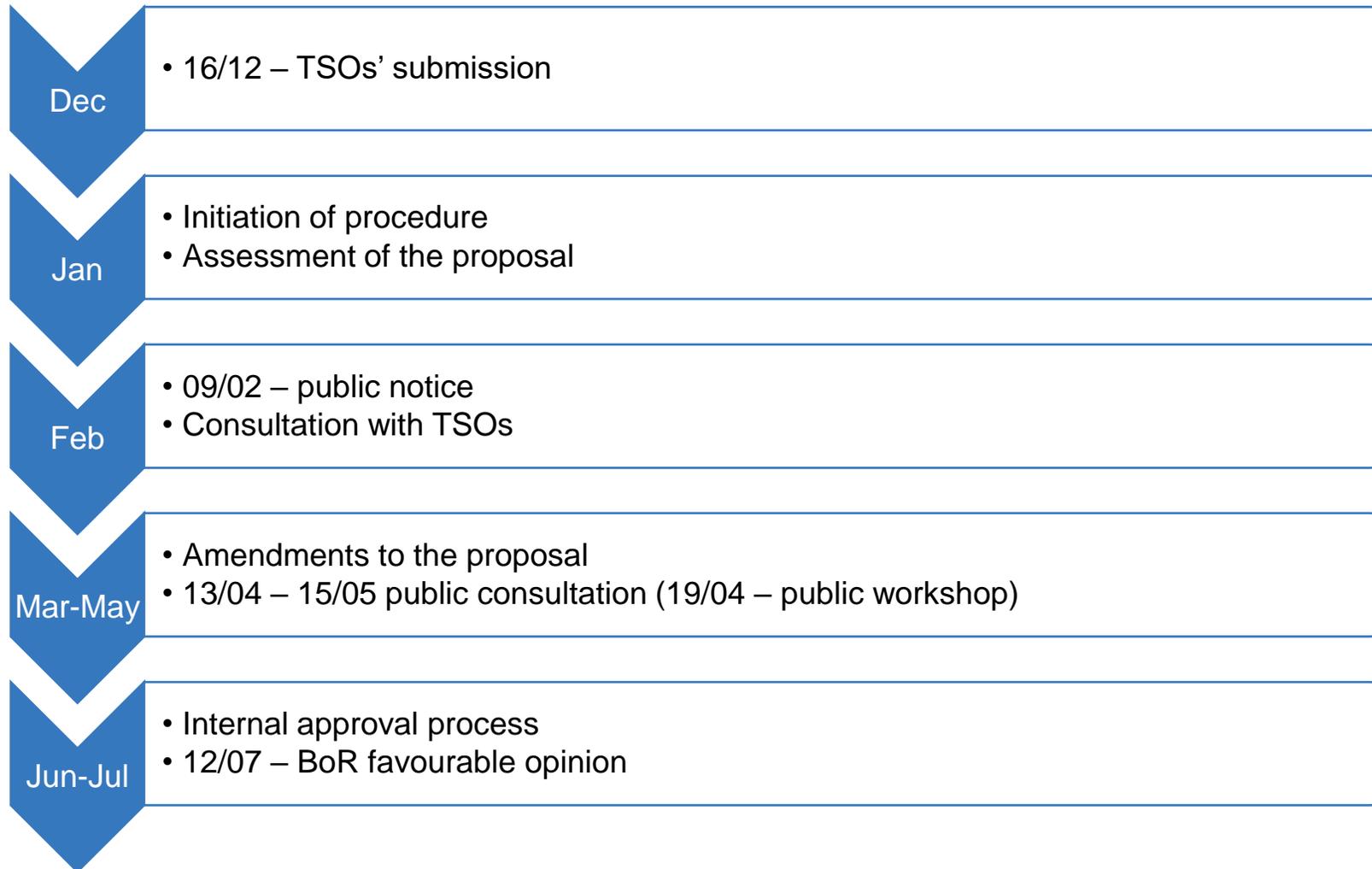


# **ACER Decision on HCZCAM**

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- The ACER Decision on the harmonised cross-zonal capacity allocation ([HCZCA](#)) methodology ([ACER Decision 11/2023](#)), in accordance with Article 38(3) of the EB Regulation, includes the following processes for the [allocation of cross-zonal capacity](#) for the exchange of balancing capacity or sharing of reserves:
  - The [co-optimised allocation process](#)
    - Will replace the co-optimised methodology (ACER Decision 12/2020)
    - Limited changes to the existing requirements
  - The [market-based allocation process](#)
    - Harmonises existing market-based allocation methodologies per CCR
    - Most revisions/issues in the submitted HCZCA proposals relate to the market-based allocation process
- Economic efficiency process (Article 42 of EB Regulation) is not included in the HCZCAM proposal

- During the public consultation ACER presented its views on specific aspects of the proposal and asked for stakeholders' views on these topics.
- Taking into account the received input ACER included the following elements into its decision:
  - **Pricing principle:** marginal pricing is required as the pricing principle when market-based cross-zonal capacity allocation is applied.
  - **Inverted market-based:** since the inverted market-based process could only be implemented with the co-optimisation function and the HCZCAM proposal included an incomplete inverted market-based process, it is not included in the ACER Decision.
  - **Max volume limits:** further explained in the next slide.
  - **Forecasting** the cross-zonal capacity market value for single day ahead coupling (SDAC): further explained in the next slide

- HCZCAM considers default limits in accordance with the EB Regulation:
  - No max vol limits for co-optimisation
  - 10% max vol limit for market-based
    - Process to allow an increase of this limit to up to 20%
    - No specific consideration of LFC blocks
- Possibility for defining other limits within an EB Regulation Article 38(1) proposal
  - Limits of different applications should be consistent per BZB
  - Expected forecast accuracy and related impact on SDAC shall be considered when proposing such limit (based on impact assessment)
- Limits apply to all CNEs in case of flow-based and to individual BZBs in case of cNTC
- Generally addressing SO Regulation limits in a consistent form

- Forecast validation process
  - Following the input received by TSOs ACER revised the proposal to have
    - one forecast error showing the **welfare impact of inefficient forecast** and
    - one based on **wrongly allocated CZC** to protect the day-ahead market.
- Forecast error consideration:
  - It was not properly defined in the proposal, and the forecast efficiency/accuracy of the proposed method (and the possible impacts of inefficient forecasts) was not assessed by TSOs
  - In the decision the TSOs are required to perform such assessment and submit an amendment proposal with a harmonised forecast error consideration

=> Resubmission **one year after at least two applications are operational**

- By two months after the approval of the methodology (i.e., **by 19 September 2023**), TSOs may resubmit a new set of requirements for the price coupling algorithm to all NEMOs
  - Submitted on 15 September 2023, changes limited to [removing references to unilateral cross-product linking of bids](#).
- By **31 July 2024**, all TSOs should:
  - submit a proposal for an [amendment](#) of this methodology to complement this methodology on the [governance aspects](#);
  - submit a proposal for an [amendment](#) of the [congestion income distribution methodology](#) (*already submitted; approval process is on-going*)
- By **31 July 2025**, all ‘application TSOs’ should develop the market-based cross-zonal capacity allocation [optimisation function software](#).
  - Application of regional market-based processes may continue for 12 months after this deadline
- Before an application of the harmonised market-based allocation process, the processes under the applicable [balancing capacity platform](#) need to be established by the entities, which are designated by the relevant application TSOs.