

Precondition analysis of the potential AIMS project

Introduction

This document aims at fostering the common understanding of the major preconditions for the set-up of day-ahead coupling operations between Albania, Italy, Montenegro and Serbia (AIMS), as well as checking whether any of them may block the initiative or not. The detected technical, market and legal preconditions to be handled or solved will be thoroughly investigated in the detailed feasibility phase. Day Ahead Market coupling between Albania and Serbia is temporarily not a subject of this Precondition analysis.

The analysis covered the following major topics that were investigated and elaborated based on the available information.

At this stage the following main milestones are identified for the near future:

- The first milestone is the **decision to start the feasibility phase** based on the **outcome of the precondition assessment**. Until this deadline all the listed preconditions should be assessed and all parties have to unanimously acknowledge that there is no identified insolvable issue and the feasibility phase can be launched for elaborating the detailed solutions for the AIMS coupling.
- The second milestone is the **decision to start the design phase** (concrete timing is not available yet). Until this decision point, all the issues have to be investigated in details resulting commonly agreed feasible and cost-efficient solution and all the risks have to be mitigated. If go decision is made, the project should be formalized for example with concluding cooperation agreement and project implementation plan shall be communicated towards NRAs in order to obtain their approval.
- The third milestone is the **decision to start the implementation phase**. Before this decision is taken, the high level market design including the project roadmap must be agreed by all Parties and all open points have to be answered. Following such decision, the Parties shall start implementing the solution according to the agreed schedule.

1. Legal and Regulatory Issues

1.1. Legal and Regulatory Requirements and/or Impediments

Purpose:

Relevant electricity related EU regulations (CACM GL and other) are not in force within Albanian, Montenegrin and Serbian legislation. Implementation of the CACM GL Regulation in non-EU countries within the Energy Community (EnC) requires legally binding solutions not only for non-EU countries but also for all EU Member States.

The issues that need to be tackled include NEMO designation, roles of PXs and TSOs, shipping framework, cost recovery and sharing principles, role of ACER as arbitrator, etc. Preconditions for participating in SDAC includes, in addition to CACM GL enforcement within the relevant countries, adherence to different operational agreements signed by EU TSOs and/or PXs (like DAOA, ANDOA, etc).

Risk(s):

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- Difficulty to get official provisional NEMO status (as preparation for the envisaged entering into force of CACM GL) for PXs of non-EU AIMS parties in short term (from NRA, Ministries, Government etc).
- EU legislation not allowing or delaying non-EU AIMS countries to participate in SDAC.
- Approval of methodology for covering market coupling costs by non-EU AIMS NRAs in the case that the CACM GL is not fully implemented.

Preferred/minimum solution:

- Non-EU AIMS parties be granted observer status within SDAC DAOA/ANDOA.
- Interim solution – Ministry/Government/Regulator of non-EU AIMS parties should temporarily nominate PXs as NEMOs, until full transposition of CACM GL regulation. In this case early implementation of key provisions of CACM GL related to NEMO should be done within WB6 framework.
- Full solution – Changes in legislation of non-EU parties which allow full implementation /entering into force of CACM GL, including covering of market coupling costs. When CACM GL will formally enter into force in non-EU AIMS countries, the relevant authorities will confirm the NEMO designations (i.e. the NEMO provisional entities will formally be appointed as official NEMOs) of CACM GL, including covering of market coupling costs.

Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Check conditions and apply for observer status in SDAC DAOA SDAC DAOA /ANDOA	TSO (CGES,EMS) PXs (BELEN, SEEPEX,APEX)	Q4 2020 – Q1 2021 depending on the conditions in the individual AIMS countries
2.	Define proposal for provisional NEMO ¹ designation	Montenegrin, Albanian and Serbian stakeholders/institutions	Q4 2020
3	Interim solution - Adaptation of the local legislation with key CACM GL provisions which allows provisional NEMO status (preparation for the envisaged entering into force of CACM GL)	Ministry/TSOs/PXs of non-EU AIMS countries or through Energy Community bodies (ECRB, Secretariat,.)	Q1 2021

¹ By Decision no. 40, dated 03.06.2020, Albanian Regulatory Authority adopted "Regulation on requirements and procedures for Nominated Electricity Market Operator (NEMO) designation and the roles and responsibilities of NEMO and Transmission System Operator in the single market" in accordance with recommendations of the Energy Community Regulatory Board (ECRB) in its meeting of 24.04.2019, which has supported the regulatory measures to support the implementation of the terms of the Day Ahead Market Coupling in advance in the Contracting Parties of the Energy Community.

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4.	Full implementation/entering into force of CACM GL within Energy Community	Non-EU AIMS countries	2021/2022 depending on the negotiations within the Energy Community
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1.2. Establishment and Operation of DAM and MC

Purpose:

Establishment of the day ahead market will represent the main area for power trading where contracts are made between sellers and buyers for delivery of power the following day. Goal after establishment of operational DAM is market coupling which will lead to single DA coupling representing a coordinated electricity price setting and cross-zonal capacity allocation mechanism, which simultaneously matches orders from the day ahead markets per bidding zone, respecting cross-zonal capacity and allocation constraints between bidding zones. In order to fulfil all preconditions for market coupling of AIMS it is necessary to have operational DAMs before starting implementation phase of this project.

Risk(s):

- Market coupling project would not be possible without establishment of operational day ahead markets in all parties. Albanian plan is to establish project company APEX by the Q1 of 2020, while they envisage its operational phase not before December 2020. Montenegrin power exchange has chosen service provider and they envisage to launch day ahead market in Q4 2020.

Preferred/minimum solution:

- Establishment of DAM in all AIMS parties.

Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Establishment of PX	APEX	Q4 2020
2.	Operational start of PX	BELEN APEX	Q2 2021 Q2 2021
3.	Start of Market coupling implementation	All parties	Est. 2021
4.	Request for change management within SDAC (market coupling algoritam, etc.)	Albania, Montenegro, Serbia	2021
5.	Testing phase in alignment with SDAC procedure (prior simulations)	All parties	Q3-Q4 2021
6.	Coupling – go live	All parties	2022

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1.3. Non-Electricity Issues

Purpose:

There may be additional prerequisites on non-electricity related regulations for non-EU countries to become part of SDAC. They include VAT treatment, participation of non-resident companies (EU and non-EU), possibilities for invoicing and payments in EUR, obtaining and issuing of security instruments for different roles, tax treatment of negative pricing, etc.

Risk(s):

- Non-harmonized VAT regimes and registration conditions introduce discrimination between market participants, PXs and TSOs.
- Impossibility to properly perform shipping function and clearing
- Market distortion due to non-symmetrical implementation of pricing

Preferred/minimum solution:

- Full harmonization of VAT regime in non-EU countries with EU regulations
- Invoicing and payments in EUR
- Equal conditions for issuing and obtaining required security instruments in shipment process

Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Analysis of implications of non-electricity issues	All	Q4 2020
2.	Definition of minimum feasible solutions for non-electricity issues	All	Q4 2020

1.4. NRA support in the Process

Purpose:

The purpose of the NRA support in the process of developing the objectives listed in the WG AIMS ToR is to support the resolution of potential regulatory or institutional bottlenecks in line with each individual NRAs authorization defined by the national legislation.

Risk(s):

- The parties do not foresee any risks related to involving NRAs for their support.

Preferred/minimum solution:

The parties have agreed to include the NRAs in the ToR as 'observer members', i.e.: members which have the right to participate in the meetings and be included in the mailing list so as to be promptly informed on the progress made by the parties involved and on any issues that could lead to the abovementioned bottlenecks.

Furthermore, considering the NRAs have a primary role in the approval of methodologies and relevant agreements once they will be authorized to perform these activities in line with the national legislation, their participation in the WG AIMS activities will allow for

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their early acknowledgement (and involvement) in the development of such methodologies/agreements and thus foster a smooth approval process.

Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Include NRAs as observer members in the WG AIMS ToR and thus foster participation of the NRAs in the related meetings of the WG AIMS	All	Done
2.	Provide all necessary updates to NRAs, highlighting, in particular, issues that could represent potential bottlenecks for the project so as to foster NRA support for the resolution of deadlocks	All	On-going
3.	Early involvement of NRAs in the development of CACM GL related methodologies so as to foster smooth approval process	All	Once methodology development starts

1.5. Confidentiality Issue

Purpose:

During a potential market coupling project parties will need to disclose significant confidential information (e.g. agreements, procedures settlement solutions, technical descriptions etc.) to foster the discussion of open questions. All these confidential information provisions have to be covered by an adequate non-disclosure agreement among the parties.

Risk(s):

- Disclosure of confidential information may lead to high business, market or reputational risks. Launching a coupling project without sharing the necessary information may lead to incompatibility.

Preferred/minimum solution:

- Parties elaborate and conclude a proper NDA among AIMS (Albania, Italy, Montenegro, Serbia) parties before any sensitive business or market information is distributed.
- Parties agreed to adhere to the contractual framework of Global NDA, already in place under CACM GL regulation and signed by designated NEMOs and TSOs. SEEPEX, EMS- Electricity Transmission System Operator of Serbia, CGES- Transmission System Operator of Montenegro, OST- Transmission System Operator of Albania and BELEN- Berza Električne Energije are already part of the Global NDA.
- Adherence to the Global NDA (or equivalent NDA - or confidentiality agreement with similar terms and condition) is a requirement to request **observer status** both for

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the **Day Ahead Operational Agreement (DAOA)** and **All Nemo Day Ahead Operational Agreement (ANDOA)**. The latter contracts would allow respectively the TSOs and the NEMOs involved in the AIMS MC project to have access to the Single Day Ahead Market Coupling **Operational Procedures** as well as all the other relevant details on the abovementioned market coupling (such as, for example: cost sharing, monitoring and settlement process).

- The main aspects related to **requirement to be fulfilled in order to get such an observer status** are:

DAOA

- Any NEMO, TSO or PX within or outside scope of CACM GL may request observer status for the purpose to adhere at a later stage to the DAOA
- Written request to be submitted to the DAOA Joint Steering Committee (JSC)
- Request is subject to signature of Global NDA or confidentiality agreement with similar terms and condition.
- With respect to entities not subject to CACM GL the JSC can subject the status of Observer to further conditions to be identified from time to time according to the concrete case
- Observer status does not imply any voting right. Observership status grants:
 - i. the right to access certain documentation as decided from time to time by the JSC and
 - ii. the possibility to participate to in certain meetings (without voting) as decided by the JSC.

ANDOA

- Any PX, operating within or outside the EU may request observer status for the purpose to adhere at a later stage to ANDOA
- Written request to be submitted to the ANDOA Steering Committee (SC)
- In case of PX of a non-EU country for which there is no valid intergovernmental agreement in place (which seems to be the case of Albania, Serbia and Montenegro), the Observer status is subject to:
 - a) compatibility with Applicable Law (meaning the National Law of the PX requesting observer status);
 - b) satisfactory (for ANDOA SC) evidence that the necessary intergovernmental agreements are under negotiation;
 - c) satisfactory (for ANDOA SC) evidence that the PX has the support of its NRA or equivalent Competent Authority regarding the integration of the PX's markets within SDAC
 - d) satisfactory (for ANDOA SC) evidence that there is an intention to physically couple the PX's markets to the existing SDAC
 - e) the accession to the Global NDA or confidentiality agreement with similar terms and condition
 - f) such further conditions as the ANDOA SC may determine to be appropriate in all the circumstances
- Observer status do not imply any voting right. Observership status grants i) the right to access certain documentation as decided from time to time by the ANDOA SC and ii) the possibility to participate to in certain meetings (without voting) as decided by the ANDOA SC.

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Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Preparation of WB6 – AIMS project Non Disclosure Agreement	All	(March 2018)
2.	Signature of WB6 – AIMS project Non Disclosure Agreement	All	(September 2018)
3.	Signature of Global NDA	BELEN, APEX	Done ASAP

2. Cost Sharing and Recovery

2.1. PX and TSO Sharing Costs, Project Costs, Requirements for EU and non-EU Countries

Purpose:

to define the category of costs/sharing keys/ recovery mechanism of the costs for developing and operating the AIMS coupling.

During the design and implementation phase of AIMS project parties will apply the following principle for sharing project costs :

- a) each party pays its own cost, such as for example travelling costs, efforts for telcos and drafting docs, testing etc..
- b) equal sharing is only applied for any common costs (if any) related to PMO costs or convenorship, in view of the fact that all parties benefit at the same way of the support provided.

CACM GL sharing keys will apply for all parties in the AIMS operational phase. Principles for sharing project costs during the design and implementation phases will be defined in the Cooperation Agreement (to be agreed among parties).

According CACM GL DA Coupling costs may be divided into costs for:

- establishing, updating and further developing the SDAC
- operating the SDAC.

Costs may be categorized as:

- **common costs**
 - joint common costs resulting from coordinated activities of all PXs and TSOs (like for example: PMO costs, costs resulting from governance activities, subcommittees, working groups or task forces and costs related to the joint selection of service providers) shared equally among involved parties unless CACM GL sharing key does apply
 - PXs common costs that may result from PXs activities (PX-PX procedure) shared equally among involved parties unless CACM GL sharing key does apply

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- TSOs common costs that may result from TSOs activities (TSO-TSO procedure) shared equally among involved parties unless CACM GL sharing key does apply
- **local costs:** each party pays its own cost for tasks that must be performed in the same manner by all Parties, including e.g:
 - The time spent and expenses incurred in attending all-Party meetings either in person or via any kind of electronic communications equipment,
 - The necessary 'review' of the deliverables before their approval
 - Testing activities
 - The travel time spent and the travel or other expenses incurred by the Parties in attending meetings either in person or via any kind of electronic communications equipment unless explicitly stipulated otherwise.

PXs and TSOs may recover at a local level these costs through fees or other mechanisms (such as for example NRA cost comfort). Contracting Parties NRAs will approve recover costs mechanism once they are authorized by national legislation to perform such activity.

Risk(s):

Parties cannot agree on common costs before full CACM GL implementation.

Preferred/minimum solution:

Before full CACM GL implementation, AIMS Parties will share common costs according principles a) and b) defined above in this chapter. Principles for sharing project costs will be defined in the Cooperation Agreement.

Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Discussion on the cost sharing methodology proposal	All	Done
2.	Discuss envisaged risks/issues	All	Done
3.	Address envisaged risks/issues	All	Q4 2020

3. Timing Aspects

3.1. **Coordination with other Coupling Projects**

Purpose: The purpose of this task is to ensure that the ongoing coupling projects do not overlap with AIMS project and do not cause its delay.

SEPEX is currently involved in two coupling projects, which are still in early phase. First one is the project of market coupling with MRC countries (via 4M MC), which is pending at the moment due to 4M MC and MRC planned for 2020. Second one is the project for trilateral coupling of Croatia, Serbia and Bulgaria. This project started in February 2019 and is currently in its precondition analysis stage.

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Risk(s):

- One of the coupling projects is causing the delay of AIMS project

Preferred/minimum solution:

- All involved parties to find optimal timeline for all coupling projects, so that they would not interfere with one another

Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Parties should review and adjust all the current coupling project timelines	all	Continuous activity

4. Available Capacity for MC

4.1. Capacity Calculation, Harmonization, Exchange of data and Validation

Purpose:

In order for market coupling to be effective, it is necessary to bilaterally agree on day-ahead capacity calculation process on a specific border.

Risk(s):

- Market coupling is not possible without reaching bilateral agreement on the amount of capacity to be allocated on a specific border.

Preferred/minimum solution:

- Bilateral agreement on day-ahead capacity calculation process on a specific border.

Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Bilateral agreement on day-ahead capacity calculation process per each border for market coupling	All borders	TBD

4.2. Capacity Calculation Methodologies

Preferred/minimum solution:

In the initial stage bilateral capacity calculation arrangements will be applied for the determination of NTC

The enduring solution will then include the development of CACM GL Compliant methodologies, either through CACM GL transposition or through early implementation.

Next steps:

#	Planned action point(s)	Resp. party	Timing
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1.	Bilateral agreement between TSOs regarding calculation of capacity available for market coupling	TSOs	TBD
2.	Analyse possibility to apply regional methodologies and procedures for capacity calculation developed for relevant CCRs, according to CACM GL	TSOs	TBD

4.3. Division of Roles between TSOs & PXs

Purpose:

In order to ensure the close cooperation among TSOs and PXs following high-level tasks are generally recognized as falling under responsibility of either TSOs or PXs under the SDAC project and in course of single day-ahead coupling by the CACM GL Regulation.

TSOs are responsible for at least the following functions:

- Establish and perform capacity calculation.
- Calculate, bilaterally match and send cross zonal capacities and allocation constraints necessary for operation of MC to NEMOs.
- Verify single day-ahead coupling results in terms of validated cross-zonal capacities and allocation constraints
- Scheduling management: reception of cross-border and internal exchanges, their matching and confirmation .
- Where agreed so, physical and financial settlement of cross-border flows – i.e. transfer of energy across network.
- Congestion Revenue Calculation, Collection and Distribution (invoicing and settlement).
- Publication according to the European and the national legislation.
- Establish and operate fallback procedures as appropriate for capacity allocation

PXs (directly or via its service providers) are responsible for at least the following services:

- Collect the bids from market participants, transform them (aggregate and anonymize).
- Mutually sharing the anonymized supply/purchase aggregated curves and block bids and outputs with protecting the necessary confidentiality.
- Take part in SDAC Price Coupling calculation and results validation.
- After the coupling, the aggregated results are split to the individual bids according to calculated Net positions of each bidding zone and its clearing price. Allocate the individual results to the market participants and the local shipper.
- The individual trades are cleared and settled by respective PXs in the relevant market areas.
- Publication according to the European and the national legislation.

Risk(s):

- TSOs & PXs cannot perform all tasks defined within CACM GL framework due to legal, technical or operational reasons.

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Preferred/minimum solution:

- Agreed division of roles and responsibilities (within CACM GL framework) defined during project design phase.

Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Recognise all tasks and defined entities who will be responsible to perform each task. Will be defined in the high level market design	TSOs, PXs, RCCs, etc.	TBD

5. HL Market Design

5.1. **Border topology**



Purpose:

Define borders of market areas involved in coupling process taking into account that the coupling go-live could take place on a border by border basis rather than all borders at the same time.

Risk(s):

- HV DC cable between Italy and Montenegro start of commercial operation to the beginning of 2020.

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Preferred/minimum solution:

- Day Ahead Market coupling between Albania and Serbia is temporarily not a subject of this Precondition analysis.
- HV DC cable between Italy and Montenegro is in commercial operation.

Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	HV DC cable is in commercial operation	CGES, TERNA	Done

5.2. Post Coupling Activities

5.2.1. Cross Border exchange and Shipping Arrangements

Purpose:

The Post-Coupling activities consist in translating Market Coupling results in bilateral Scheduled Exchanges and in the Clearing and Settlement of these Exchanges. For that, Shipping Agents (SA) transfer the energy from one hub to another hub. Clearing and Settlement is performed for balancing all Central Counter Parties (CCP). Congestion income (if any) is collected by the Congestion Income Collector (CIC) and transferred to the agreed Congestion Income Distributor (CID) and shared between concerned TSOs.

For Post-Coupling activities, the following tasks have to be performed:

- Computation of Scheduled Exchanges (if not directly computed by PXs) and appointment of responsible entity
- Check of Scheduled Exchanges (only if computed by PXs)
- Nomination of Scheduled Exchanges to the relevant TSOs
- Clearing and Settlement of Net Position/Scheduled Exchanges
- Collection of the Congestion Income
- Sending of the Congestion Income to the Congestion Income Distributor for UIOSI compensation
- Sharing of the Congestion Income

Risk(s): N/A

- The failure of the negotiation between parties.

Preferred/minimum solution:

- Contracts per borders need to be put in place among parties in order to start operation for managing shipping and clearing on each border.

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Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Definition of the High Level Business Process (process for the pre-coupling, coupling and the post-coupling phases including: <ul style="list-style-type: none"> • Parties involved and roles • Pre-coupling • Coupling • Post-coupling) 	All	During project design phase according to ToR
2.	Circulation of draft contracts	All parties	During project design phase

5.2.2. Cross border clearing arrangements and Congestion Rent management

Purpose:

Setting terms and conditions under which each national PX performs the Central Counter Party (CCP) operations for the cross border settlement of the daily Market Coupling transaction. Following items shall be evaluated:

- Valuing of the cross border schedules
- Settlement of the daily net financial position both among CCPs and at local level
- Cross collaterals requirements
- Cross border timings of payment and timelines
- Clearing and invoicing modalities
- Congestion rent collection and distribution to TSOs
- Currency

Risk(s):

Cross clearing timing of payments between PX(CCP)s must be identical (i.e. settlement on D+2) and harmonized with the national clearing cycle of payments. In case timing of national clearing cycle of payments is not harmonized with timing of payments among PXs(CCPs), than local PX/CCP which:

- Manages a local payment term which is delayed with respect to payment term among CCPs
- Is a net importer (buyer)

It needs to access to financial fund to pay imports and bears related financial costs.

In case local market are featured by different currencies, CCPs must manage related “exchange risk”

Preferred/minimum solution:

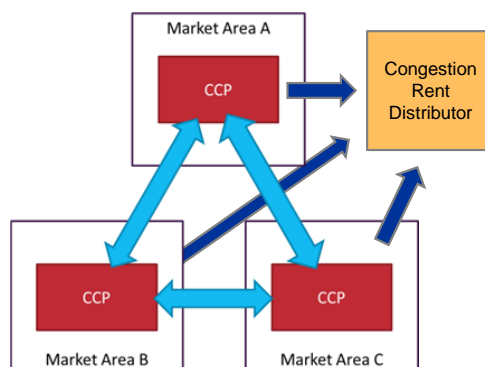
- National CCPs settle among them the financial counter value of market coupling cross border schedules according to an agreed criterion of settlement price. Agreements to be established bilaterally among all bordering CCPs.
- Congestion rent arrangements: on each border one designated CCP collects Congestion Rent (i.e., congestion incomes collected for 100% by importing or by

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the exporting CCP). Such CCP transfers the collected congestion rent to the “Congestion Rent Distributor (CID)” (or to TSOs) in accordance with an agreed solution and timings.

Agreements to be established among the CCPs designated on each border to collect the Congestion Incomes and the CID.



Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Overview of each national PX's clearing timings and modalities	All PXs	During project design phase
2.	Assessment on the appointment of the Congestion Income Distributor entity	All TSOs	During project design phase

5.3. Products

Purpose:

Agree to type of product that AIMS coupling project should provide. Practice has shown that initial product should be hourly day-ahead product.

Risk(s):

- Planned products in future Albanian and Montenegrin PXs do not fulfil all the requirements needed for establishing agreed product type (hourly day-ahead product) for technical or some other, at this time, unknown reason.
- Cross border flow decimals, negative prices and max/min prices not harmonized by all TSOs and PXs
- Delay of introduction of minimum set of products available in SDAC in non-EU countries (only 15 minutes day-ahead product)

Preferred/minimum solution:

- Products compatible with minimum set of products available in SDAC, once when Contracting Parties TSOs and PXs are able to have these applied products in place.
- TSOs and PXs to find applicable solution in accordance with national rules (regarding cross border flow decimals, negative prices and max/min prices)

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Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Harmonization of day-ahead product	All PXs and TSOs	during design analysis

6. MRC/SDAC Accession Issues

6.1. Harmonization with SDAC Solution

Purpose:

The harmonisation with the MRC/SDAC solution is fundamental in order to fulfil the requirements set in the ToR of the WG AIMS, i.e.:

“It is essential to base the AIMS MC on the same terms and conditions and/or methodologies applied in the MRC and, in particular,

- (1) ensure calculation of market results through the price coupling algorithm (Euphemia) and
- (2) guarantee the alignment of the gate closure time with the one in MRC (12pm CET)”

Risk(s):

- Some of the parties not able to accept harmonized timing parameters based on today’s unknown serious reason.
- In the case of operation in different time zones, the time difference should be taken into account in the Market coupling process

Preferred/minimum solution:

We need to take into account the ‘Technical Readiness’ of the parties.

Technical readiness shall refer to the situation where at least the following conditions are cumulatively fulfilled:

- Procedures are compatible with the extension of the SDAC process to the concerned Non-Operational Party or new geographical perimeter
- Input data for algorithmic calculations are agreed upon (e.g. calculation of scheduled exchanges, defined in a way that Single Day-Ahead Coupling flow calculation requirements are fulfilled)
- Regional integration and simulation testing phases are successfully ended
- Operational readiness declaration
- Performance of *Back Up scenarios*;
- Performance of *Joint testing coupling sessions*

Next steps:

#	Planned action point(s)	Resp. party	Timing
1.	Set Market Gate Closure Time at 12pm (CET)	Montenegrin, Albanian and Serbian PXs	at the latest before the day-ahead market coupling

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			between the parties
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7. Staff Engagement

Purpose:

In order to proceed with AIMS activities, defined by ToR, it is of utmost importance for each participant (TSO, Power exchange) to delegate its staff, who will be working, within the Working Group (WG) on the activities, towards market integration of the countries participating in the project. Staffing of each participating company shall be appropriately provided in relation to the phases and progress of the project.

Risk(s):

- Occasional staff changing, not attendance of the meetings, failure to complete tasks.

Preferred/minimum solution:

- In order to have continuity, appointed staff should not be rotated very often, which could mitigate risk for the success of the project. Distribution of tasks and responsibilities among members should be done according to implementation plan.




Next steps:




#	Planned action point(s)	Resp. party	Timing
1.	Appointment of the working group members	TSOs, PXs	Q4 2020
2.	Distribution of the tasks among the members according to implementation plan	TSOs, PXs	Q1 2021




8. Expected Timing when AIMS Preconditions becomes Fulfilled













This section summarises all the risks and planned action points that are aiming to resolve the major and/or critical questions and issues.

All identified issues are categorised by three level of severity:

   Green light means action related to an issue or question where there is no major conflict of interest detected based on the currently available information.

   Yellow light covers the actions in which parties need to work out compromise solutions.

   Red light indicates actions related to topics that could be blocking point for the AIMS initiative with high chance because of some business, legal, technical or any other reasons. These have to be investigated commonly in detail and all these have to strive to be solved before any final go decision is made.

Risky issue	Severity
<u>1. Legal and regulatory issues</u>	  
1.1. Legal Requirements and/or Impediments	  
1.2. Establishment and Opeartion of DAM and MC	  
1.3. Non-Electricity Issues	  

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1.4. Involvement of NRA in the Process	
1.5. Confidentiality Issue	
2. Cost Sharing and Recovery	
2.1. PX and TSO Sharing Costs, Project Costs, Requirements for EU and non-EU Countries	
3. Timing Aspects	
3.1. Coordination with other Coupling Projects	
4. Available Capacity for MC	
4.1. Capacity Calculation, Harmonization, Exchange of data and Validation	
4.2. Capacity Calculation Methodologies	
4.3. Division of Roles between TSOs and PXs	
5. HL Market Design	
5.1. Border topology	
5.2. Post Coupling Activities	
5.2.1. Cross Border Exchange and Shipping Arrangements	
5.2.2. Cross Border Clearing Arrangements and Congestion Rent Management	
5.3. Products	
6. MRC/SDAC Accession Issues	
6.1. Harmonization with SDAC Solution	

9. Conclusion / Summary

This document presents a step forward to achieve the goal for implementing the day ahead market coupling among Albania, Italy, Montenegro and Serbia (AIMS). It takes into consideration and analyses the key preconditions that need to be fulfilled in order to achieve the said goal and provides the key areas/concerns that could block or delay this initiative implementation. It is of paramount importance for all noted technical, market and legal obstacles to be solved before implementation phase starts.

Currently, two main obstacles are identified as the most critical that hinders the feasibility of this initiative and beginning of implementation phase of day ahead market coupling project among AIMS members, respectively:

1. ***Technical issue related to the absence of any operational power exchanges in Albania and Montenegro.***

Operating PX in Montenegro is a key element in absence of which the AIMS project cannot be accomplished and such issue represents a blocking point for market coupling integration. Absence of PX in Albania is not that critical for the implementation phase initiation, but it is a necessary for the entire regional project completion.

2. ***Legal and regulatory framework related to NEMO designation and implementation of CACM GL provisions.***

This obstacle is a blocking point in this project for all non-EU countries and it is not possible to start the implementation phase without solving it.

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In addition to above, other potential problems issues are identified, which should be resolved before the operational work and day-ahead market coupling starts, but they do not prevent the continuation of the project implementation phase , such as the following:

- ***VAT treatment and reverse charge mechanism*** are important issues that need to be solved and implemented in line with European best practice in order to, facilitate the work of all market participants and to enable smooth trading.
- ***Cost recovery for market coupling*** activates in each individual country in the project following direct negotiations between PX and TSO on one hand and the relevant NRA on the other. The failure of this arrangement could result in PX's inability to cover its operating costs, which would endanger the company's liquidity and call into question its survival on the market. This issue is particularly important for small markets with lower trading volumes.

Despite these above highlighted issues, it is crucial for the project team to continue the work on removing all obstacles, which in turn would lead to the launch of the implementation phase of this project and the integration of the entire region into the single day-ahead European electricity market.

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Abbreviations

Abbreviation	Meaning	Page No.
4M MC	4M Market Coupling	8
ACER	Agency for the Cooperation of Energy Regulators	1
AIMS	Albania, Italia, Montenegro and Serbia	1, 2, 3, 4, 5, 6, 7, 8, 9, 15, 16,17
ANDOA	All NEMO Day-ahead Operational Agreement	1, 2, 6, 7
ANDOA SC	All NEMO Day-ahead Operational Agreement Steering Committee	7
APEX	Albanian Power Exchange	3, 7
ASAP	As soon as possible	7
BELEN	Montenegrin Power Exchange	3, 6, 7
CACM	Capacity Allocation and Congestion Management	1, 2, 5, 6, 7, 8, 10, 11
CCP	Central Counter Party	13, 14
CET	Central European Time	16
CGES	Montenegrin TSO	5, 12
CIC	Congestion Income Collector	13
CID	Congestion Income Distributor	13, 14
DA	Day-ahead	3, 7
DAM	Day-ahead Market	3, 17
DAOA	Day-ahead Operational Agreement	1, 2, 6
ECRB	Energy Community Regulatory Board	2
EMS	Serbian TSO	5
EnC	Energy Community	1
EUR	Euro	4

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GME	Italian Power Exchange	
HV DC	High Voltage Direct Current	12
JSC	Joint Steering Committee	6
MC	Market Coupling	3, 5, 9, 10, 15, 16, 17
MRC	Marker Regional Coupling	8, 15, 16, 18
NDA	Non-disclosure Agreement	5, 6, 7
NEMO	Nominated Electricity Market Operator	1, 2, 5, 6, 10, 18
NRA	National Regulatory Authorities	2, 4, 5, 6, 8, 17
NTC	Net Transfer Capacity	9
OST	Albanian TSO	5
PMO	Project Management Office	7
PX	Power Exchange	1, 2, 4, 7, 8, 10, 11, 13, 14, 15
SA	Shipping Agent	13
SC	Steering Committee	6, 7
SDAC	Single Day-ahead Coupling	1, 2, 3, 4, 6, 7, 10, 15, 16, 18
SEEPEX	Serbian Power Exchange	5, 8
TBD	To be done	9, 10, 11
TERNA	Italian TSO	12
ToR	Terms of References	4, 5, 13, 16, 17
TSO	Transmission System Operator	6, 7, 8, 17, 18
UIOSI	Use It Or Sell It	13
VAT	Value Added Tax	4, 18
WB6	West Balkan 6	2, 7
WG	Working Group	4, 5, 16, 17