



## **Activities Report**

**MIBEL**

**COUNCIL OF REGULATORS**

**Presidency by the Energy Services Regulatory Authority (ERSE)**

**January 2010 - June 2010**

**July 2010**



## CONTENTS

- I. Introduction
  - II. Regulatory and supervisory activities
    - II.1. Study on the operation of MIBEL
    - II.2. Long term Spain - Portugal interconnection management mechanism
    - II.3. Balancing mechanism between Iberian System Operators
    - II.4. Follow-up of the OMI process
    - II.5. Evolution of MIBEL markets
  - III. MIBEL Council OF Regulators Conference
  - IV. Meetings
  - V. Implementation of the MIBEL site
  - VI. Publications
- Appendix



## I. Introduction

The MIBEL Council of Regulators (CRMIBEL) develops, within its competences, a set of initiatives undertaken with a scope of consolidation and deepening of the Electric Iberian Market (MIBEL) that need to be disclosed in order to transmit to the public in general and to the agents in particular, the work developed by the Council.

The CRMIBEL is formed by representatives from, Portugal through the Energy Services Regulatory Authority (ERSE) and the Portuguese Securities Market Commission (CMVM) and from Spain, through the National Energy Commission (CNE) and National Securities Market Commission (CNMV). The Revision of the Agreement of Santiago de Compostela which took place at the Braga Summit in January 2008, established, in the new set of powers of CRMIBEL, that whenever a member of the Council is consulted, in the ambit of its national competences, about national proposals of law which affects the operation of MIBEL, it must send this proposal to the other members of the Council for their information and comments, prior to the national approval.

The present report respects to the presidency of the Council by ERSE which took place between January and June 2010.

The document has the following structure:

- Point II - Description of the main regulatory and supervisory activities;
- Point III - MIBEL Council of Regulators Conference;
- Point IV - Meetings held by the Committee of Chairmen and by the Technical Committee;
- Point V - Status on the creation of the MIBEL site;
- Point VI – Publications.

In the Appendix the report includes: (I) The list of OMIP/OMIClear rules that were approved and/or communicated to the Council in the period of January-June 2010, and (II) the new national legislation with impact on regulation in general, and on the operation of MIBEL in particular.

## II. Regulatory and supervisory activities

### ❖ Study on the operation of MIBEL

Ten years after the first steps taken by the Portuguese and Spanish Administrations with the objective of sharing a common path in the construction of MIBEL, the CRMIBEL considered that it was important to reflect on the path taken and develop actions that would strengthen this regional market.

To achieve this it was decided that an evaluation study of the operation of MIBEL would be carried out with the objective of providing all interested parties with a systematic analysis of the actions undertaken and respective results, as well as identifying the challenges facing MIBEL as an integrated electricity market for the Iberian Peninsula. The study also proposes a set of recommendations to the Governments and a set of initiatives to be put into place by the Council itself, indicating possible solutions to be made within the current context of institutional operation established in the MIBEL Agreement in force.

In terms of structure, the study is composed of two parts organised as follows:

- Part I - Description of the operation of MIBEL;
- Part II - Reflexion and Recommendations on the Organisation and Operation Model of MIBEL.

The study was initiated and developed during 2009 and in the first half of 2010. While the first part of the study is available to the public since November 2009 on the Internet site of each of the four regulatory authorities, the second part is intended exclusively for the Governments of Portugal and Spain, to whom it was submitted in June 2010.

### ❖ Long term Spain - Portugal interconnection management mechanism

The review of the Agreement of Santiago de Compostela agreed upon at the Braga Summit in January 2008 established, in no. 1 article 8, that “...for the attribution of the interconnection capacity between the Spanish and Portuguese systems, in case of congestion, will be used a combined mechanism of market separation and explicit auctions (...)” and in no. 2 of the same article established that “The income resulting from the restrictions due to congestion will be applied to the reinforcement of the interconnection between both systems”.

The CRMIBEL prepared a new proposal which was sent to the Governments of Spain and Portugal, with the objective of finding a new joint methodology which was better adapted to the current context of the long-term Spain - Portugal interconnection management.

The proposal was sent by the Council to the Governments of both countries in June 2010.

### ❖ **Balancing mechanism between Iberian System Operators**

According to the work plan developed during ERSE presidency, it was decided to recover the monitoring of the *road map* on the harmonisation and integration of the balancing plan at the Iberian level, jointly presented, in July 2008, to the Council by the transmission system operator of the Portuguese National Electricity Network - Rede Eléctrica Nacional (REN) and by its Spanish counterpart, Electricity Network of Spain - Red Eléctrica de España (REE).

In response to the invitation made by MIBEL Technical Committee in April 2010, the System Operators reviewed the works planned in the above mentioned *road map*. Their analysis and the perspectives presented pointed towards the possibility of the harmonisation and integration of the balancing not only in terms of the Portuguese and Spanish Electricity Systems, but also with the French Electricity System, in the ambit of the Regional Initiative of South-West Europe.

In this context, the Committee of Chairmen asked REN and REE to send an updated road map to the Council with the new developments verified, so that, without compromising wider process, they could ensure that MIBEL, as a space of greater integration between the electricity systems, could continue on its path towards the harmonisation and integration of the ancillary services, on an Iberian level.

The Committee of Chairmen decided to invite to its next meeting, to be scheduled during the CMVM presidency, the Chairmen of REN and of REE in order to evaluate the work that have been done.

### ❖ **Follow-up of the OMI process**

The Committee of Chairmen kept the follow-up of the OMI process through invitations for the participation of the Chairmen of OMIP and OMEL in the meetings of December 2009 and February and May 2010.

The most significant aspects from the presentations made by OMIP and OMEL were those related to the work developed jointly by both operators, with the perspective of having conditions that the “*start up*” of OMI could occur as soon as possible.

### ❖ **Evolution of MIBEL markets**

Based on the presentations made by CNE and CMVM, the CRMIBEL analysed the evolution of the spot market, the use of the Portugal-Spain interconnection and also the evolution of MIBEL's forward market.

### **III. MIBEL Council of Regulators Conference**

ERSE during its presidency, in the first half of 2010, presented a proposal for holding a MIBEL Council Regulators Conference.

In this context, on the 1st of June 2010, the CRMIBEL promoted a Conference under the subject "MIBEL's new challenges" which was held at the Calouste Gulbenkian Foundation in Lisbon. This conference, which was attended by hundreds of participants, allowed the evaluation of the three years of the daily operation of the Iberian electricity market, as well as the setting of new challenges for the consolidation of MIBEL.

The presentations carried out at the Conference are available on the Internet pages of the four regulatory authorities.

### **IV. Meetings**

- CHAIRMEN COMMITTEE

During the period between January and June 2010, the Chairmen Committee gathered at two work sessions, on the 23rd of February and on the 31st of May.

The agendas of the Chairmen Committee meetings were focused on the following main topics: (i) the approval of Part II of the study, under the title, "Points of Reflexion and Recommendations on the Organisation and Operation Model of MIBEL"; (ii) the proposal of a new "Joint long-term Spain - Portugal interconnection management mechanism"; (iii) to follow-up the work developed jointly by the two Iberian System Operators REN e REE and (iv) to follow-up the development of the OMI process.

- TECHNICAL COMMITTEE

The Technical Committee organised six work sessions in first half of 2010, which took place on the 25th of January, 19th of February, 15th of March, 16th of April, 19th of May and the 30th of June.

During this period, the activity of the Technical Committee, as the technical support member of the CRMIBEL, included, among others, the conclusion of Part II of the study on MIBEL, the support for holding the Regulators' Council Conference and the preparation of the proposal for the "Joint long term Spain - Portugal interconnection management mechanism".

In the 16th of April session, REE and REN made a joint presentation on the advances in the implementation of the "Joint proposal for the harmonisation of the market of balancing in the Iberian Peninsula".

The activities developed by the Technical Committee, aiming the disclosure of information on MIBEL, included among others: (i) the provision of information to the agents in order to enable them to follow the market evolution, (ii) the implementation of the MIBEL site whose status is described below.

In legislative point of view, it must be underlined the follow-up of changes in Portugal and in Spain that had impact on regulation in general and on MIBEL in particular, as well as of changes on the rules of OMIP/OMIClear, which are identified in the Appendix to this Report.

#### **IV. Implementation of the MIBEL site**

The CNMV, which assumed responsibility for managing the implementation project for the MIBEL site, developed, during the period of this report, the administrative process for launching the public tender to choose the company to develop the MIBEL site. The selection process was developed and completed.

As planned, the launch of the MIBEL site is scheduled for the end of 2010.

#### **V. Publications**

In the period to which this report concerns, the information published respects specifically, to the follow-up of the evolution of MIBEL spot and forward markets, and to the Monthly Reports of MIBEL's Regulators' Council, of January, February and March 2010.

The edition of Part I of the MIBEL study entitled "Description of MIBEL operations" had an additional disclosure, as supporting documentation for the MIBEL Council of Regulators Conference.

## Appendix

### I- List of OMIP/OMIClear rules altered in the period of January - June 2010

#### OMIP /OMIClear

- Negotiation Code
- OMIP Newsletter 01/2006 – Negotiation Account Management Procedures
- OMIP Newsletter 05/2006 – Bilateral Operations
- OMIP Newsletter 01/2009 – Negotiation Reference Price
- OMIP Notice 03/2006 – Pricing Committee
- OMIP Notice 09/2006 – Price List
- OMIP Notice 03/2007 – Registration Process of Bilateral Operations Intermediary
- OMIP Notice 03/2010 – Price List
- General Contractual Clauses – MIBEL SPEL Peak Load Financial Futures Contracts
- General Contractual Clauses – MIBEL SPEL Peak Load Physical Futures Contracts
- Technical File – MIBEL SPEL Peak Load Financial Futures Contracts
- Technical File – MIBEL SPEL Peak Load Physical Futures Contracts
- OMIClear Newsletter 13/2006 – Procedures in Case of Non-Compliance Compensation
- OMIClear Notice 05/2006 – Assets accepted as a guarantee and respective evaluation
- OMIClear Notice 06/2006 – Constitution of Guarantees in the Form of Lines of Credit
- OMIClear Notice 07/2006 – Procedures for the Constitution and Release of Guarantees
- OMIClear Notice 01/2010 – Price List

## **II- List of legislative modifications with an impact on regulation in general and on MIBEL in particular**

### **SPAIN**

- **Royal Decree 134/2010, of the 12th of February, which establishes the procedure for settling restrictions to guarantee supply and modifies the Royal Decree 2019/1997, of the 26th of December, which organises and regulates the market for the production of electrical energy** (this provision was later modified by Royal Decree 1221/2010, of the 1st of October, outside of the period to which this Activities Report relates).

The objective of this Royal Decree is to seek, without exceeding the maximum levels, participation in the market for thermal plants that consume national coal, to prevent the definitive collapse of the mines from where this coal comes from and to reduce the dependence on imported fossil fuels.

- **Royal Decree 198/2010, of the 26th of February, which carried out the adaptation of certain provisions relating to the electricity sector to what is stated in Law 25/2009 which modified several laws aimed at adapting them to the Law on free access to service activities and their exercise.**

This Royal Decree introduces legislative modifications derived from the incorporation of Directive 2006/123/EC pertaining to the services in the European Union's Internal Market. In particular, it simplifies some of the administrative procedures required for the exercise of the activity of special regime production. The registration of suppliers is no longer required and this activity is no longer submitted to the authorisation regime.

- **Royal Decree 6/2010, of the 9th of April which establishes measures to boost economic recovery and employment**

This law, given its urgent nature, was not subject to consultation by the regulatory authority, includes, within the energy sector, the relevant measures to modernise the sector, as is the case of energy service companies and electric vehicle, including also the introduction of measures to facilitate the process of the tariff deficit securitization.

- **Royal Decree 437/2010, of the 9th of April which establishes the regulation of the process of the deficit of the electrical system securitization**

- **Order ITC/1601/2010 of the 11th of June, which regulates the CESUR auctions referred in the Order ITC/1659/2009 of the 22nd of June, regarding the determination of the estimated cost of wholesale contracts for calculating the last resort tariff**

This standard is aimed at regulating the auctions whose resulting price will be used as a reference to set the last resort tariff (CESUR auctions).

## **PORTUGAL**

- **Decree-Law no. 23/2010 of the 25th of March, which transposes to the national law the Directive no. 2004/8/EC, of the European Parliament and the Council, of 11th of February, relating to the promotion of the cogeneration based on the demand for useful heat on the internal energy market**

This Decree-Law, which transposes to national law the Directive no. 2004/8/EC relating to the promotion of cogeneration, establishes the respective legal and remunerator regime, in the framework of tools for the achievement of the objectives stated in the Programme of the 18<sup>th</sup> Constitutional Government, in what concerns to energy policies and the sustainable development.

- **Decree-Law no. 39/2010 of the 26th of March 2010, which regulates the organisation, access and carrying out of electric mobility activities and establishes a pilot electric mobility network and the regulation of incentives for the use of electric vehicles**

This decree-law has three main objectives: *i)* motivate the purchase and use of electric vehicles; *ii)* guarantee that the charging of electric vehicle batteries is carried out through an integrated charging network, in a convenient and efficient manner; and *iii)* establishing a universal and equal regime for accessing electric mobility services.

- **ERSE Dispatch no. 7253/2010. (*Diário da República*, no. 80, II Serie of the 26<sup>th</sup> of April 2010), which approves the billing rules of reactive energy, inductive and capacitive relating to the use of the transmission network and the use of the distribution network**

This dispatch puts into place what is established in article 276 of the Commercial Relations Code (RRC), which establishes that the billing rules of reactive energy costs relating to the use of the transport and distribution network are approved by ERSE following the presentation of proposals from the network operators.