages minimising the impact on existing CWE procedures and governance. Early next year clarity should be got if approval of this solution by the CWE parties is possible in time.

Consequently BritNed and APX have also agreed on an alternative Embedded Solution that does not impact the CWE systems and processes. This Embedded Solution is not able to support the IFA interconnector as well, but does not impede parallel development of a solution to include the IFA interconnector.

Procedure of Daily Implicit Auction

The Implicit Auction is intended to operate every day of the year with the daily operational timetable being as follows (all times Local Central European Time). The timings are based on current understanding of the proposed CWE daily operations. The solution for BritNed will naturally need to remain compatible if any changes are made to the CWE timings. The activity description of steps 4, 5 and 6 relate to the Embedded Solution; for the CWE Extension Solution the timings will be similar, but these activity steps will be slightly different.

¹ APX was successful in securing this role following a notice published by BritNed in the Official Journal of the European Union.

Nr.	Deadline (hrs CET)	Activity
1	10:00	BritNed submits Available Transmission Capacity ("ATC"), loss factors and flow related charges to APX.
2	11:00	Currency exchange rate sourced and input into the system.
3	12:00	APX Markets close
4	12:05	APX combines GB & NL orders
5	12:20	Combined order set submitted to CWE MC system
6	12:31	APX receives NL prices and net positions from CWE MC system. Prices used to establish whether orders matched in GB or NL, and prices then validated in both GB and NL.
7	12:36	Prices confirmed back to CWE MC system.
8	12:43	CWE MC system confirms final prices. APX calculates final GB and NL prices, and determines matched orders and BritNed trades.
9	12:50	APX publishes final GB and NL prices
10	13:00	Contract notifications made to Elexon
11	14:00	E-programmes submitted to TenneT TSO
12	17:30	E-programmes confirmed by TenneT TSO

A detailed explanation of the procedures for the Embedded Solution can be found in Annex 1. The detailed procedures for the CWE Extension Solution will be available in January 2010.

High level properties Daily Implicit Auction

APX in consultation with BritNed has drawn up the high level properties for the Embedded Solution (see Annex 1). The high level properties shall indicate the requirements the results of the implicit auction must satisfy. These concern the prices and volumes established via the implicit auction and how some of the GB market and BritNed peculiarities will be dealt with.

After confirmation that the results of the implicit auction satisfy the defined high level properties and publication of the auction results on the public part of the APX website, BritNed as the Interconnector Operator shall use the interconnector to transfer the quantity of electricity in accordance with the results of the implicit auction and the rules of the markets.

The results of the implicit auction shall be processed administratively between BritNed as the Interconnector Operator and APX as the operator of the Dutch and British day-ahead markets.

Data publication

BritNed engages that the information supply/ data publication will be in line, now and in the future, with the information supply on other (regulated) interconnectors. BritNed as the Interconnector Operator shall ensure that the working method of the implicit auction and a description of the coupling algorithm will be published on the public part of the APX website. BritNed will also publish information regarding the available transmission capacity and the allocation results on a website that is publicly accessible.

Each day BritNed will publish the available transmission capacity for the implicit auction on an hourly basis and per flow direction. BritNed will also publish daily estimates of available transmission capacity for Daily Implicit Auctions for a period of 30 days thereafter.

Regarding the results of the implicit auction, APX will publish market prices and volumes traded on an hourly basis separately for the Dutch and British exchanges. The timing of this publication will be in line with that for the other interconnectors within the CWE region. APX will also publish details of paradoxically rejected block bids for both markets (the facilitation of block bids in the GB market is only possible with the CWE Extension Solution).

Alternative method for Daily Implicit Auction, the fallback procedure

BritNed will publish an alternative method of allocating available transmission capacity ("fallback procedure") in case the Daily Implicit Auction is not available.

If the Daily Implicit Auction does not occur or produces results that fail to satisfy the high level properties BritNed shall invoke the fallback procedure. The available transmission capacity for spot transactions shall be allocated by means of a Daily Explicit Auction. The fallback procedure shall take place according to the BritNed Access Rules for the Daily Explicit Auction.