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MARKET PARTIES PLATFORM
Linking the CWE Market

Principles for Coordinated Re-dispatching & Countertrading for congestion management

Response of EFET, EURELECTRIC and the Market Parties Platform to the TSOs' regional consultations

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29 January 2018

EFET, EURELECTRIC and the Market Parties Platform thank the TSOs for the opportunity to provide their views on the regional methodologies for redispatching and countertrading.

According to the CACM GL, TSOs shall propose by March 2018 methodologies for coordinated redispatching and countertrading in every capacity calculation region. In the daily management of transmission networks, redispatching and countertrading are measures taken by TSOs to manage congestions alongside topology measures and limitations of cross-border capacities offered to the market. For this reason, we believe that a holistic approach is necessary when considering redispatching and countertrading.

We believe that European TSOs can effectively manage congestions in the most efficient way by relying on a combination of topology measures, countertrading and redispatch actions, and buyback of transmission rights. Properly applied, this is a key aspect of an efficient zonal market design.

Our primary concerns lie in the manner in which TSOs choose to initiate redispatching and countertrading, what level of transparency accompanies these actions, and how they are remunerated.

Therefore, the redispatching and countertrading methodologies to be developed on the basis of the CACM and SO Guidelines need to detail:

1. How redispatching and countertrading on the one hand, and restrictions of cross-border capacities allocated to the market on the other hand are treated on an equal footing. In our joint response to the consultations on regional capacity calculation methodologies[1], we insisted on the importance for TSOs to systematically consider redispatching and countertrading when still facing congestion after applying non-costly remedial actions: indeed, any decision to restrict cross-border transmission capacities for reasons other than system security should be based on an analysis comparing the costs/benefits of applying redispatching or countertrading vs. limiting the availability of cross-border capacities to the market, in order to achieve a welfare optimum. This requires that both redispatching and countertrading are fully part of the possible means for TSOs to deal with congestions in each CCR, and mandatorily considered by the TSOs alongside topology measures.

2. How the scheduled exchanges, NTC/FB domain, and balance positions are simultaneously generated and handled by the relevant market and system operators.

3. How the operation scheme ensures full transparency and conforms to Transparency (ex-post) and REMIT Regulations, in terms of how much redispatching and countertrading is activated. This information should be available to market participants as soon as those actions are decided; full transparency on deviations from merit order activation (in case of joint congestion management and balancing) is also required.

4. How open positions generated by redispatching or countertrading are to be counterbalanced in a market-based manner to deliver appropriate economic signals. In this regard, we see three main options:
    a. TSOs managing the counterbalance in the framework of the balancing mechanism
    b. TSOs managing the counterbalance within the intraday markets
    c. Activation through a dedicated congestion management mechanism

    The methodologies to be developed on the basis of the CACM and SO Guidelines need to assess the pros and cons of these options as well as justify the choice of the option(s) that has (have) been retained.

5. How actions on specific assets based on their location are remunerated. In our view, any network user being redispatched or constrained must be fully financially compensated (full costs and opportunity loss) so as to leave the asset owner is left financially indifferent to the TSO action.

[1] EFET, Eurelectric, MPP and Nordenergi response to the TSOs' consultations on regional capacity calculation methodologies, dated 19 July 2017 and last updated on 14 December 2017, available at: http://www.efet.org/Files/Documents/Downloads/EFET_Eurelectric_MPP_Nordenergi-TSOs%20consultation%20CCM_14122017.pdf.

Going more in depth into redispatching and countertrading actions themselves, we believe that the proposals should be accompanied by a thorough evaluation of the advantages and drawbacks of the various options, so as to justify the choice of the preferred one (or the preferred combination of options). In our view, there are three basic types of redispatching and countertrading (in the following part of the document, "asset" should be understood as a generic/technology neutral term covering all sources of flexibility – generation, demand, storage):

- Constraining the dispatch of a specific asset:
  This means part of the flexibility of the asset around its scheduled set point is disabled by the relevant network operator.
  This may represent a loss of opportunity for the asset that should be fully financially compensated (full costs and opportunity loss), for instance in case offers for standard balancing products are "filtered" and consequently not shared on the European balancing platforms.
  In terms of system balance, such an intervention has no immediate impact on the asset and does not require any complementary action.
  We note however that the measure may have an impact on balancing markets, as some assets potentially contracted as reserves may be disabled because of the measure, leading to more expensive balancing activations or potentially to a lack of reserves, affecting subsequently imbalance settlement prices. When it has a potential to affect balancing reserves or balancing energy activation, the congestion management process needs to ensure that there is sufficient transparency on what is used for which purpose, that balancing energy bids activated for congestion management purposes do not impact the imbalance price, and that full compensation for congestion management actions is ensured.

- Modifying the scheduled dispatch of a specific asset:
  This means requesting a set point different than the scheduled one for a specific asset based on its location within a bidding zone.
  This may represent extra costs and/or loss of opportunity for the asset that must be fully financially compensated (full costs and opportunity loss).
  In terms of system balance, the activation of a specific asset opens a balance position in the same bidding zone that should be counterbalanced as discussed in point 4.

- Countertrading:
  This means updating the net export/import of two bidding zones, by simultaneously updating the scheduled cross-border exchanges, updating the NTC or FB domain for the same market time units, and opening opposite balance positions in the corresponding bidding zones.
  In terms of system balance, the opened balance position in each bidding zone will have to be managed as discussed in point 4.

Unfortunately, the methodologies already submitted by TSOs in several CCRs as part of the CACM implementation do not include such an evaluation so far. In our view, this evaluation is a pre-requisite to allow real progress on the optimisation of countertrading and redispatching and the improvement of market functioning at European level.