

**Energie-Nederland response to the ACER public
Consultation on the amendments of the proposal for
common capacity calculation methodology for the Core
region - PC_2018_E_06**

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Energie-Nederland

Energie-Nederland is the association representing the commercial participants in the energy market in the Netherlands. This includes generation, trade, supply, aggregation and services companies. Energie-Nederland believes that the transition to a carbon free energy system should be done by using the efficiency and innovation power of the energy market. Creating an international level playing field through market integration is key in this perspective.

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Answers to the consultation questions

The sections below give the consultation questions with our answers. In this paper we have excluded the administrative questions in the beginning and start with question 3.1.

Topic 1: Undue discrimination between internal and of cross-zonal trade

3.1 Please comment on the suggested approach on the selection of critical network elements and contingencies

In the introduction ACER refers to a zonal “congestion management” model. Energie-Nederland would rather refer to a zonal “market”. Efficient congestion management should be a part of overall market efficiency. Our input should be seen in that perspective.

Energie-Nederland agrees with ACER that cross zonal capacities for the market are low. We also agree with the key principles laid down in the CACM guideline and the ACER recommendation. We have also observed that indeed TSOs seem to manage internal congestions at the cost of cross zonal capacity without proper economic assessment over the overall system.

However, Energie-Nederland does not follow the proposed approach of ACER in the consultation paper. Requiring a minRAM of 75% on all considered CNECs and excluding any internal CNECs of consideration to achieve a 75% of interconnection made available to the market is in conflict with the ACER recommendation to include an economic assessment to consider some internal CNECs when limiting cross zonal capacity. Moreover, non-consideration of any internal CNECs results in de facto an NTC calculation, which would neglect the merits of flow based calculation.

Energie-Nederland would therefore propose to reintroduce some sort of economic efficiency analysis into the CCM framework and allow for consideration of internal CNECs under such economic efficiency analysis and after strong scrutiny of NRAs.

3.2 Please comment on the suggested approach to minimum remaining available margin

The RAM of 20% that was recently introduced in CWE led to some improvement, but given the bad situation any increase would have been an improvement. Nevertheless Energie-Nederland believes that the proposed approach to a minimum RAM is rather rigid for a correct and structural improvement of the capacity calculation. Firstly, if applied to all CNECs, including the internal, it may not lead to the right result. It should be possible to differ the RAM figure to achieve the optimal result. Secondly, if applied to cross zonal CNECs the result will be similar to an NTC calculation.

We therefore prefer a more precise methodology to achieve an economically optimal allocation of cross-zonal capacity to the market. Start with a general objective of e.g. 75% of cross zonal capacity, but with flexibility to tune the RAM figures depending on an economic assessment of the ability of the network and costs of remedial actions.

Topic 2: Capacity validation

4.1 Please comment on the suggested approach to the validation process

Energie-Nederland agrees with the proposed approach for the validation process.

Topic 3: The quality of the capacity calculation input parameters

5.1 Please comment on the suggested approach to FRM

Energie-Nederland agrees with the proposed approach for the calculation and application of the FRMs.

5.2 Please comment on the suggested approach to GSK

Energie-Nederland agrees with the proposed approach.

5.3 Please comment on any other input parameter

Energie-Nederland agrees with the proposed approach.

Topic 4: Allocation constraints

6.1 Please comment on the suggested approach to allocation constraints

Energie-Nederland agrees with the proposed approach.

Topic 5: Intraday (ID) capacity calculation

7.1 Please comment on the consistency between DA and ID (removal of minRAM, LTA inclusion and validation, use of RAs to increase ID capacity)

Energie-Nederland agrees with the proposal regarding the consistency to be applied between the DA and ID capacity calculation processes. The ID capacity calculation methodology proposed by the TSOs is definitely not detailed enough. Making sure that the same approach to the selection and application of CNECs, external constraints, RefProg for non-Core borders, FRMs, GSKs, calculation process etc. applies for both DA and ID, and is explicitly made clear in the methodology, would alleviate many of our concerns with a process that is for the moment rather unclear.

7.2 Please comment on the on the suggested approach to the timing and frequency of ID capacity calculation

Energie-Nederland still does not understand why TSOs need close to seven hours to recalculate ID capacities after DA clearing. It is true that European TSOs have no experience with ID capacity recalculation. However, an ID capacity allocation following recalculation set at 22.00 hr is far too late and leads to unnecessary restrictions of the market. By doing this TSOs de facto withhold capacity from the market.

Pending proper justification, we remain of the view that an ID capacity allocation at 22.00 hr following recalculation is too late. We do not support ACER setting this timing in stone unless proper justification comes from the TSOs.

7.3 Please comment on the on the suggested approach to the cross-zonal capacity at the intraday cross- zonal gate opening time

Energie-Nederland does not agree with the approach proposed by the TSOs regarding the cross-zonal intraday gate opening time (CZIDGOT). It is worrying that ACER seems to more or less approve this approach.

In ACER decision 04-2018 on the CZIDGOT (and GCT), it is clear that “the IDCZGOT can only be understood as a general rule for when TSOs have to release the available cross-zonal capacity to the market, whereas the rules on how much cross-zonal capacity TSOs have to offer and at which

times during the intraday timeframe fall within the scope of the regional intraday capacity calculation methodology” (point 52).

The GOT depends on the recalculation process. With this provision TSOs will have to set the GOT at 15.00 hr at all borders and release some capacity.

From recent discussions at the XBID User Group, it appears that some TSOs have an alternative reading of the decision. They claim that they would have an “effective” CZIDGOT at 15.00 hr, but they would only release capacity to the market after recalculation at 22.00 hr. Energie-Nederland believes that this reading is contrary to principles put forward by the ACER decision:

- ensuring that market participants access cross-border capacity in intraday at an early point in time
- ensuring fair and non-discriminatory treatment of market participants throughout the EU
- improving market participants understanding of price formation
- allowing market participants to optimise their portfolio
- improving the efficiency of market coupling

Therefore, we call on ACER to reject the possibility for TSOs to withhold leftover capacities after DA clearing until ID capacities have been recalculated. We understand that the intraday capacity allocated in the Nordic CCR at 15.00 hr will be based on remaining available capacities after day-ahead market clearing. The CACM Guideline foresees in its articles 14.4 and 21.2 that cross-border intraday capacities can be recalculated a number of times during the operation of single intraday coupling.

Therefore, it is to be understood that the CACM Guideline foresees the option to suspend temporarily the single intraday market coupling to re-adjust cross-border capacities. As a consequence, we believe that the option proposed by the Nordic TSOs to open the intraday market before capacities are recalculated and to re-adjust capacities once the recalculation has been performed is a valid proposal. The TSOs from all the Core CCR have not given proper justification as to why they would not be able to follow the same process of opening the market and performing the recalculation in parallel. Considering that the Nordic option would allow seven more hours of true cross-border intraday trading for market participants in continental Europe, there is significant welfare gain potential by opening cross-border intraday markets at 15.00 hr with leftover capacity from DA. This welfare gain did not seem to have been considered in the TSOs’ proposal. Therefore, Energie-Nederland supports the Nordic solution as the interim solution for the whole of Europe until the speed of the recalculation allows a full release of capacity at 15.00 hr.

This ACER proposal seems to overrule implementing its own Decision 04-2018. The additional exemption it would foresee until the CCM for ID is implemented makes even less sense considering the TSO arguments: if it is the recalculation process that would prevent TSOs from releasing leftover capacities from DA to the market, there is even less reason to exonerate TSOs to release these capacities when the recalculation process is not in place.

Energie-Nederland would therefore urge ACER to:

- implement a true CZIDGOT at 15.00 hr, with capacities leftover from DA released, as of one month after the approval of the Core CCM (as in ACER Decision 04-2018)
- allow the possibility for TSOs to shortly suspend XBID to readjust capacities (10 minutes maximum, like for the regional auctions process) when finalising the capacity recalculation process

ACER should not allow exemption from these rules, be it before or after the full implementation of ID capacity recalculation.

Topic 6: Transparency of the CCM

8.1 Please comment on the on the suggested approach to transparency

Transparency has been an ongoing issue for market participants in CWE FB market coupling, and welcome ACERs recognition that capacity calculation is a black box for market participants.

Energie-Nederland therefore supports the clear list for relevant items to be published by TSOs. In our view derogations from this list should not be possible for reasons of national legislation. There are no reasons for that.

Regarding the list itself we have some suggestions for clarification:

- *4. real names of CNECs and external constraints:*
The CBCOs should be “split” between CBs and COs.
- *5.1 and 5.2. vertical load and production:*
 - TSO should provide an estimation of the decentralized generation imbedded in the vertical load (Ideally with the technology type breakdown)
 - TSO should provide a breakdown of the Generation by fuel type, as we know that some fuels play a big role in the FB domain
- *5.4. exchange programs on non-Core bidding zone borders:*
The expected individual positions considered by TSOs of at least all direct neighbours should be published (not just a global view)
- *6. Every six months, publication of an up-to-date static grid model by each Core TSO:*
The CCM should specify that the static grid model should be detailed enough. For instance, detailed substation topology (Switch/Breaker/Connected Generation) should be published. Transmission lines below 400kV and Transformers/PST should be described and published if they are modelled in the operational grid model (D2CF).

Energie-Nederland would also suggest some items to be added to the list in order to make it complete:

- The full flow based domain before and after the application of the LTA patch, or any other patch (e.g. min ram). It is important that the domain as obtained without patch is published, since it reflects the physical situation.
- On top of Core positions for the base case, the expected individual positions considered by TSOs of at least all direct neighbours should be published (rather than just a global view).
- In the assumption that no internal CNECs are selected, only information on cross-border CNECs would be published, following ACER transparency requirements. This would be problematic since no information on how the decision to allocate capacity at the border would be available to the market. Information on grid elements influencing PTDF calculation should be available. A solution must be found, for instance, by publishing information (as for cross-border CNECs) for internal lines that influence the calculation. This kind of approach was in place during the CWE flow based parallel run.
- The transparency obligations should also detail what TSOs should publish in case they are not able to respect the minimum level of capacity imposed by the CCM. We think that the methodology should detail:
 - An exhaustive list of conditions for which the rule can be suspended
 - A clear obligation on TSOs to inform market participants about the suspension at the moment of the decision, with all the details available on the reasons for the suspension at that moment
 - An obligation on TSOs to issue a yearly report to regulators and the market on the application of the rule, with extensive details on the reasons leading to its suspension.

Topic 7: Implementation timeline

9.1 Please comment on the on the suggested implementation timeline

Energie-Nederland welcomes the ambitious planning for the implementation of the CACM guideline. However, we have some doubts whether the TSOs have the capability to implement the new methodology and perform parallel run before Q1 2020.

If ACER has a choice, Energie-Nederland would prefer a realistic but firm implementation date. Preferably the external parallel run should last one whole year, especially so as to cover the winter period. We also think it should not be launched before the methodology is finalized, as substantially updating the methodology during the parallel run makes it very difficult to manage (or makes its results irrelevant).

Furthermore, we have a concern regarding the legal status of this timeline. This process of capacity calculation has known many delays, without TSOs facing any consequences when they occur. In our view this new timeline proposed by ACER should not lead to a situation where the delay is legally accepted. In our view TSOs are still in breach with the CACM guideline, a detailed path forward with clear deadlines, incentives and final target would be a pragmatic way forward to rectify this situation.

Conclusion

10.1 Please provide any further comment on the Core Capacity Calculation Methodology

Capacity calculation in the CWE and later the Core region has been a cumbersome process for many years. In this process we have seen that technical aspects are usually not the main issue, but rather the governance of the cooperation. TSOs still seem to see each other as some kind of competitor in this process, whilst they should work together to operate the system as one. We have seen many claims that either national legislation or national regulation withholds a TSO to fully participate in market integration, often without getting specific. Even in this decision by ACER we see a reference to national legislation.

We urge NRAs to make an assessment of incentives in TSO regulation and/or national legislation that withholds TSOs to fully participate in the market integration. In general we would assume that European legislation overrules national legislation, but this appears to be necessary. We can only make progress when TSOs see and operate the system as one.