

7 June 2018

## **JOINT STATEMENT**

### **on Efficient Capacity Calculation Methodologies for an efficient European electricity market: EFET, Eurelectric and the MPP propose an amendment on Art 14.7 of the Electricity Regulation**

Improving the availability of interconnections for cross-border trading is crucial to allowing further European market integration in a cost efficient way for the consumers. In this perspective, EFET, Eurelectric and the MPP strive to reconcile the European Commission draft, the European Council's General Approach and the ITRE Committee's draft compromise amendment on Article 14 of the recast Electricity Regulation on capacity calculation to ensure the effective integration of electricity markets. Article 14 of the Electricity Regulation should indeed ensure that TSOs, while respecting network security at all times, maximise cross-border capacities in all timeframes, in a cost-efficient way from a European welfare perspective. Ensuring that TSOs calculate and allocate cross-border capacity to the market in all timeframes is crucial. Indeed, it allows efficient cross-border hedging of market participant's positions in the long term, as well as proper portfolio adjustment in spot markets, and efficient dispatch in real time. In this respect, **relying on an arbitrary "one-size fits all approach for all EU borders would ignore the value created by cross-border trade, the reality of the system and the specificities of regional and national markets.**

Since the rules to ensure the maximisation of cross-border capacities allocated to the market in a cost efficient manner were already specified in Regulation 714/2009 and the Capacity Allocation and Congestion Management (CACM) Guideline, we propose to amend Article 14 in such a way that the **Capacity Calculation Methodologies (CCM) and their related governance remain the main instrument to ensure efficient capacity calculation.**

According to the CACM Guideline, NRAs of each capacity calculation region (CCR) have to reach an agreement on the joint proposal of the CCR's TSOs. When at least one NRA of the CCR disagrees with the joint proposal, CACM foresees escalation to ACER<sup>1</sup>. **The main principle behind the proposed amendment is to ensure that the decision on establishing and defining a threshold is consistent with the CACM Guideline, by clarifying how the decision of ACER could be framed.**

In addition to the prerogatives of ACER already foreseen in the CACM Guideline, **our proposal on Article 14.7 would explicitly introduce the possibility for ACER to request a**

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<sup>1</sup> CACM Art 9.11]. "Where the regulatory authorities have not been able to reach agreement within the period referred to in paragraph 10, or upon their joint request, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009"

minimum level of interconnection capacity to be made available to the market in the form of a minimum threshold. For each CCR where all NRAs could not agree on a harmonised Capacity Calculation Methodology, it would hence be the role of ACER to decide if and where to establish a minimum threshold. This threshold would be set at 75% of the thermal capacity, or another value in case ACER can demonstrate that it would improve the economic welfare at Union level.

Should ACER decide to establish a minimum threshold of capacity to be made available to the market for all or some borders of a given CCR, **this threshold would apply as a safeguard in case the capacity calculated by TSOs according to the methodology decided by ACER is inferior to that threshold.** TSOs would indeed allocate at least the level of cross-border capacity corresponding to the threshold decided by ACER, while obviously not preventing the outcome of the capacity calculation to lead to values higher than the threshold. In this case, the outcome of the capacity calculation process would prevail over the threshold value, which remains a minimum threshold. With this proposal, Capacity Calculation Methodologies remain at the heart of the cross-border transmission capacity allocation process.

Leaving room to ACER to establish the minimum threshold would enable the Agency to take due account of operational security limits, economic efficiency considerations, and regional specificities when deciding on a minimum threshold for all or some borders of a specific CCR.

Finally, **the technical definition of this minimum level should not differentiate between Net Transfer Capacity (NTC) and Flow-Based capacity calculation,** as capacity calculation should determine Remaining Available Margin/Power Flow capability on selected Critical Network Elements in both cases, pursuant to CACM Art 21.1.b. **We believe it is key to maintain the same level of expectation regardless of the capacity calculation methodology and avoid penalising one approach against the other.** Therefore, we propose to calculate the minimum level of interconnection capacity for each border based on the physical characteristics of the network assets across the border. This is why our proposal suppresses the articles 14.7.a and 14.7.b. introduced in the Council's and Parliament's versions.

Compromise proposal on Article 14.7

Commission Proposal	EP Plenary text	Council General approach	Compromise proposal
<p>Transmission system operators shall not limit the volume of interconnection capacity to be made available to other market participants in order to solve congestion inside their own control area or as a means of managing flows on a border between two control areas observed even without any transaction, that is to say flows over control areas caused by origin and destination within one control area.</p>	<p>Transmission system operators shall not limit the volume of interconnection capacity to be made available to other market participants in order to solve congestion inside their own control area or as a means of managing flows on a border between two control areas observed even without any transaction, that is to say flows over control areas caused by origin and destination within one control area.</p>	<p>Transmission system operators [ ] shall not limit the volume of interconnection capacity to be made available to [ ] market participants in order to solve congestions inside their own <b>bidding zone [ ] or as means of managing flows leaving and re-entering the same bidding zone without being scheduled unless otherwise provided under paragraph 7a or 7b.</b></p>	<p>Transmission system operators shall not limit the volume of interconnection capacity to be made available to [ ] market participants in order to solve congestion inside their own control area or as a means of managing flows on a border between two control areas observed even without any transaction, that is to say flows over control areas caused by origin and destination within one control area.</p>
	<p><b>Without prejudice to the forth subparagraph of Article 13(5), this paragraph shall be considered to be complied with if the following minimum levels of available capacity for cross-zonal trade, which is calculated pursuant to the capacity allocation and congestion management guideline adopted on the basis of Article 18 of Regulation (EU) 714/2009 taking account of contingencies, are reached:</b></p>	<p><b>Without prejudice to the application of the derogations under paragraph 7a and 7b, this paragraph shall be considered to be complied with if the following minimum levels of available capacity for cross-zonal trade, which is calculated pursuant to the capacity allocation and congestion management guideline adopted on the basis of Article 18 of Regulation (EU) 714/2009 taking account of N-</b></p>	<p><b>The volume of interconnection capacity to be made available to market participants shall be calculated by the Regional Security Coordinator pursuant to the capacity calculation methodology proposed by the transmission system operators and approved by the regulators of a Capacity Calculation Region pursuant to the capacity allocation and congestion management guideline adopted on</b></p>

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		<b>1 criterion, are reached:</b>	the basis of Article 18 of the Regulation (EU) 714/2009.
	<b>(i) for borders using a coordinated net transfer capacity approach, if at least 75 % of the net transfer capacity pursuant to capacity allocation and congestion management guideline are made available for cross-border trade;</b>	<b>(i) For borders using a coordinated net transmission capacity approach, 75% of the net transfer capacity pursuant to capacity allocation and congestion management guideline adopted on the basis of Article 18 of the Regulation 714/2009;</b>	
	<b>(ii) for borders using a flow-based approach, if on cross-zonal and internal critical network elements considered in the flow-based calculation at least 75 % of the thermal capacity after reduction of the amount required to secure the N-1 principle pursuant to the capacity allocation and congestion management guideline is used as an input for capacity allocation.</b>	<b>(ii) For borders using a flow-based approach, 75% of the remaining available margin on internal and cross border critical network elements made available for cross border flows pursuant to capacity allocation and congestion management guideline adopted on the basis of Article 18 of the Regulation 714/2009. The derogations pursuant to paragraph 7a shall not result with a value below this threshold.</b>	
		<b>7a. [ ] Based on a proposal by all transmission system operators of a capacity calculation region, the relevant regulatory authorities by way of derogation from paragraph</b>	

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		<p><b>7 shall approve the level of total available cross-zonal capacity at each bidding zone border, which shall be used in the capacity calculation methodology, to take account of cross-zonal unscheduled flows to the extent that could be expected without structural congestions in a bidding zone.</b></p>	
<p>Upon request by a transmission system operator, the relevant regulatory authority may grant a derogation from the first subparagraph where it is necessary for maintaining operational security or where it is beneficial to economic efficiency at Union level.</p>	<p>Upon request by a transmission system operator, the relevant regulatory authority may grant a derogation from the first subparagraph where it is necessary for maintaining operational security or where it is beneficial to economic efficiency at Union level.</p>	<p>7b) Upon request by [ ] transmission system operators of a <b>capacity calculation</b> region [ ] the relevant regulatory authorities may grant a derogation from [ ] <b>paragraph 7 for foreseeable reasons</b> [ ] where it is necessary for maintaining operational security <b>other than the ones covered under paragraph 7a, for instance in case of grid maintenance measures.</b> [ ]</p>	<p><b>Where all NRAs of a Capacity Calculation Region are not able to reach an agreement on the capacity calculation methodology proposed by the transmission system operators of the capacity calculation region within the period foreseen in the capacity allocation and congestion management guideline adopted on the basis of Article 18 of the Regulation (EU) 714/2009, or upon their joint request, the Agency shall adopt a decision concerning the capacity calculation methodology. This decision may include a request for a minimum level of capacity to be made available to the market at all</b></p>

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			<p>or some bidding zone borders of the CCR, taking into account operational security limits and overall economic efficiency at Union [regional] level. In this case, this minimum capacity threshold shall be defined by the Agency as 75% of the thermal capacity of the relevant cross-border network elements, or another value in case ACER can demonstrate that this latter value would improve the economic welfare at Union [regional] level. Transmission System Operators shall hence allocate at least the level of cross-border capacity corresponding to the threshold.</p>
<p>Such a derogation, which may not relate to curtailment of already allocated capacities pursuant to paragraph 5, shall be limited in time, strictly limited to what is necessary, and avoid discrimination between internal and cross-zonal exchanges.</p>	<p>Such a derogation, which may not relate to curtailment of already allocated capacities pursuant to paragraph 5, shall be limited in time, strictly limited to what is necessary, and avoid discrimination between internal and cross-zonal exchanges.</p>	<p>Such a derogation, which may not relate to curtailment of already allocated capacities pursuant to paragraph 5, shall be limited [ ] to <b>one year at a time, or up to maximum [ ] two years with a significantly decreasing level of the derogation each year</b>, strictly limited to what is necessary, and avoid discrimination between</p>	

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		internal and cross-zonal exchanges. [ ]	
<p>Before granting a derogation, the relevant regulatory authority shall consult the regulatory authorities of other Member States forming part of an affected capacity calculation region. In case a regulatory authority disagrees with the proposed derogation, the Agency shall decide on the derogation pursuant to Article 6(8)(a) [recast of Regulation (EC) No 713/2009 as proposed by COM(2016) 863/2].</p>	<p>Before granting a derogation, the relevant regulatory authority shall consult the regulatory authorities of other Member States forming part of an affected capacity calculation region. In case a regulatory authority disagrees with the proposed derogation, the Agency shall decide on the derogation pursuant to Article 6(8)(a) [recast of Regulation (EC) No 713/2009 as proposed by COM(2016) 863/2].</p>		
<p>The justification and reasons for the derogation shall be published. Where a derogation is granted, the relevant transmission system operators shall develop and publish a methodology and projects that shall provide a long-term solution to the issue that the derogation seeks to address. The derogation shall expire when the time limit is reached or, once the solution is applied, whichever is earlier.</p>	<p>The justification and reasons for the derogation shall be published. Where a derogation is granted, the relevant transmission system operators shall develop and publish a methodology and projects that shall provide a long-term solution to the issue that the derogation seeks to address. The derogation shall expire when the time limit is reached or, once the solution is applied, whichever is earlier.</p>	<p>The justification and reasons for the derogation shall be published. Where a derogation is granted, the relevant transmission system operators shall develop and publish a methodology and projects that shall provide a long-term solution to the issue that the derogation seeks to address. The derogation shall expire when the time limit is reached or, once the solution is applied, whichever is earlier.</p>	