



– Consultation Response –

ACER targeted consultation on the project prioritisation exercise of 2024

Europex welcomes ACER's invitation to participate in the consultation process on the Project Prioritisation 2024. We take this consultation as an opportunity to stress several concerns regarding ACER's approach which risks rendering the overall exercise inconclusive. In our response, we do not intend to define our priorities: when referring to certain cases or projects, we only aim at giving concrete examples and this should not be interpreted otherwise.

ACER's exercise remains incomplete

We take note that the overall exercise mainly consists of two-yearly processes to (i) identify projects and order them by priority and (ii) size delivery pipelines. In a conclusive step, the pipelines should be filled with the projects in accordance with their respective priorities.

As ACER considers that only delivery pipelines related to CACM are congested, a number of projects and delivery pipelines have been descoped from the exercise, meaning that the 2024 prioritisation exercise focuses only on CACM projects and regional TSOs projects related to capacity calculation in the Core and Nordic regions.

Europex considers that this decision substantially reduces the overall value of the exercise. The assessment remains incomplete as it does not take the whole picture into account. Indeed, certain timeframes of wholesale energy markets (i.e., balancing and forward markets) are completely neglected from the exercise. However, this does not correspond with the way that markets are looked at by stakeholders, as markets in different timeframes influence one another (e.g., day-ahead auctions defining the settlement price for forward and derivative markets; intraday and balancing markets price formation being interdependent; etc.). Indeed, Europex believes that it is useless to treat them in isolation. The same holds true for the regulatory projects which frequently are interrelated. For instance, they can share the deliverables (e.g., co-optimisation); their deliverables can be interdependent (e.g., ISP-MTU); they can refer to the same resources to be implemented (e.g., stakeholders being involved in several national/regional projects); etc.

In addition, we fail to understand ACER's reason in justifying the descope decisions. First, we disagree with the claim that only projects with regard to day-ahead and intraday markets (CACM) are congested. As far as we understand, the same holds true for balancing markets as

well (EB GL). Nevertheless, the aim of the exercise should be about avoiding congestions in the delivery pipeline, not managing them. It should be equally important to consider non-congested parts and ensure that they remain that way.

Instead, with a limited exercise, ACER puts the stability of planning at high risk. For example, ruling out interdependencies between projects could result in uncongested pipelines getting congested at a later stage. Hence, the exercise remains subject to changes affecting factors which were intentionally put aside, making the exercise rather incomplete. Nevertheless, despite ACER's reported focus on CACM only, the provided draft includes some projects which originate from other network codes or guidelines than CACM (e.g., co-optimisation from EB Guidelines). Overall, it remains unclear the justification behind this selective approach which seems to make the entire exercise highly arbitrary. The best way to address these shortcomings would instead be a conclusive approach from the very beginning.

ACER's focus on EU-wide projects only is too limited

Even within the CACM scope, the presented prioritisation exercise falls short of its aim to identify all possible relevant projects as national and regional projects related to the respective short-term markets are excluded from the scope, only because of limited ACER's responsibility and resources over these projects.

On the contrary, as national and regional projects can have an impact at the EU level, they should be coordinated by ACER as well to avoid blocking situations. Indeed, ACER is responsible and authorised to control for their impact at common level and to the implementation of the network codes and guidelines, as foreseen in Article 5.1(e) of Regulation (EU) 2019/942.

Finally, when looking at regulatory projects, the current approach seems to disavow both interdependencies and resulting complexities. For example, resources are regularly reserved/blocked by national and regional undertakings; tested environments and/or systems are affected by national and regional projects; national and regional steps can constitute prerequisites for common projects (e.g., Polish balancing reform for 15' MTU), etc.

An objective prioritisation is missing

Europex welcomes the fact that ACER agreed to assess the benefits of the various projects. Nevertheless, the exercise remains insufficient for various reasons:

1. **An assessment of the costs and/or efforts to implement the respective projects is missing.** Europex is aware of the potential counterargument that a burdensome implementation path must not be misused to cancel regulatory projects. We also understand that respective efforts and costs should be assessed at a stage before the decision is taken to initiate a regulatory project. However, resources are limited and needs

to be optimised. This optimisation task cannot take place at the isolated project-level but should rather take the overall picture into account. With its insights and expertise, we believe that ACER is the best-suited authority to organise this task. As it is stated in Recital 12 of Regulation (EU) 2019/942, ACER's involvement is essential in order to ensure that the cooperation between TSOs and other entities with Union-wide functions proceeds in an efficient and transparent way for the benefit of the internal market.

2. **The benefits are described and weighted in a qualitative manner only.** Europex considers the different criteria used to assess the benefits exhaustive. What is more worrying, however, is the mere fact that they are assessed in a qualitative way only and weighted equally. For instance, to take the positive impact on overall welfare (criterion 5b) a welfare increase of 1M would be equal to 100M, an assessment which should be better quantified. We also need to discuss whether we should value a higher level of harmonisation (criterion 2b) as equally beneficial as an increase of security of operation (criterion 5c) since harmonisation is a means, while security of operation is a purpose. A project that increases the level of harmonisation but puts operation at risk must not be assessed as equally as one that improves security of operation by allowing national/regional differences.
3. **The assessments lack any description and/or reasoning.** The documentation and materials presented in this consultation are insufficient. ACER falls short in presenting how their qualitative assessments were formed. As a consequence, we cannot verify ACER's findings in several cases. In such events, without some form of description and/or reasoning, the whole assessment risks appearing arbitrary. We can refer the following as two examples for which further description and/or reasoning is needed:
 - In general, a complex and lengthy implementation should be measured negatively in a cost-benefit analysis. However, as regards FB allocation for IDAs and Core Advanced Hybrid Coupling, ACER seems to consider a simple implementation, and corresponding limited efforts, as negative too.
 - In other cases, ACER refers to a mere likelihood of a certain impact. As an example, co-optimisation might increase welfare with a certain probability. However, it remains unclear how this likelihood is computed and whether it is plausible at all.

About

Europex is a not-for-profit association of European energy exchanges with 33 members. It represents the interests of exchange-based wholesale electricity, gas and environmental markets, focuses on developments of the European regulatory framework for wholesale energy trading and provides a discussion platform at European level.

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