

CACM 2.0 Amendment Advocacy Report

Advocacy report following the recommendation from ACER on amendments to the Capacity Allocation and Congestion Management guidelines

March 2022



TSOs highlight of the improvements of the Regulation from the ACER's recommendation

Future Proof



- Detailed rules to apply Qualified Majority Voting in all instances
- Possibility to have non-uniform pricing
- Stakeholders group for the market coupling Steering Committee

Flexibility

- Good convergence and progress on most of the SOGL related topics
- Timings for the market coupling included in methodologies instead of having them prescribed in the regulation
- Possibility to move optimization of (non-costly) Remedial Action's from calculation to allocation
- Advanced Hybrid coupling still allowed



70% in Intraday



Capacity calculation

70% in intraday

ACER's recommendation implies that the 70% cross-zonal capacity availability for trade applies to the intraday timeframe

CACM today

No provisions

Since the enactment of CACM Regulation, Europe's Clean Energy Package (CEP) has set a binding minimum 70% target for electricity interconnector capacity for cross-zonal trading (the 'minimum 70% target'), to be met by all Transmission System Operators (TSOs).

So far, the focus has been on providing the 70% requirement for electricity trading in the day-ahead market.

Revised CACM

Article 26.3:

- Capacity calculation methodologies “(...) shall transpose the requirements regarding the minimum level of available capacity for cross-zonal trade pursuant to Article 16(8) of Regulation 2019/943, (...)”. This would apply to both day-ahead and intraday.

Article 32:

- ACER introduces a dedicated step in the calculation process to implement the 70% requirement also in intraday.

Capacity calculation

70% in intraday

TSOs are very much concerned about ACER's recommendation to expand 70% into the ID timeframe

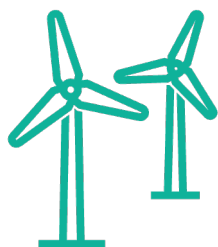
- 1) Overruling ROSC* with virtual capacities puts operational security severely at risk
 - TSOs are forced to unwind allocated capacity up to 1h before RT....
 -without the possibility to coordinate and without guarantee of having sufficient means to do so
- 2) A reconfiguration of bidding zones may reduce the role of virtual capacity, yet it is not a silver bullet solution:
 - There is no proof a zonal model can enable 70% in ID without the use of virtual capacity
 - Non-enforceability as final say is at MS level

The idea of applying 70% in ID via virtual capacities is a **threat to operational security**. TSOs are highly worried as the **ID timeframe does not leave sufficient time to apply coordinated RAs** to keep operational security. The identified issue of too low capacities in ID should be better tackled by an adjustment of the overall market design than by **application of transitional agreements** that fundamentally **risk operational security**.

Capacity calculation

70% in intraday

ACER's recommendation stems from the necessity to enable cross-zonal exchanges during the intraday timeframe



Providing cross-border capacity in intraday is key to enable the cost-efficient integration of increasing volumes of RES generation

Day-ahead

Intraday



The current market design fosters low/zero capacities in intraday. The priority is given to the day-ahead market since offering virtual capacity is required to meet the target, which implies to set up remedial actions.

TSOs understand the increasing importance of the intraday market to integrate RES generation. However, the capacity cannot be increased above the security limits.

Capacity calculation

70% in intraday

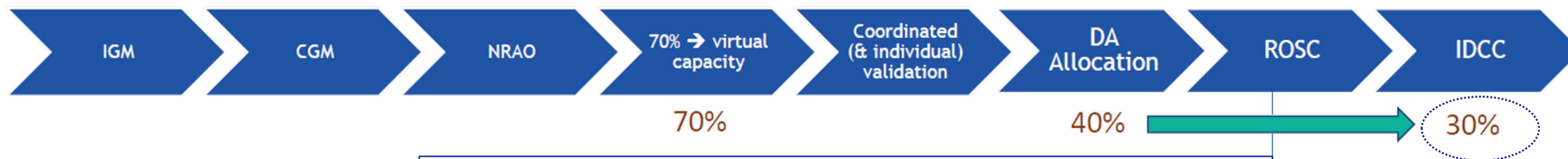
TSOs often need to offer virtual capacity to meet the 70% requirement

TSOs often meet the minimum requirement for cross-zonal capacity for trade* through offering “virtual capacity” to the day-ahead market (the physical available capacity being lower)



Any virtual capacity offered increases the need for TSOs to intervene to compensate the market through (costly) remedial actions.

However, the number of RAs being available is significantly decreasing closer to RT (e.g. due to the lead times of power plants).



Regional operational security coordination was developed, inter alia, to deal with **remedial actions made necessary by the virtual capacity** offered in DA

ACER's recommendation would lead to the **remainder of the capacity not allocated in DA being re-offered in ID** auctions and ID continuous trading ...overruling the outcome of ROSC and with little / insufficient time left to perform remedial actions.

*70% or applicable value through action plan, derogation

Capacity calculation

70% in intraday

ACER's recommendation will not lead to additional capacity being available for trade in the intraday timeframe

Day-ahead



In DA, meeting the 70%* target shifts the DA-market away from the physical realities, requiring remedial actions to be applied to maintain the system within operational security limits.



ROSC** methodology developed to answer increased need for remedial action in a coordinated manner.



When the day-ahead clears with an allocation of cross-zonal capacity requiring virtual capacity, TSOs have enough time to implement remedial actions, and to validate the increase of virtual capacities.



Remedial actions performed to compensate virtual capacity, even coordinated, equals additional costs for the system

Intraday

Antagonistic requirements: TSOs are responsible to maintain operational security. The minimum capacity requirement will in reality be offset to maintain operational security.

ROSC methodology also applies to intraday, to ensure the coordination of remedial actions.

TSOs cannot determine, choose and perform costly remedial actions after IDCZGCT*** i.e. within 1 hour before real-time in a coordinated way.

ACER's recommendation requires additional costs for performing remedial actions also during and after intraday.

*70% or applicable value through action plan, derogation

** Regional Operational Security Coordination

*** Intraday Cross-zonal Gate Closure Time, time at which the allocation of cross-zonal capacity is no longer permitted during the intraday trading session

Capacity calculation

70% in intraday

Regional Operational Security Coordination (ROSC) ⇔ Intraday Capacity Calculation (IDCC)

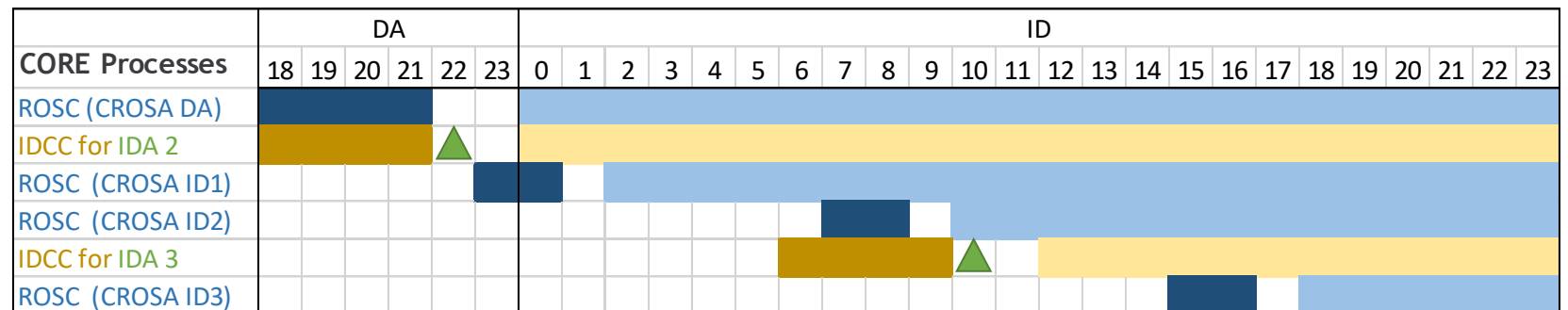
The processes of security analysis and capacity calculation cannot be designed independent from each other.

TSOs welcome further harmonization of ROSC and IDCC timings/frequency, yet the **intrinsic limitation remains**:

- Any virtual capacity used in IDA - and/or subsequent continuous trading - will have to be secured/unwind by the next security analysis (CROSA)
- The closer to RT, the higher the risk that lack of time and lack of RAs will allow to find a solution

Explanation:

Dark colours indicate the processes (ROSC or IDCC).
Pastel colours show the delivery hours that are handled by the processes.
The triangles mark the ID auctions.



Capacity calculation

70% in intraday

To conclude: no solution is offered by CEP nor CACM 2.0 that can make 70% in ID work.

- 1) Overruling ROSC* with virtual capacities puts operational security severely at risk
 - TSOs are forced to unwind allocated capacity up to 1h before RT....
 -without the possibility to coordinate and without guarantee of having sufficient means to do so
- 2) A reconfiguration of bidding zones may reduce the role of virtual capacity, yet it is not a silver bullet solution:
 - There is no proof a zonal model can enable 70% in ID without the use of virtual capacity
 - Non-enforceability as final say is at MS level

A more flexible approach and less risky process is needed. TSOs are ready to collaborate with NRAs, ACER, EC and stakeholders to investigate sustainable solutions, which better balance market and system needs. Amongst others, solutions like an **advanced zonal model** (allowing to close the gap between markets and physics by integrating remedial actions into the allocation) or splitting the 70% in DA/ID could be further investigated.

CCRs redefinition



Capacity calculation

CCR redefinition

ACER's recommendation formalizes economic efficiency criteria for determination of CCRs, and introduces a complex concept where 1 bidding zone border may be assigned to 2 CCRs

CACM today

Article 15:

- TSOs propose to NRAs a configuration for capacity calculation regions ("CCR"), considering that **each bidding zone border ("BZB")** should be assigned **to one CCR**
- TSOs participate in each CCR where they have a BZB
- Adjoining CCRs applying flow-based calculation for cross-border capacity are interconnected, they should be merged after a positive cost-benefit analysis

Article 29:

- Principles and steps of cross-zonal capacity calculation in each CCR include distinct provisions for regional coordination centres pertaining to CCRs using flow-based ("FB") calculation and those using coordinated Net Transfer Capacity ("cNTC")

Revised CACM - Article 23

- *"Exceptionally, a bidding zone border may be assigned to two CCRs if such bidding zone border connects two CCRs and consist of:*
 - *i. high-voltage direct current interconnector(s)*
 - *ii. alternating current interconnector(s) on which physical flows are not significantly impacted by cross-zonal electricity exchanges on any other bidding zone border;"*
- *"At least the TSOs that operate interconnectors on a given bidding zone border as well as TSOs having internal network elements directly connected to such interconnectors shall be assigned to such bidding zone border. As exception to this rule:*
 - *i. TSOs not having obligations pursuant to Article 1.3 shall be excluded from the assignment to a capacity calculation region and the respective bidding zone borders of that region;*
 - *ii. The TSOs not operating any interconnectors or internal network elements in the onshore territory of bidding zones included in the capacity calculation region shall be excluded from such capacity calculation region and the respective bidding zone borders of that region."*

Capacity calculation

CCR redefinition

ACER's recommendation anticipates a future CCR determination assessment will induce a change to the CCR set-up. From TSOs perspective this is not a given outcome. Aside from the economic efficiency criteria, many practical considerations may surface with a possible application of the "1 BZB assigned to 2 CCRs" concept.

Potential application of the "1 BZB assigned to 2 CCRs" concept (regardless of the efficiency criteria)

Dissolution:

- Hansa CCR

Mergers:

- Nordic CCR includes Hansa BZBs, and Baltic Cable TSO, but does not include Continental TSOs
- Core CCR includes Hansa BZBs, and Baltic Cable TSO, but does not include Nordic TSOs
- SEE CCR includes GR-IT BZB, but does not include Terna

Reduction:

- GRIT CCR includes GR-IT BZB, but exclude ADMIE – becomes IT CCR



Burdensome organisational arrangements for TSOs and NRAs involved in the operation of BZB pertaining to multiple CCRs

CCRs including one or several new members will face increased difficulties and lengthy processes to implement methodologies, algorithms and calculation processes will slow down.

CCRs losing one member will be required to amend all regulatory methodologies and operational arrangements, facing disruption in ongoing implementations for no added value. [1]

[1] Duplication of borders which connect cNTC CCRs – as the case of current GRIT and SEE CCRs - would bring no added value compared to the status quo. Therefore, Excluding IPTO from GRIT would not be justified at least as long as both GRIT and SEE apply cNTC

Capacity calculation

CCR redefinition

- CCRs are common forums where TSOs on the sides of a border coordinate the operations on the border itself.
- The possibility to duplicate a border is to be applied in exceptional situations, as a derogation to the main rule expressed in Article 23(2)(b) “*each bidding zone border (...) shall be assigned to only one capacity calculation region*”, and only if required for the sake of efficiency. This would not be the case for GRIT and Hansa CCRs.
- In case of duplication, the current efficient CCR procedures would have to be redefined, while it is questionable how such rules will be applied and coordinated on the bidding zones borders between different CCRs (CCRs Core and Nordic, or CCRs SEE and “IT CCR”). This effort, without arguably increasing the capacity made available to the market or the security of the electric system. Aside from DA/ID capacity calculation:

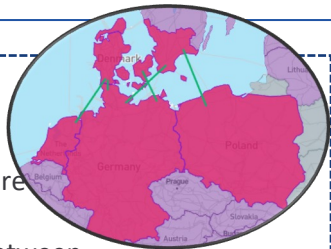
CCR ROSC methodologies (SOGL art. 76 & 77): Aim to secure efficiency in operational security and an efficient use of RAs on GR-IT interconnection and on the CCR Hansa borders which integrate Core and Nordics ROSC

CCR splitting rules (FCA art. 16): Aim to regionally coordinate and harmonize cross-zonal capacity calculation and allocation in the forward markets. It furthermore sets rules for the methodology for the splitting of long-term capacity on different time frames.

Hansa CCR and the implementation of EU Green Deal and EU Strategy on Offshore Renewable Energy

CCR Hansa may play a positive role in the coordination of the EU Offshore bidding-zones (e.g., Energy Islands) in the Baltic Sea and North Sea.

- Hansa CCR already have **well-structured methods on coordination** between the two flow-based regions CORE CCR and Nordic CCR.
- Hansa CCR possibly will therefore be the region for **management and coordination of Energy Islands** (HVDC links) and-coordination of capacity calculation methodologies implemented in Core CCR and Nordic CCR
 - There is already a clear structure of responsibility between the TSOs in Hansa CCR of capacity optimization.
 - Implementation of methodologies in Hansa CCR is already ongoing
- It is a concern if this efficiently can be coordinated between the TSOs without interface regions like CCR Hansa as a **common forum between Core and Nordics TSO** and where there will be no single governance body with the responsibility



CCR GRIT works

The current GRIT CCR configuration is efficient and consistent with ACER’s CACM Reasoning, which provides when defining CCRs:

- **“to take into consideration the accomplished tasks of application of the CCR resolution”** – Italian and Greek TSOs have successfully developed all the CCR-based methodologies and they are finalising their implementation; according to ACER’s reports on the 70% requirement, capacity offered on both bidding-zones of the GR-IT border meets the minimum 70% target for all the monitored hours (except for the maintenance periods).
- **“to minimise administrative costs of such processes”** – changing the GRIT CCR configuration would inevitably lead to additional administrative costs for the development and implementation of a complete new set of methodologies and operational arrangements, without arguably increasing the capacity made available to the market or the security of the electric system.



Capacity calculation

CCR redefinition

Conclusions

- It is **fundamental that TSOs and their NRAs are able to assess and choose the most efficient CCR configuration** on the basis of **technical, economic and governance-related** criteria. In this regard, the CCR definition must primarily take into account the capacity calculation method applied by neighbouring regions. CCR determination criteria must be carefully designed in order to avoid unnecessary changes to the current situation which would lead to no improvement on the capacities provided to the market and the security of the grid. **Any eventual change to the configuration of Capacity Calculation Regions should be backed-up with an economic and technical efficiency analysis.**
- **Adding one bidding zone border in two CCRs triggers critical issue like coordination, in-efficiency and different sets of methodologies on each side of the border.**
- Concerning **cNTC regions, CCR re-definition should not result in imposing calculation methods for the coordination of HVDC borders which have not yet been assessed by the concerned TSOs.**

CACM amendment on additional capacity calculation related topics



Capacity calculation

3rd countries flows

ACER's recommendation deletes all references to 3rd countries arrangements in capacity calculation principles, and opens the door to discard their contribution in meeting minimum capacity requirements, referring to EC to define the appropriate framework.

CACM today

Article 20:

- Allows extended deadlines for the development of common flow-based capacity calculation methodologies in CCRs involved in bilateral agreements with 3rd countries such as Switzerland.

Revised CACM

No provisions

- ACER deletes provisions regarding 3rd countries and capacity calculation methodologies to *“avoid dependencies on 3rd countries for developments and processes within the EU (following EC’s feedback).”*

Article 32.9

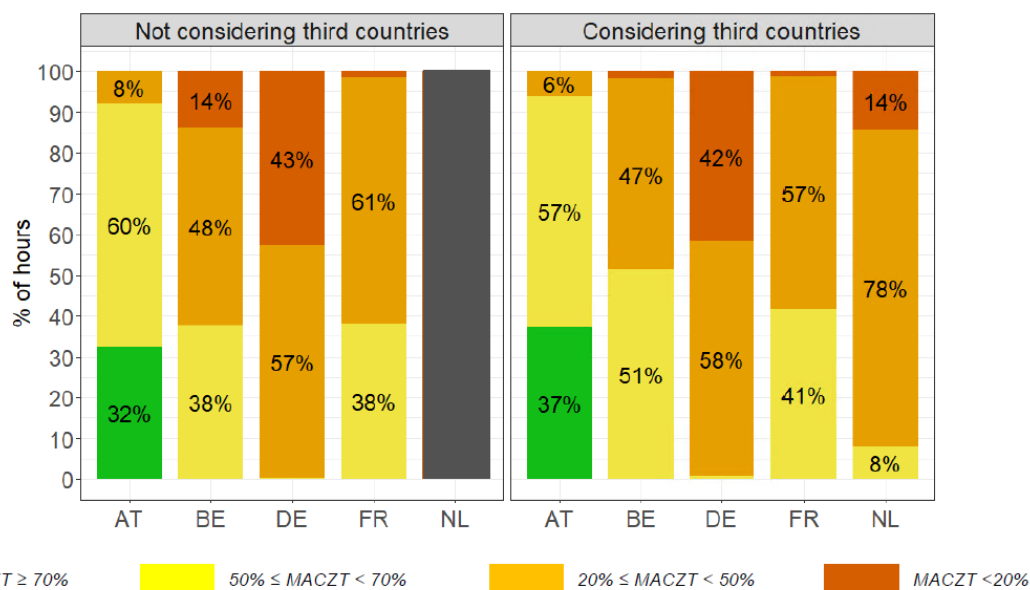
- ACER introduces a potential separate treatment in capacity calculation for flows resulting from exchanges with 3rd countries
- (e) iii: *“Calculate flows resulting from cross-zonal exchanges outside the capacity calculation region between the Union and third countries as well as between the third countries as assumed in the common grid model.”*
- (f): *“For all critical network elements with contingencies calculate the available margin which shall be equal to the flows from point (e)iv and increase it such that the sum of this margin and the flows from point (e)ii and **if applicable** (e)iii is at least equal to the minimum capacity target pursuant to Article 26.3.”*

Capacity calculation

3rd countries flows

ACER's recommendation is conducive to exclude flows resulting from exchanges with 3rd countries from the calculation of the 70% requirement

Percentage of the time when the minimum 70% target was reached (green) or the margin was below the target, per country, in the CWE region, not considering (left) and considering (right) exchanges with third countries – second semester of 2020 (% of hours)



- ACER's monitoring report illustrates how 3rd countries flows contribute to reach the 70% target
- The exclusion of 3rd countries from the provisions of CACM could inflate the 70% requirement leading to impossible requirements to offer 90-100-110% of capacity of the grid to market exchanges.

Capacity calculation

3rd countries flows

Conclusions

- Agreements with some third countries on capacity calculation are in place or underway in several CCRs following the guidance from the EC in its letter of July 2019.
- In general, TSOs strongly call for a reasonable approach, by acknowledging the contribution of the 3rd country flows not only for cases where such agreements are in place, but also where these are not yet concluded (the framework/timing to develop agreements is often determined by the political landscape).
- From a legal perspective, any fundamental principles excluding third countries treatment cannot be handled in-a network code from TSOs point of view. The current practice of network codes is more open ended
 - 1) arrangements depend on political developments such as intergovernmental agreements (current CACM, EB GL) or
 - 2) rules allow the TSOs to conclude contracts with third country TSOs (SO GL, NC ER)

Capacity calculation

Flow vs. Total Reliability Margin (“FRM”/”TRM”) in cNTC regions

ACER’s recommendation is to define common calculation outputs for cNTC and Flow-based CCRs

CACM today

Article 22:

- Principles for the computation of the reliability margin during the capacity calculation process.
- The current wording allows for flexibility in the application of the reliability margin computation outputs, considering differences in capacity calculation approaches at each CCR, namely either flow-based or coordinated Net Transfer Capacity.

Revised CACM

Article 27 – OPTION 1:

- *“For each capacity calculation time-frame, each TSO concerned shall determine the reliability margin for each critical network element **independent of the specific capacity calculation approach** adopted within the capacity calculation region.”*

Article 27 – OPTION 2:

“For each capacity calculation timeframe, where the flow-based approach is applied, each TSO concerned shall determine the reliability margin for each critical network element independent of the specific capacity calculation approach adopted within the capacity calculation region.”

For each capacity calculation time-frame, where the coordinated net transmission capacity approach is applied, each TSO concerned may determine the reliability margin either for each critical network element or for cross-zonal capacity. The way of determination shall be proposed by the TSOs in the common capacity calculation methodology, on the basis of an assessment comparing the pros and contras associated to each way. The assessment shall be done by 31 December 2023 and repeated upon request by the regulatory authorities of the CCR.”

Capacity calculation

Flow vs. Total Reliability Margin (“FRM”/”TRM”) in cNTC regions

Option 1 entails burdensome obligations in CCRs applying the cNTC approach which might not bring additional benefits

Flow reliability margin (“FRM”) requires to compute a different risk percentage on each line

In cNTC CRRs the transmission reliability margin (“TRM”) allows an acceptable risk level, without underestimating the available capacity, especially in CCRs with interdependent BZB (behave like a single interconnection) where the security analysis is performed simultaneously for all the borders,[1]

Some CCRs do not need to compute any reliability margin due to their topology [2]

In CCRs currently applying cNTC and TRM:

- Although the obligation to provide detailed calculation of critical network elements for FRM will require time and resources, it may not lead to considerably different results compared to the use of TRM in terms of trade-off between capacities provided to the market and security risks.
- In the specific case of CCRs which have to switch from cNTC to Flow-based capacity calculation, the need to comply with the new provisions could delay the switch which would ensure compliance in itself

Conclusions

TSOs support option 2 as it is more balanced: keeping TRM in NTC CCRs is subject to a pro/cons analyses comparing the use of TRM/FRM by end of 2023 and eventually repeat on request from the NRAs. Option 1 is unnecessarily more rigid.

[1] This is notably the case in Italy North

[2] This is the case in GRIT where the reliability margin currently applied is zero for both the HVDC IT-GR border, due to its technical features, and for the internal Italian borders, where the Italian TSO manages the power system in real time to cope with potential cross-border congestions

Capacity calculation

Options for cNTC capacity calculation process (Art.32)

ACER introduces an Option1 for cNTC which is mimicking flow-based algorithm without leading to concrete benefits

Both Options 1 and 2 are aimed at integrating the 70% adjustment step in the algorithm and improving the 70% monitoring. However, contrary to Option 2, Option 1 goes further than the changes required by CEP and provides for NTC regions to imitate a flow-based approach. It should be noted that:

- There is no point in making compulsory the 70% adjustment on all CNECs – increasing margins of non-limiting CNECs towards 70% would not convey higher NTC values, because it would lead to an overload on the limiting element fulfilling the 70% rule.
- cNTC regions already monitor 70% on all relevant network elements in line with the calculation process in force in their regions.
- Option 1 deprives of meaning the possibility in CACM 2.0 to keep cNTC approach. This would be particularly relevant for GRIT and SWE (Italy North, instead must directly shift to flow based pursuant to Art.25).
- Option 2 has a sufficient degree of flexibility, and it is a balanced proposal if considering that CACM 2.0 already provides that TSOs must assess the scope for further (efficient) harmonization among NTC CCRs after 2025, on the basis of their technical expertise.

Conclusions

TSOs support Option 2 and believe that there is no need then for introducing the process of Option 1 which would lead to consistent, unnecessary changes

Bidding Zones and the Technical report

Energy transition targets shall be assessed in the BZ review, but cost efficiencies of investments is a NRA responsibility

TSOs understand in the context of the **Bidding Zones review** the necessity for the new requirement in article 33.3 (d) of bidding zones being able to meet the energy transition targets. However, the evaluation of cost efficiencies, in particular of investments, is the **responsibility of the national regulatory authorities**.

TSOs call to delete the second part of 33.3 (d) i.e.

~~“considering a cost efficient and timely manner, including through cost efficient investments in network infrastructure”~~

New requirement for the Technical report potentially infeasible: Flow decomposition

Flow decomposition analysis in article 34.2 (c) imposes a very rigid and potentially infeasible condition for the Bidding Zone Technical Report, specially for those regions that do not have an approved methodology for flow decomposition.

TSOs call to keep the Flow decomposition optional as part of the technical report

Arbitrarily chosen threshold for displaying congestions in the BZ Technical report

No arbitrarily chosen threshold prescribed for collecting and displaying congestions for the Bidding Zone Technical Report as suggested by option 2 in article 34.2 (a). TSOs should be able to define and adjust this threshold based on experience in the different regions.

TSOs call to not include any specific threshold for displaying the congestion and leave flexibility to the TSOs to do so

CACM amendments on costs



Costs

ACER's amendment introduce new requirements related to costs

ACER's recommendation introduce change in three areas related to costs

TSOs and RCC
cost

MCO costs

Redispatching
and
countertrading
cost

Costs

TSO and RCC costs

CACM today

Article 75(1):

Costs relating to the obligations imposed on TSOs assessed by NRAs and be recovered through network tariffs.

Article 78(1&2):

Each TSO shall individually bear the costs of providing inputs to the capacity calculation process.

All TSOs shall bear jointly the costs of merging the individual grid models.

All TSOs in each capacity calculation region shall bear the costs of establishing and operating the coordinated capacity calculators.

Revised CACM

Article 21:

Costs related to the obligations imposed on TSOs and RCCs shall be reported to ACER/NRA and split between common, regional and national costs. Common and regional costs split between MS according to consumption and recovered through TSO tariffs

The Recommendation introduces specific provisions for the recovery of costs related not only to the obligations imposed on TSOs but also to those imposed on RCCs.

Currently costs related to RCCs are shared among RCC shareholders according to specific agreements. Sharing RCC costs on the basis consumption of Member States in a particular region will upend the prevailing contractual arrangements among RCC shareholders and also raises questions on how the sharing keys should be applied in practice for Member States/TSOs that are members of more than one region.

Prevailing contractual arrangements for RCCs are based on the principle of payment for the service provided and not on the exogenous criterion based on MS consumption.

TSO therefore propose to exclude RCC costs from any prescriptive provisions in the CACM GL.

Costs

MCO costs recovery

ACER's amendments to CACM on MCO costs propose to recover all MCO costs through network tariffs

CACM today

Article 80(3):

"Common costs" shall be split between MS and 3rd countries in part according to consumption, and between NEMOs

Article 75(2):

MS share of common costs shall be recovered through NEMOs fees, network tariffs or other

Article 76(3):

Costs borne by NEMOs that have not been borne by TSOs can be recovered through fees or other mechanism depending on national agreements with NRAs

Revised CACM

Article 22:

TSOs and NEMOs shall develop a methodology to determine, share and recover MCO and Joint decision making body costs, including performance incentives schemes.

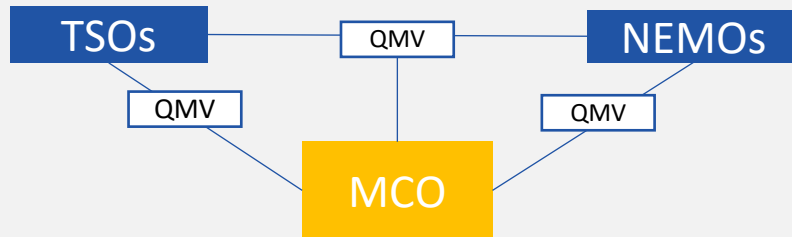
Approved eligible MCO common and regional costs shared between MS according to consumption and recovered through TSO tariffs

Costs

MCO costs recovery

ACER's recommendation disconnects liability and cost recovery which could foster inefficiencies

The MCO Single Entity is responsible for the performance of the MCO ...



... however, the MCO entity is not incentivised to ensure efficiency

TSOs bearing all costs will lead to a sharp reduction in incentives for NEMOs to ensure their work on developing the MCO function is efficient.

As long as NEMOs bear a part of the cost it is in their interest to ensure their efforts are reasonable, proportionate and efficient.

Sharing costs according to consumption as proposed by ACER is not aligned with the decision making which is based on qualified majority voting (QMV).

Conclusions

TSOs propose to share the costs between NEMOs and TSOs based on a fair distribution of the costs to be borne by the final customer in each Member State. This sharing key should be included in the CACM regulation

Costs

MCO costs sharing

ACER's proposal that MCO and Joint Decision-Making Body costs should be recovered exclusively via TSO tariffs is highly problematic for the following reasons:

- Both MCO and Joint Decision-Making Body are joint TSO-NEMO responsibilities and hence cost coverage should also be shared. Responsibility cannot be disconnected from cost coverage.
- TSOs bearing all costs will lead to a sharp reduction in incentives for NEMOs to ensure their work on developing the MCO function is efficient. As long as NEMOs bear a part of the cost it is in their interest to ensure their efforts are reasonable, proportionate and efficient.
- It is not clear how the costs not approved by NRAs would be managed and who be responsible for them (only TSOs?)

TSOs therefore propose a 50-50 split between NEMOs and TSOs in MCO and Joint Decision-Making Body cost coverage

Sharing costs according to consumption as proposed by ACER under Art 22.7 is not aligned with the decision-making which is based on QMV.

TSOs therefore propose to apply a cost sharing formula which include the elements of population and an equal MS share.* This ensures a higher degree of alignment between decision-making power and cost bearing.

* based on treaty rules as a standard principle agreed within the EU framework and currently being implemented in MCSC

Costs

Market Coupling Fees

TSOs propose the introduction of market coupling fees (i.e. MCO fee) which NEMOs would levy on their customers to recoup the NEMO share of costs associated with operating and developing the MCO.

The MCO fee could be a regulated fee and facilitates a fairer distribution of cost bearing between end consumers (i.e. TSO tariff payers) and the users (i.e. immediate and/or primary beneficiaries) of the MCO assets.

Incentive scheme and cost efficiency criteria

TSOs propose to remove the incentive scheme and cost efficiency criteria from the methodology on eligible costs as this task is not within the remit of TSOs and NEMOs.

Costs

MCO cost sharing and cost recovery conclusions

- TSOs propose a **50-50 split between NEMOs and TSOs** in MCO and Joint Decision-Making Body cost coverage
- TSOs propose to apply a cost sharing formula which include the elements of population and an equal MS share.* This ensures a higher degree of **alignment between decision-making power and cost bearing**.
- TSOs propose the **introduction of market coupling fees**.
- TSOs propose to remove the incentive scheme and cost efficiency criteria from the methodology on eligible costs as this task is not within the remit of TSOs and NEMOs.

* based on treaty rules as a standard principle agreed within the EU framework and currently being implemented in MCSC

Costs

MCO tasks

ACER's recommendation assigns TSO post coupling processes to the MCO entity

CACM today

Article 73:

TSOs shall distribute congestion incomes in accordance with the congestion income methodology.

Revised CACM

Article 14:

the collection and the distribution of congestion income may be delegated to one or more third parties in accordance with the market coupling organisation pursuant to Article 15

Article 18:

The MCO shall be responsible for collecting the congestion income resulting from single day-ahead and intraday coupling in accordance with Article 48(10) and (11) and distributing the congestion income in accordance with Article 46 and Article 48(12).

Assigning the MCO with this task will upend the prevailing arrangements whereby TSOs have, after considerable deliberation, established a central settlement entity in the form of JAO to fulfil this task for all relevant timeframes. Despite an option to delegate this task to a single third party pursuant to article 14, TSOs believe that the MCO shall not be responsible for collecting the congestion income resulting from single day-ahead and intraday coupling and for distributing the congestion income. Both tasks should be kept as an exclusive domain of TSOs - JAO in all timeframes.

Costs

MCO tasks

ACER's recommendation assigns TSO post coupling processes to the MCO entity

CACM today

Article 6:

NEMO shall be able to provide the necessary clearing and settlement services.

Article 68:

Further specifies the central counter's role, tasks and responsibilities.

Revised CACM

Article 18:

The MCO shall be responsible for 'acting as central counterparty to each NEMO for the exchange of energy between NEMO trading hubs and as a balance responsible party in each scheduling area for scheduling to TSOs).

Article 48

Further specifies the MCO entity's role as CCP and related 'financial rights and obligations arising from these energy exchanges'

Acting as a central shipper (both physical and financial) and CCP to NEMOs is likely to result in the MCO bearing considerable costs and liabilities (and the subsequent need for collateralisation). It may also bring the MCO entity under financial market regulation. These risks and obligations will, under the proposed cost recovery scheme, be socialised into TSO tariffs

Costs

MCO tasks

conclusions

TSOs believe neither congestion income collection and distribution nor clearing and settlement are MCO tasks. The task of clearing and settlement and all its associated costs and obligations are assigned to NEMOs unless decided otherwise by the NRA, while congestion income collection and distribution should be handled through prevailing post-coupling arrangements.

Costs

Redispatching cost sharing methodology

ACER's recommendation introduces the option to detail the cost sharing methodology

CACM today

Article 35:

- All TSOs in each CCR shall develop a common methodology for redispatching and countertrading including actions of cross-border relevance, whether or not the reason for the remedial action originates in the TSO's control area or in another.

Article 74:

- Mandatory coordination in each CCR to develop a common methodology on redispatching and countertrading cost sharing.

Revised CACM

Provisions are moved to SOGL

- Option 1: the text would not include the detailed steps, leaving it up to each CCR to define the details
- Option 2: the text would include more detailed guidance concerning steps to assess and distribute cost of RDCT between TSOs of a CCR, following the detailed methodology for RDCT cost sharing which was developed for the CORE and SEE CCRs.
- The methodology is based on the “polluter-pays” principle, whereby the costs of cross-border relevant redispatching and countertrading actions is distributed to individual congested cross-border relevant network elements and then the costs on these elements are shared by identifying the origins of physical flows that are contributing to the congestions on those network elements.

Costs

Redispatching cost sharing methodology

ACER introduces burdensome obligations in CCRs whose cost sharing does not have to rely on detailed decomposition of flows

The methodology for cost sharing proposed by ACER was developed in the specific context of the CORE and SEE CCRs

Core and SEE face an especially high level of loop and transit flows interfering with commercial cross-border capacity availability. This is due to the nature of bidding zones in those CCRs (numerous countries and interconnections)

Status quo proved efficient in progressing with CACM implementation in a swift and flexible manner [1]



Some methodologies for RDCT cost sharing do not need to rely on the decomposition of cross-border flows in loop or transit flows and the subsequent allocation of these flows to external or internal root causes.

Even though Article 16(13) of Regulation 2019/943 requires analysing, for the purpose of cost sharing, to what extent flows resulting from internal transactions contribute to congestion, fulfilling that obligation may be significantly simpler in some CCRs.

[1] The CACM Regulation was enacted in July 2015. currently most of the CCRs have agreed on a cost sharing methodology.

Costs

Redispatching cost sharing methodology

Conclusions

- The common principles put forward in the current version of CACM should continue to guide further harmonization of the methodology. TSOs are already working to further harmonize cost sharing methodologies as provided by CACM Regulation and in that framework, we are already identifying that while general principles are the same, specificities are needed on a CCR basis.
- TSOs agree that both options – adding or not details on the cost sharing methodology in CACM - are put forward to European Commission. This is a political topic, hence, to be agreed at political level.
- All TSOs proposal is to maintain a sound level of flexibility in the writing of the code and leave each CCR in charge of establishing the rules for RDCT cost sharing. It would avoid uselessly cumbersome calculation processes and monitoring review at CCRs that do not need an agreement based on the decomposition of flows of cross-border relevance.

Other CACM amendments



Intraday Auctions and continuous trading

ACER's recommendation proposes two options on the continuation or not of the national continuous trading during the Intraday Auctions process

CACM today

No regulation on the continuation or suspension of continuous trading during the intraday capacity pricing process

Revised CACM

Article 43:

The TSOs and the NEMOs shall develop the intraday timings and procedures. The market participants shall be offered sufficient time to submit their bids.

The capacity calculation output shall be delivered at least 15 minutes before the intraday auction gate closure time.

OPTION 1 : The continuous trading for a given MTU, including national continuous trading, shall be suspended during the Intraday auction process

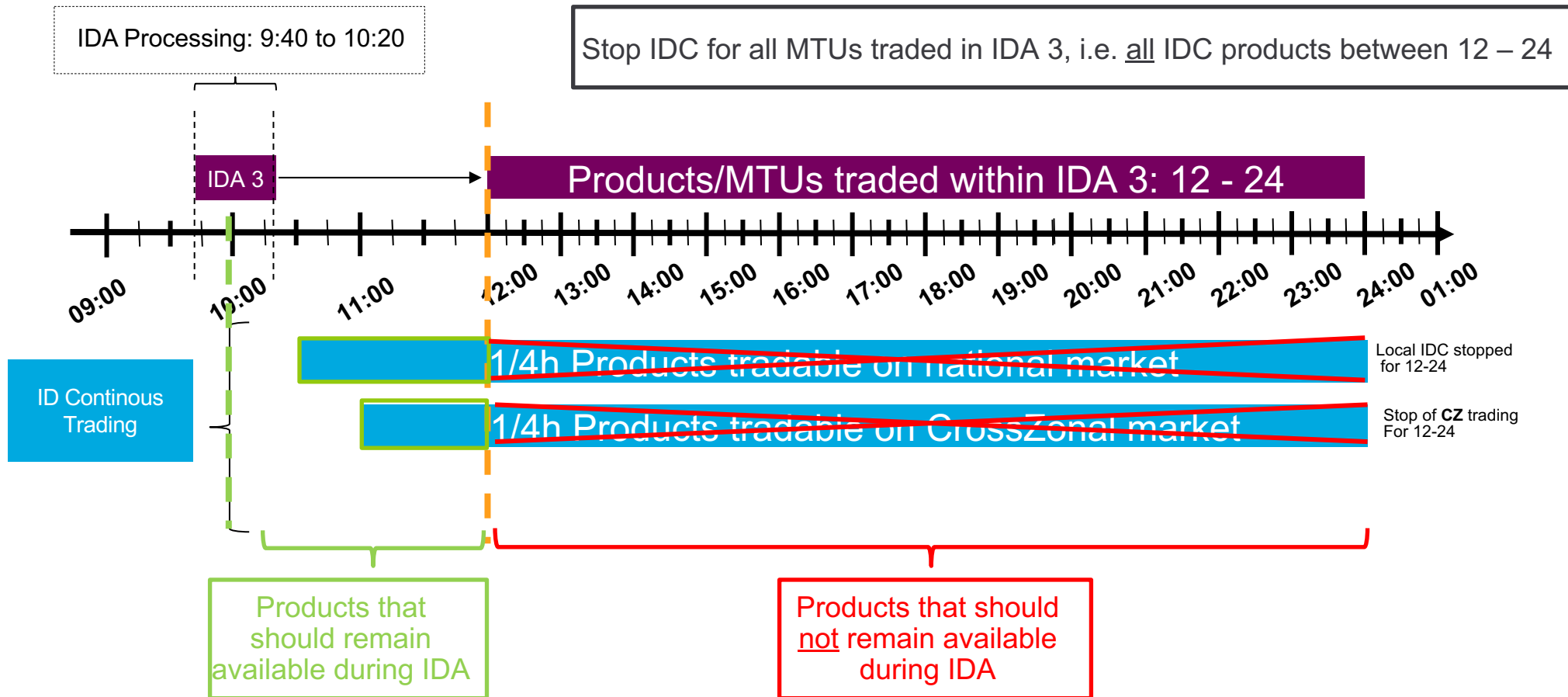
OPTION2: The cross zonal capacity allocation within the continuous trading for a given MTU shall be suspended during the Intraday auction process to prevent parallel cross-zonal capacity allocation in the continuous trading and intraday auctions. This allows for parallel national continuous trading (with different products)

TSOs find the current wording of the 2 options not clear therefore **TSOs propose an alternative option** where during the IDA:

- products/MTU offered for the auction should not be tradable in ID continuous trading (national and cross border)
- products/MTU not offered for the auction should remain tradable with the normal market rules (national and cross border)

Intraday Auctions and continuous trading

Example: Snapshot 9:59 for the IDA 3



EBGL and FCA related topics

EBGL

ACER's recommendation introduces a reference to EBGL

CACM today

No Reference to EBGL related topics.

Revised CACM

Article 18:

- The MCO shall be responsible for performing the co-optimised allocation process pursuant to Article 40 of the Regulation (EU) 2017/2195;

TSOs call for the removal of all EBGL related topics from CACM as it is sufficiently codified in the EBGL

FCA

ACER's recommendation does not introduce changes on FCA related topics

As opposite to the SOGL related topics, there is no related amendment to the FCA guidelines.

TSOs see the need for amending FCA related to implementation of 15 minutes and to include a better reference of remuneration of LTRs in case of decoupling especially if the fallback procedures is changed (for example first Intraday auction as a pan-European fallback).

Publication of information

Revised CACM

Article 8.5

ENTSO for Electricity shall publish the information pursuant to paragraph 3 in a commonly agreed harmonised format through the information transparency platform established pursuant to Article 3 of Regulation (EU) No 543/2013. No later than **four months after entry into force of this Regulation**, ENTSO-E shall update the manual of procedures as referred to Article 5 of Regulation (EU) No 543/2013 and submit it to ACER for its opinion, which ACER shall provide within two months.

Considering the amount of needed changes in the system to allow for publication of additional information not originated from the TSOs and the need to have the methodology on the publication of information in accordance with Article 8.1 approved, ENTSO-E call to have additional time to perform the task (6 months) and to update the Manual of Procedures after the approval of the methodology.

Our values define who we are, what we stand for and how we behave.
We all play a part in bringing them to life.



EXCELLENCE

We deliver to the highest standards.
We provide an environment in which people can develop to their full potential.



TRUST

We trust each other, we are transparent and we empower people.
We respect diversity.



INTEGRITY

We act in the interest of
ENTSO-E



TEAM

We care about people. We work transversal and we support each other.
We celebrate success.



FUTURE THINKING

We are a learning organisation.
We explore new paths and solutions.

We are ENTSO-E