



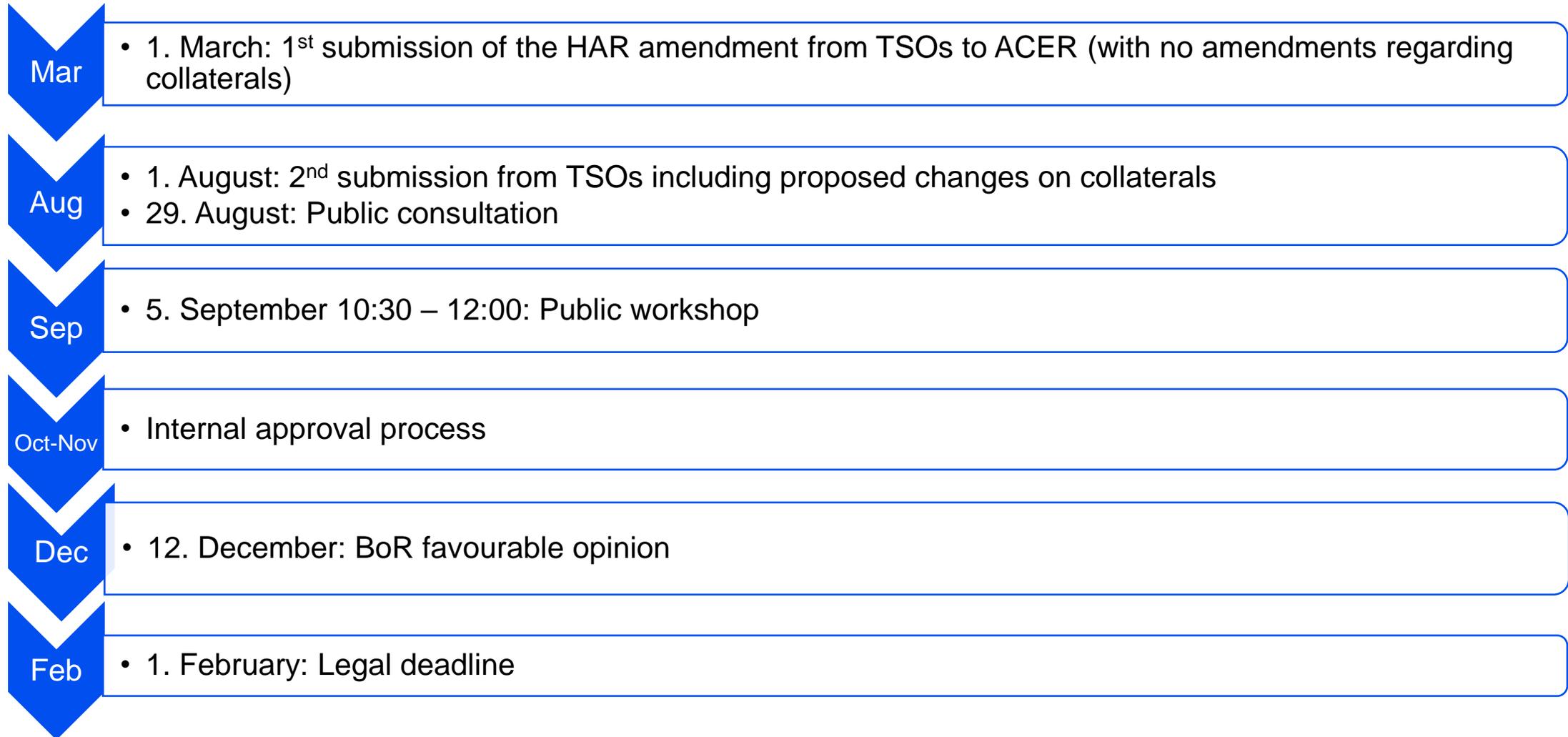
European Union Agency for the Cooperation
of Energy Regulators

ACER Decision on the Harmonised Allocation Rules

MESC

18 October 2023

- On 1 March 2023, TSOs submitted for amendment to the harmonised allocation rules (HAR) (Article 51 of the FCA Regulation). On 1 August 2023, TSOs complemented their proposal by submitting the amendments to the provisions on collaterals in the HAR
- This is the final methodology that is needed to be amended in order to implement long-term flow-based allocation (LT FBA), a pre-requisite for implementing the Core and Nordic capacity calculation methodologies in accordance with Article 10 of the FCA Regulation
- Long-term flow-based allocation in the Core capacity calculation region is expected to go live in November 2024



In CCRs with LTFB-allocations, auctions will be performed simultaneously

- With cNTC, the LTTR auctions are performed sequentially, while with FB the auction will be performed simultaneously for the whole region
- This implies that the collateral requirements is expected to vastly increase if the current approach is kept, with 100% collateral requirements
 - It is recognised that changes related to the collateral requirements are therefore necessary

Short-term solution:

- Introduce a cap for the calculation of collaterals for LT FBA
- Limits collateral requirements during the auction by using:
 - *MIN(bid price, price cap)*
- Introducing a cap is simple and can be implemented by November 2024

How to calculate the price cap:

- Option 1: Calculate the cap using the day-ahead market spread:
 - Use historical day-ahead market data and sum up the value of positive market spread of relevant MTUs and divide by the total number of relevant MTUs
 - This approach is simple, transparent and it can be implemented by November 2024
 - Might not be the approach that provides the most accurate forecast
- Option 2: Calculate the cap using forward prices:
 - Calculating the cap using available forward prices will most likely provide a more accurate forecast than a cap based on historical day-ahead prices
 - A challenge with using the forward prices is the complexity of transforming spread data from obligations (bi-directional) to a market spread per bidding-zone border direction (options)
- Currently looking into how option 2 can be applied without delaying the go-live of LT FBA in Core

Possible long-term solution:

- The drawback of a cap option is the inefficiency where inaccurate forecasts for the calculation of the cap can lead to inaccurate assessments of the required collaterals before the auction is run
 - A solution that addresses these drawbacks of a cap option, could be an option where the bid filtering is based on the market results
- Not a solution that would be available for the November 2024 deadline
 - Could be an option that can replace a cap-based solution in the long-term
- If option 1 is implemented as the short-term solution:
 - TSOs shall propose improvements which shall be implemented as a long-term solution
- If option 2 is implemented as the short-term solution:
 - TSOs may propose improvements to the collateral provisions

Thank you. Any questions?



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