



# ***Action Plan for Establishing the South East Europe Coordinated Auction Office***

**Version V6  
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Prepared by the drafting committee consisting of ECRB Section of the Energy Community Secretariat, Verbund-APG, TERN, the Chairman of the ECRB Electricity Working Group under the guidance of the SEE CAO IG Chairman and redrafted after public consultation based on the received comments.

Version	Date	Description	Author
1	10-11-2007	Draft Version	Christian Todem (Verbund), Gabriele Manduzzio (TERN), Nenad Stefanovic (AERS), Roland Matous (Energy Community Secretariat/ECRB Section), Milan Puharic (HERA/SEE CAO IG Chairman)
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## I. List of Abbreviations

<b>ABC</b>	- Available Border Capacity	
<b>AO</b>	- Auction Office	- An authorized office established and owned by TSOs for the administration of auction process
<b>BC</b>	- Border Capacity	- Set of EHV (Electric High-Voltage) lines connecting two neighbouring Control Areas in regard to their technical parameters
<b>CA</b>	Coordinated Auctions	
<b>CAO</b>	Coordinated Auction Office	
<b>ECRB</b>	- Energy Community Regulatory Board	
<b>ECRB</b>	- Energy Community Regulatory Board, Electricity Working Group	
<b>EREG</b>	- European Regulators' Group for Electricity and Gas	
<b>ETSO</b>	- European Transmission System Operators	
<b>MC</b>	- Ministerial Council	
<b>MF</b>	Maximum Flow	
<b>NTC</b>	- Net Transfer Capacity	
<b>PTDF</b>	- Power Transfer Distribution Factors	- A set of sensitivity load-flow factors
<b>PTR</b>	- Physical Transmission Rights	- The rights possessed by market participants to use the transmission capacities for commercial exchange of appointed amount of energy between control areas in the region
<b>SEE</b>	- South East Europe	
<b>SEE</b>	- South East Europe	
<b>CAO IG</b>	Coordinated Auctions Office Implementation Group	
<b>SETSO</b>	- South-East Europe Transmission System Operators Task Force	- TF created under the umbrella of ETSO to define and implement procedures for a liberalised electricity market in the SEE region.
<b>TSO</b>	- Transmission System Operator	- Natural or legal person responsible for operating, ensuring the maintenance of, and, if necessary, developing the transmission system in a given area and, where applicable, its interconnections with other systems, and for ensuring the long-term ability of the system to meet reasonable demands for the transmission of electricity.

## II. Introduction

The national transmission systems, initially interconnected only for reliability reasons, are nowadays faced with a complex international electricity market and a growing number of market participants. Thus cross border congestions occur and create a barrier for international electricity trade within Europe. Therefore it was necessary to implement proper rules for market based congestion management. Regulation (EC) No 1228/03 and its integral Congestion Management Guidelines request harmonizing congestion management methods in Europe and focus especially on the implementation of common procedures for the allocation of cross border capacities. It could be concluded that methods fulfilling the Regulation have to be based on

- (a) secure network operation,
- (b) economic efficiency ,
- (c) promotion of competition,
- (d) maximisation of the amount of capacity available and the use made of it,
- (e) transparency to network users on a non-discriminatory basis,
- (f) revenue neutral mechanisms from the point of view of TSOs.

Regulation 1228 as it is part of the Energy Community acquis, its Congestion Management Guidelines also need to be implemented. Although most of the TSOs within the SEE region have already introduced capacity allocation mechanisms (based on auction principle) for congestion management reasons at their borders, there is still a lack of harmonization within the region as a large number of different market systems occur creating a barrier for the international energy trading. Thus it was decided to investigate a new common approach including the envisaged establishment of a common Coordinated Auction Office performing load flow based capacity allocation. As a first step towards reaching this ambitious goal most of the TSOs of the SEE region started the so called “Dry-Run”, performing coordinated flow based auctions on a monthly basis without real clearing or payments. Within this Dry-Run each TSO performs the tasks of a Common Coordinated Auction Office – on a monthly rotation basis in order to maximize TSOs cross-knowledge. In view of one single CAO it was decided to further investigate the load flow approach in future, which takes into account the distribution of load flows in the meshed grid.

The expected advantages of this new approach are:

- (a) Better utilization of existing cross border capacities without jeopardizing system security
- (b) Higher degree of market harmonization due to coordinated capacity allocation to the SEE region,
- (c) Simplicity in handling for market participants (“one-stop-shop” solution)

After finishing the Dry-Run and based on the results of discussions between the stakeholders, a common Coordinated Auction Office is proposed to be established by the TSOs in the region. Thus a comprehensive agreement among participating TSOs covering all aspects of the CA mechanism (i.e. capacity calculation methodology, product definition, auction rules and revenue distribution), as well as the definition of the region (relevant interconnections) to which the CA mechanism shall apply, are key prerequisites for the establishment of the Coordinated Auction Office.

According to the request of the Implementation Group for the SEE Coordinated Auction Office<sup>1</sup> this report assesses a possible Action Plan for establishing a common Auction Office as foreseen in the Draft SEE CAO IG General Issues and Priorities document (R07-IG-01-03) as well as in the ECRB Terms of Reference on the SEE CAO Implementation Group (R07-IG-01-02). The document summarizes and describes all the necessary tasks for establishing the office and the services provided by the office at a later stage.

The final objective is that the CAO SEE in the future may provide auctions on a yearly, monthly and/or daily basis and organize a “secondary” market for physical transmission rights but this has still to be investigated. It is still to be investigated if the future CAO SEE will provide auctions on a yearly, monthly and/or daily basis.

In order to perform the main tasks mentioned above several sub - tasks have to be performed by the Auction Office. These tasks are mainly:

- providing an IT platform which will enable performance of the coordinated capacity allocation auctions and will also serve as the point of all necessary communication and publishing/exchange of information with market actors in relation to the auctions and to the operation of the secondary market
- centralized capacity allocation
- coordinated control of auction results
- billing, payment settlement and accounting with respect to allocated capacity, secondary market operation and auction revenue distribution
- handling of transmission rights' nominations and coordinated calculation of fixed cross-border exchange schedules or provision of necessary information to TSOs for scheduling
- calculation of PTDF and coordination (and/or calculation) of transmission capacities<sup>2</sup>

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<sup>1</sup> For further information see: Draft Minutes of the 1st SEE CAO IG Meeting (R07-IG-01-04)

<sup>2</sup> The calculation of sensitivity factors (PTDF) and capacities depends on the finally chosen allocation method (flow-based or NTC based) and on the chosen capacity calculation method as well (BC approach or the new more advanced Maximum Flow(MF) approach which takes also critical lines within the countries into account.

- comprehensive risk management
- coordinated merging of data
- coordinated processing of data

In order to implement these tasks a wide range of preconditions have to be fulfilled within an **Implementation Phase** before establishing the future CAO. These preconditions can be divided into technical, commercial, legal and organizational issues.

Therefore this report is also split into four parts as they are:

- **Technical Tasks** (Chapter 1 provides an overview about the technical aspects and preconditions for establishing a common auction office)
- **Commercial Tasks** (Chapter 2 provides an overview about the commercial aspects and preconditions.
- **Legal Tasks** (Chapter 3 provides an overview about the legal aspects and preconditions as contracts or legal requirements for establishing a common auction office)
- **Organizational Tasks** (Chapter 4 provides an overview about the organizational aspects for establishing a common auction office)

The tentative timetable for establishing the Coordinated Auction Office and the related tasks as well as a description of the responsibilities can be found in Annexes I-II. Since the respective tasks are interdependent the order of their realization according to the Draft Project Plan is crucial. Postponement of some tasks (e.g. Definition of the 8th region) will indispensably reflect in postponement of the others (e.g. Decision on methodologies or IT tender)

## **1. Technical Tasks [A]**

The following chapter provides a brief overview about the technical aspects of establishing a common AO and the tasks needed to be performed before and after the legal establishment of the CAO.

### **1.1 Capacity Calculation Methods for Yearly, Monthly and Daily Auctions [A1, A2]**

The load flow based approach reflects reality much better than the currently used NTC approach. Nevertheless it has to be taken into account that the load flow approach is something completely different. The load flow patterns within the meshed grid are represented by the so called PTDF- matrix. The values within this matrix represent the influence of a scheduled transaction from a predefined source to a predefined sink to load flows on the interconnected grids between. It is characteristic for a load flow based allocation that the allocated volumes of capacity on all relevant borders are interdependent. This means that allocating more capacity on one border results always in a decrease of capacity on another border (also increase in opposite directions, in case of considering netting), which means that PTDF matrices are more or less snapshots of the grid. This means that they are not static over a long time span as it is complex to make forecasts for more than days to weeks. No final decision has been made by TSOs about the methodology used for the different time horizons so far. The proposed deadline for finding a common agreement on the load flow based approach can be found in the project plan (ANNEX II). In order to perform the mentioned load flow based auctions several technical parameters need to be calculated. Thus it is necessary to define the basic principles behind this calculation. Up to now two approaches for technical parameter calculation are being investigated - the BC (Border Capacity Approach) and the MF (Maximum Flow) Approach. The MF allows taking into account also critical lines within countries and seems to create more transparency. In the mean time it was decided to test the MF approach during the remaining Dry- Run phase. So far, MF approach shows very promising results, and is a candidate and seems to resolve the drawbacks of the BC approach.

Nevertheless it has to be decided by the TSOs which approach should be implemented as the final approach in future.

#### Deliverables during preparation phase:

- Concept for flow based capacity calculation ready for implementation
- Practical transposition of the concept in the CAO IT structure

### **1.1.1 Investigation about possible risks in the case of future introduction of implicit auctions for transmission capacity allocation [A2.4]**

It is proposed by some stakeholders to have also some sort of investigation with a focus on risks that may occur in the case of introducing an implicit auction mechanism with goal of congestion release.

### **1.2 Secondary Market [A3]**

The Congestion management guidelines foresee with their “use it or sell it” approach for the use of capacity also the establishment of a secondary market in order to use all available cross border capacity. On this mentioned secondary market it should be possible that market participants who won already transmission rights during the auction performed by SEE CAO are able to resell their rights to other market participants. This secondary market should also be managed by the SEE CAO including the necessary tracing of the capacities ownership changes. Furthermore it is envisaged to run the secondary market on the future CAO Website. In this context already existing secondary markets provide useful experiences.

The concept for a secondary market will be investigated by the SEE TSOs, supported by international consultants and will be reviewed by the SEE CAO IG.

#### Deliverables:

- Concept for secondary market ready for implementation (making use of inputs from market participants)
- Practical transposition of the concept in the CAO IT structure

### **1.3 Price Determination Rules and curtailment of allocated capacity [A4]**

In case that two or more bids are accepted as marginal bids having the same price, curtailment is necessary. In this case a methodology for curtailment has to be defined in advance. Plausible approaches to address this situation could be:

- pro rata curtailment
- introduction, in addition, of a “fill or kill option”
- first come first serve
- others

It is up to the TSOs to decide which method should be introduced. Afterwards the proposed method has to be also reviewed by the Regulatory Authority. It is planned that the TSOs will finalize the concept until mid of 2008.

Beside that it is necessary to develop methods for the curtailment of already allocated capacity in case of an unforeseeable event and non-usage of capacity.

## **1.4 Scheduling [A5]**

In order to perform coordinated auctions, also a harmonized scheduling procedure has to be established. While performing coordinated auctions CAO will prepare capacity rights files which are then sent afterwards to the TSOs for scheduling.

In order to perform this task an evaluation of already existing scheduling systems and their compatibility has to take place. Thus it is up to now not possible to indicate a concrete timeframe for this task.

Deliverables:

- Cross-border exchange scheduling operations and the particular involvement of the CAO will need to be defined in detail.

## **2. Commercial Tasks [B]**

The following chapter gives a brief overview about the commercial tasks needed to be performed before the legal establishment of the CAO.

### **2.1 Congestion Revenue Distribution Method [B1]**

Thinking of a congestion management scheme that auctions transmission rights on a NTC basis, it is easy to allocate the auction revenue as bids for one border do not affect other borders. The TSOs at both sides of a border share the revenue for this border. On contrary, a coordinated auction creates one revenue for all involved borders. The Revenue Distribution Model describes the distribution of the revenues from auctions to the TSOs. As this topic influences the financial income of the TSOs, the distribution of the income among the participating TSOs is not a trivial task when coordinated, flow-based auctions are considered.

Generally, following Regulation (EC) 1228/2003 and its Annex in form of the Congestion Management Guidelines there should be an incentive (e.g. based on revenue distribution) to declare high capacities. Up to now several criteria for revenue distribution have been elaborated by the consultant Consentec and presented at the 10th Athens Forum:

- Stability of revenues (or share of revenues) of individual TSO
- Continuity compared to NTC-based allocation
- Creation of incentives to declare high capacities
- Creation of incentives for network reinforcement

Although several approaches were investigated there was no final decision about the future approach. It is proposed that the ECRB EWG and SETSO TF will provide a final position by mid of July 2008.

Deliverables:

- Elaboration of a comprehensive overview about the possible options for revenue distribution and a proposal for a revenue distribution mechanism.

### **2.2 Agreement on Business Plan [B2]**

The business plan is the formal statement of a set of business goals and the plan for reaching those goals regarding the establishment of the CAO. It contains necessary background information about the organization of the future company and the resources needed to reach those goals. The business plan should include an ownership and management model for the CAO as well as a financial plan.

Participating SEE TSOs are requested to agree upon the business plan prepared by SETSO TF and present it to the CAO IG. It is envisaged that the business plan will be agreed until mid 2008.

### **3. Organizational Tasks [C]**

The following chapter gives a brief overview about the organizational tasks needed to be performed before and after the legal establishment of the CAO.

#### **3.1 Auction Office [C1, C2]**

The following section should give a brief overview about the main organizational tasks regarding the Auction office.

##### **3.1.2 Location of the Auction Office [C1, C2]**

In order to find an appropriate location for the Common Auction Office, it is necessary to define a list of criteria for the location of the future CAO before starting the evaluation of possible locations. This could be mentioned within the invitation for application which is the starting point of the evaluation phase. The final list of criteria for CAO location should be defined by CAO IG upon a proposal by SETSO TF by end of April 2008.

The applicants will provide the required data based on the criteria which will be assessed by a independent third party against the set criteria and forwarded to the IG.

The TSOs participating in the CA mechanism will take a decision on the CAO location through a clear and transparent voting procedure..

#### Deliverables:

- Common list of criteria
- Common decision on location of the future CAO office
- Businessplan

#### **3.3 IT, IT specification and Tender Process [C3]**

In order to perform the auctions all issues related to IT have to be solved. This includes especially the commercial versions of the Auction Tool, the software for PTDF and capacity calculations, and the scheduling system. Solution for appropriate IT environment should be based on the agreement of the participating SEE TSOs. TORs should be drafted and agreed by the TSOs. Afterwards it is proposed to have a tendering process.

### Deliverables:

- Specification of requirements for IT tools on different necessary aspects (such as capacity calculations, scheduling system, auction system, secondary market etc.) including concept for sourcing (agreement or tendering)
- Implementation and testing of IT systems

### **3.4 Management and Staff recruiting [C4, C5]**

Before the legal establishment of the AO the staff recruitment has to be started. Therefore the job profiles have to be prepared and a call for application has to be launched.<sup>3</sup> After this process the Selection of staff members could be made. The first staff member will be the person selected for the position of managing director. Selection of the other staff members will be done in accordance with finally agreed Business Plan.

### **3.5 Office and Bank Account [C6]**

The person selected for the position of managing director will be responsible - with the support of the country hosting the CAO- for the evaluation and the selection of premises at the location of the further auction office. Furthermore the managing director will issue a tender for the selection of the bank for CAO..

### **3.6 Test run [C7]**

Before starting the real time operation of the Auction Office, it is necessary to approve the methodology for calculation of transmission capacities and to perform a test run in order to check the functioning of all parts of the Auction System (Software and Hardware).

## **4. Legal Tasks [D]**

This section will provide a short overview about the legal tasks necessary for establishing a SEE CAO.

### **4.1 Definition of the 8th CM region and concerned participants [D1]**

In order to start with the implementation of the coordinated auction scheme it is necessary to know which TSOs and interconnections are participating in this scheme.

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<sup>3</sup> The participating TSOs, as they are shareholders of the company, will have the right to select the staff and define selection criteria

Article 3.2 of the Annex to the Regulation establishes a common coordinated congestion management method and procedure for the allocation of capacity to the market within seven defined groups of EU Member States (“regions”). In order to implement such a provision in the Energy Community context, it is necessary to establish the corresponding region.

The Permanent High Level Group will be invited to consider a draft decision with the view to submitting it to the June 2008 Ministerial Council for decision.

The participation in the CA real run and the SEE CAO is up to the voluntary agreement of each individual TSO.

**The definition of the SEE- CM-Region is one of the preconditions for establishing the CAO!**

#### **4.2 Due diligence of legal framework [D2]**

In order to ensure an appropriate legal environment for a future SEE CAO a complete picture of the legal framework in the region has to be elaborated.

A draft version of the Due Diligence Report of Legal Frameworks made by Hunton and Williams was already presented by Julia Weller at the first SEE CAO IG Meeting in Zagreb. It shows that the proposed SEE CAO complies with Regulation (EC)1228/2003 but it seems that the idea of a common CAO is not in line with national legislations of some EnCT Contracting Parties – therefore the various national legislations in the SEE region have to be harmonized . Nevertheless the following issues need to be tackled before establishing the SEE CAO:

- There is still need for further harmonization. Especially in terms of harmonized *force majeure* provisions, harmonized auction and market rules, and standardized information provided by the TSOs.
- Decisions about the future location of the CAO have to be based on considerations about the legal, economical, technical and practical considerations.

Therefore it is proposed in the mentioned Due Diligence Report to start with the evaluation of locations for the SEE CAO as soon as possible.

#### **4.2.1 Harmonization of the regional market environment [D2.1]**

The high degree of coordination provides the opportunity for introducing one single set of auction rules and simplifies the licensing procedures for cross border trades. Although harmonization of the regional market environment is one of the big advantages of a SEE CAO the CAO itself needs also a certain degree of harmonization as a precondition for its establishment. One important task is in this context to harmonize the market rules in order to provide the necessary legal background for running the CAO. National regulators will be responsible for detecting whether the proposed CAO is in line with national legislation or if adaptation of national legislation is necessary. Furthermore it has to be ensured that the future common auction office is also in line with the neighbouring regional initiatives.

Deliverables: Report on minimum harmonization requirements of the regional market environment and concrete proposals.

#### **4.2.2 Monitoring of the SEE CAO [D2.2]**

There is a need for regulators to support the SEE CAO, before and after establishment. Generally for monitoring the SEE CAO after establishing the SEE CAO there several approaches to tackle this problem for the period before establishing the SEE CAO.

Regulators will agree on an approach for monitoring the SEE CAO. In order to monitor the progress during the process of establishment of the SEE CAO it is proposed that the SEE CAO IG upon request of the ECRB will perform the task of a monitoring body. Following this approach an updated progress report should be prepared by the SEE CAO IG chairman for each SEE CAO IG Meeting.<sup>4</sup>

#### **4.3 Memorandum of Understanding and political support [D3]**

A Memorandum of Understanding (MoU) will be useful, describing the multilateral willingness among the TSOs to establish a CAO within the region and as a proper starting point for the implementation phase. The Memorandum will express a convergence of will between the TSOs and indicates also a common line of action. A draft MoU will be elaborated by the TSOs and forwarded also to the regulators.

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<sup>4</sup> since some of the mentioned options are not acceptable unanimously by the TSOs, it was proposed by SEE TSOs that they will agree on a common proposal for monitoring of the CAO and present it to the CAO IG.

Beside the will of the TSOs it is necessary to have also the support at political level as this project has a big influence on the development of the security of supply for the whole region.

#### **4.4 Other Contracts [D4]**

This section will give a brief overview about all other important contracts.

##### **4.4.1 Articles of Association [D4.1]**

Before establishing the CAO several contracts are needed to be prepared. The most important ones are the Articles of Association. They are defining the relationship between the shareholders and the directors of a company. Furthermore it describes the objects of the company, the shareholder structure and the shares of capital within the company.

##### **4.4.2 By Laws [D4.2]**

The By Laws define both rights and duties of the Management Board and the Supervisory Board. It is planned that the relevant national bodies will review the Articles of Association proposed by the TSOs.

##### **4.4.3 Merger Regulation check [D5]**

Furthermore it has to be checked by the TSOs and relevant national authorities if the establishment of a common Auction Office is in line with the European Merger Regulation and if this Regulation is applicable for the region.

##### **4.4.4 Work permission [D6]**

Before hiring staff for the auction office it has to be checked if work permissions are required if the hired staff comes from foreign countries. If yes, a recruitment process starts. The work permission situation is an important criterion for finding the proper location of the SEE CAO.

##### **4.4.5 Service Level agreement [D7]**

The Service Level agreement defines the Services provided by the CAO and describes the rights and duties of both CAO as the service provider and the TSOs. It will cover mainly the definition of services provided by the CAO, the cooperation between the CAO and the TSOs, invoicing and financial settlement as well as bearing of costs for handling the auctions.

Furthermore the Service Level Agreement will define, following the example of other international service provider companies, the rules for dispute settlement within the operational business processes of the future CAO.

#### **4.5 Legal form for establishing the SEE CAO [D8]**

In order to establish an international organization like the future SEE CAO it is important to find an appropriate legal form. Up to now establishing a limited company (LTD) seems to be the most promising approach.

However, the taxational environment at the future location of the SEE CAO has to be investigated before deciding on a legal form. Thus, it is proposed to ask in the invitation also for the best possible legal form at the host country.

#### **4.6 Establishment of Auction Office (Company) [D9]**

The Auction Office will be formally established as a company by the shareholding TSOs.

#### **4.7 Auction Rules [D10]**

The Auctions Rules define the legal framework for the Auction. They define the duties and rights of the Auction office and the Traders. They shall be elaborated by the TSOs and reviewed by the regulators. The Auction rules have to be finalized before November 2008 at the latest.

## ANNEX I: List of Tasks

The tables below provide an overview about the tasks necessary to be performed and the relevant responsibilities. It is envisaged that the first auction performed by the Coordinated Auction Office will be the yearly Auction 2010.

### [A] Technical Tasks:

Tasks	Responsible:	Start	Deadline	Comment
<b>(A1) Capacity Calculation Method</b> A 1.1 Decision on methodology (Fmax, BC)	SETSO TF			
<b>(A2) Decision on Methods in use</b> A 2.1 Consultancy support  A 2.2 Dry-run  A 2.3 Decision on methodologies (flow-based; fall back NTC) A 2.4 Investigation about possible risks in the case of future introduction of implicit auctions for transmission capacity allocation	SETSO TF  SETSO TF  SETSO TF SETSO TF, ECRB EWG			
<b>(A3) Secondary Market</b> A 3.1 Consultancy support  A 3.2 Decision on final SM model	SETSO TF Review by SEE CAO IG			
<b>(A4) Curtailment of allocated cross border capacity</b> A 4.1 Consultancy support A 4.2 Agreement on Curtailment Model	SETSO TF SETSO TF			
<b>(A5) Scheduling</b> A 5.1 Consultancy support A 5.2 Agreement on scheduling Model A 5.3 Implementation of scheduling (communication of each TSO)	SETSO TF SETSO TF  SETSO TF			

## **[B] Commercial Tasks**

Tasks	Responsible	Start	Deadline	Comment
<b>(B1) Congestion Revenue Distribution Method</b> B 1.1 Consultancy support  B 1.2 Dry-run results  B 1.3 Agreement amongst TSOs  B 1.4 Review by Regulators	SETSO TF, ECRB EWG SETSO TF  SETSO TF  ECRB EWG			
<b>(B2) Business Plan</b> B 2.1 Proposal of the Business Plan B 2.2 Agreement on Business Plan B 2.3 Review by SEE CAO IG	SETSO TF  SEE CAO IG			

## **[C] Organizational Tasks**

Tasks	Responsible:	Start	Deadline	Comment
<b>(C1) Call for Application</b> C 1.1 Proposal of criteria for location C 1.2 Agreement on criteria C 1.3 Invitation to contracting parties to host SEE CAO	SEE CAO IG SEE CAO IG ECS			
<b>(C2) Evaluation and Decision of AO location</b>  C 2.1 Evaluation of offers from Adhering parties, to chose the hosting country for the AO  C 2.2 Decision on location of hosting country (e.g. top 3)	SEE CAO IG with assistance from ECS(for evaluation)  SETSO TF by voting decision (back-up MC)			

<b>(C3) IT Specification, IT Tender if necessary</b>				
<b>C 3.1 Preparing tendering Documentation</b>	SETSO TF			
<b>C 3.2 Decision on IT</b>	SETSO TF			
<b>(C4) Management</b>				
C 4.1 Preparing of job profile and application forms	Shareholders Shareholders			Application period Interviews by consultant Selection by TSOs
C 4.2 Call for application	Shareholders			
C 4.3 Evaluation of applicants/interviews	Shareholders			
C 4.4 Selection of MD of AO	Shareholders			
<b>(C5) Staff Recruiting</b>				
C 5.5 Preparing of job profiles and application forms	MD, Shareholders			Application preparation Application period Continuous process
C 5.6 Call for application	MD, Shareholders			
C 5.7 Selection of staff members	MD, Shareholders			
<b>(C6) Auction Office – premises</b>	Shareholders/ MD			
C 6.1 Pre-evaluation for proper premises	MD			TSO of hosting country Selection of office
C 6.2 Evaluation of premises and selection				
<b>(C6 ) Bank Account</b>				
C 6.3 Starting of negotiations with different banks (invite for offers)	MD			Select bank for AO
C 6.4 Evaluation and selection of bank for AO	MD			
<b>(C6) Furniture</b>				
C 6.5 Selection and ordering of furniture for office and necessary conversion	MD			
<b>(C7) Test Run</b>	SETSO TF			

**[D] Legal Tasks:**

Tasks	Responsible:	Start	Deadline	Comment
<b>(D1) Definition of the “8<sup>th</sup> CM region” and concerned participants</b>	PHLG, MC			
<b>(D2) Due Diligence of Legal Framework</b> D 2.1 Proposal for harmonization of legal framework (laws, market rules, cross border rules, licensing,...) D 2.2 Proposal for Monitoring the SEE CAO D 2.3 Proposal of SEE CAO Ownership model D 2.4 Disputes resolution D 2.5 1228 compliance checking	ECRB EWG, MC			
<b>(D3) MoU</b> D 3.1 Draft MoU D 3.2 Decision MoU  D 3.3 Review by ECRB	SETSO TF  ECRB			Expressing will by TSOs to establish SEE CAO. Also support at political level is needed
<b>(D4) Contracts</b> D 4.1 Articles of Association  D 4.2 By-Laws (Management, Supervisory Board)  D 4.3 Legal comments (recommendation)	SETSO TF SETSO TF ECRB			company agreements  evaluation by ECRB
<b>(D5) Merger/Cartel Issues</b> D 5.1 Legal check related to merger/cartel issues	ECRB EWG			support of ECRB
<b>(D6) Work permit</b> D 6.1 Work permit for employees in host country (pre-evaluation) D 6.2 Work permit procurement  D 6.3 Signing of deed documents by shareholding TSOs	Local TSO  AO (MD)  SETSO TF			
<b>(D7) Service Level Agreement</b> D 7.1 Defining of services provided by the AO	SETSO TF			

D 7.2 Preparing of SLA	AO/ Legal Co.			
D 7.3 Signing of SLA	SETSO TF Market Participants			
<b>(D8 )Legal form for establishing the SEE CAO</b>	SETSO TF			
<b>(D9) Establishment of AO</b> D 8.1 Signing of deed documents by shareholding TSOs	SETSO TF			legal establishment of AO
<b>(D10) Auction Rules</b> D 9.1 Preparing of Auction Rules D 9.2 Review by regulators	SETSO TF ECRB.			
D 9.3 Finalisation of AR (based on Regulators comments)	SETSO TF			
D 9.4 Approval of AR by Regulators	ECRB			
D 9.5 Publication of AR	AO			
D 9.6 Publication of Capacities/PTDFs	AO/SEE TSOs			

**(E) Auctioning:**

Tasks	Responsible:	Start	Deadline	Comment
<b>(E1) Dry-run with traders</b> E 1.1 Permanent communication and input with/from Traders	SETSO TF			Dry-run
<b>(E2) Centralized Capacity Yearly Auction</b> E 2.1 Publication of necessary data (PTDF, capacities,...) E 2.2 Capacity Auction for 2010 E 2.3 Publications of results	AO AO AO			

### ANNEX III: Contractual Relationships

#### Contractual Relationships

