

A review of ACER's proposal of CACM GL revision

A Eurelectric position paper

February 2021

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We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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Eurelectric welcomes the opportunity to provide its view on the possible amendments to the 2015 Capacity Allocation and Congestion Management guidelines (CACM GL). These amendments were introduced by ACER in the Market European Stakeholder Committee (MESC) in December 2020, before the public consultation scheduled for early second quarter of 2021.

KEY MESSAGES

- Eurelectric requests that the CACM GL amendment **not delay the ongoing implementation** of the market coupling algorithm and that **no step back** is made in terms of functionality and efficiency of the algorithm for market parties.
- Eurelectric asks for **broader stakeholder involvement** when they are impacted by the strategic decisions of the Market Coupling Operator (MCO) function, used for designing new markets features, when revising methodologies already used and in all steps of the bidding zone review.
- Eurelectric proposes the introduction of a **regular review of the implementation of Intraday Auctions** to analyse their effects in terms of efficiency, cross-zonal capacity allocation and impact on the liquidity of the continuous Single Intraday Coupling (SIDC)
- Eurelectric requests **more transparency at several levels**. Specifically, the algorithms and methodologies used by Nominated Electricity Market Operators (NEMOs), TSOs and Capacity Calculation Regions (CCRs) and on the data, assumptions and methodologies used in the bidding zone review.
- Eurelectric asks ACER that CACM GL should define a framework for the **inclusion of third countries** in the coordinated capacity calculation process and the inclusion of their borders in the existing CCRs.
- Given that, as a delegated act the CACM GL supplement or amend the Regulation (EU) 2019/943 ("Electricity Regulation") Eurelectric asks ACER to ensure that the CACM GL **do not repeat the provisions of the Electricity Regulation** but rather cross-refer to them in case of need. Eurelectric similarly invites ACER to ensure that the revised provisions of CACM GL **do not establish unduly restrictive requirements** that make it harder to fulfil the objectives of the Electricity Regulation.

1. MCO governance (CACM Title I Art. 7-10 & Title II, CH 7)

Eurelectric thanks ACER for giving the opportunity to all stakeholders to give their opinion on the MCO governance. At the same time, we have to note that market participants are currently excluded from the governance of this regulated activity.

Eurelectric believes amending CACM GL should not delay the implementation in the progress of the algorithm used by the MCO. Any addition or change in the MCO function should not lead to any step back for market parties.

Delays in implementation of efficiency-driven functionalities of the algorithm can be detrimental for market parties when they have an operational impact in terms of efficient price formation and use of the existing infrastructure. That is why Eurelectric requests effective transparency from the MCO, on the algorithm and its implementation timeframe, and stakeholder involvement in the strategic decisions on the MCO function.

1.1. Improve the definition of tasks for MCO(s), NEMOs and TSOs including regulated & non-regulated tasks

Definition of MCO / non MCO tasks and regulated/non-regulated tasks

Market coupling operator (MCO) function “means the task of matching orders from the DA and ID markets for different bidding zones and simultaneously allocating cross-zonal capacities” (CACM, Art. 2). The definition is in Eurelectric’s view still well reflecting the MCO function. However, it should be clarified that the tasks of the MCO function that are in fact monopolistic should be regulated.

Assignment of the task to MCO of data sharing/data publication in particular prices, but also costs of regulated activities

Eurelectric requests that the CACM GL includes the obligation to publish the aggregated bid curves (for DA and IDA), including complex orders, at a bidding zone level. The criteria for all bidding zones regardless of their size should ideally be the same.

This should be taken into account in the MCO’s tasks, cf. Art. 7(1)(f), Art. 48 (Delivery of results in SDAC) and Art. 60 (Delivery of results in SIDC).

It should be considered whether the publication of aggregated bid/offer curves and complex orders in some bidding zones is likely to cause competition issues. If this leads to a reduced level of transparency, Eurelectric highlights that this may have an impact in terms of efficiency, and should be taken into account as a criterion of the Bidding Zone review.

Assignment of the task to MCO of calculating scheduled exchanges in line with the approach followed in the Algorithm methodology (i.e. NEMOs involvement)

No opinion at this moment

1.2. Improve MCO plan, development and organization

Description of the MCO organisation and governance including assessment of governance model

Eurelectric welcomes the proposal by ACER to open the discussion on MCO organisation and governance with all stakeholders/market participants.

The CACM GL should mandate that the interests and constraints of all users of the electricity system should be considered in the decisions related with the MCO function, which should not favour some stakeholders to the detriment of others. As a representative of market participants (generators, traders, retailers, service providers), Eurelectric regrets that this has not been the case until now.

Even though the MCO organisation already involves stakeholders in terms of reporting and information, e.g. through the regular Market European Stakeholder Committee (MESC) chaired by ACER, Eurelectric considers it necessary to go further with the participation of representatives of the market participants in the MCO governance.

All market participants whose business depends on the MCO function (and not only TSOs and NEMOs) should be able to voice preferences in the governance body of the MCO function.

In addition, Eurelectric requires that:

- MCO governance continues reporting during the MESC;
- Art. 11 (Stakeholder involvement) explicitly mentions that meetings with stakeholders shall take place at least four times a year. This could be based on a dedicated user group;
- Art. 12 (Consultation) includes an obligation to consult relevant regional and pan-European terms & conditions and methodologies in the preparation phase as well as before submitting final TCMs to the Agency.

Establishment of the process for regularly update the dynamic part of the MCO plan (i.e. R&D, investment plan, budget)

All market participants should be part of the entire process, to participate in the decision making of the MCO plan, especially with regard to timing decisions and prioritization decisions impacting their operations and activities.

Disputes among NEMOs and escalation process

No opinion at this moment

NEMOs' voting right should be assigned to designated and passporting NEMOs

No opinion at this moment

1.3. Regulatory framework for cross-border clearing & settlement

Finalization of the enduring solution for cross-border physical and financial shipping in the ID timeframe

Prohibition of cross clearing fees

Clarification on how transit shipping costs should be treated

No opinion at this moment

2. SDAC & SIDC (CACM Title II & CH 4-6)

2.1. Integrate CEP provisions on Day ahead & Intraday markets

Art. 39 (Inputs and results of the price coupling algorithm) – Products as short as ISP

Eurelectric understands the objective of ACER to align the principles of the CACM guidelines with the Clean Energy Package requirements, with the will to speed up the integration of products as short as the Imbalance Settlement Period in the DA and ID auctions

However, Eurelectric considers that it is even more relevant to avoid any step back in terms of efficiency of the DA auction with respect to the solution already available. From this perspective, Eurelectric proposes that the CACM GL includes as a condition for the release of new functionalities in the SDAC or SIDC algorithm that it would be able to handle all the admissible products that are already included as of today (e.g. linked and exclusive complex products).

As for products accommodated by the price coupling algorithm for SDAC (Art. 40), both simple and existing complex products shall be accommodated to ensure maximum efficiency of the MCO function (see December 2020 ACER Decision on the terms and conditions for day-ahead products that can be used in the day-ahead coupling with the products detailed in Annex_I with their category). In a more general view, the SDAC implementation and the algorithm development should be conditioned to the demonstration that new releases do not lead to a step back in terms of products available for market participants (with regulation unchanged).

Art. 41 - Maximum and minimum prices: integrating both bidding and clearing prices

Eurelectric believes that any value set for bidding prices' limits should be harmonised at European level, in line with the CEP. This should be included in Art. 41 for SDAC but also in Art. 54. for SIDC. In line with Article 10(1) of Electricity Regulation (EU) 2019/943, bidding limits (and consequently clearing limits) other than harmonised technical European limits shall be fully forbidden.

2.2. Improvement of fallback procedures

Requirements for regular testing of the fallback process

Eurelectric welcomes this initiative: one or two recurrent training per year would be useful to market participants. ACER shall oversee the coordination and implementation of the fallback procedures in the different capacity calculation regions to avoid any incompatibilities or non-level playing fields among NEMOs, Central Counter Parties and shippers and to ensure greater resilience of the market as a whole.

Full control of Interconnectors in partial decoupling by any NEMO

If this refers to the shipping agreement between NEMOs, Eurelectric has no comment on this point.

Fallback methodology

Harmonization in fallback methodology is welcome (across regions including the same level of detail).

The quality of the premises of the implemented methodology should be assessed regularly. Currently, there is no clause or rule in place to check if the Allocation Platform / Office performs in accordance with quality management (although this is a standard in the industry). As the Allocation Platform / Office does not owe any specified quality of its service to market participants, the

Allocation Platform / Office should be at least obliged to ensure technological performance according to the industrial state of the art standards.

The systems that handle fallback procedures should have adequate computational resources to yield a result within minutes and have a backup capacity.

2.3. Ensuring fair competition among NEMOs across all time frames

Ensuring a fair level playing field among NEMOs and increasing competition between NEMOs where deemed efficient is one of the most important general principles that should guide the revision of the CACM GL. Eurelectric does not see any clash with this principle at the moment and presumes it will continue to be duly considered in future CACM GL changes.

Pooling of SIDC liquidity inside bidding zones in case of decoupling and without CZC allocation

The pooling of liquidity at bidding zone level is required before and after the ID cross-zonal capacity allocation GOT and GCT. This is also required in case of decoupling.

2.4. Introduce Intraday Auctions

Clarify that SIDC is both continuous SIDC and auction SIDC

Eurelectric acknowledges that ID auctions will be introduced for SIDC, while continuous trading is currently taking place at the same time. Eurelectric still considers continuous trading to be the main solution for intraday trade. Therefore, Eurelectric requests that no step back is made with respect to the existing continuous market for the SIDC.

Eurelectric has systematically questioned the practical interest of IDAs as a solution to improve the efficiency of capacity allocation and congestion management. In particular, in bidding zones with low liquidity, the co-existence of two mechanisms (continuous market and auctions) can have detrimental effects. Eurelectric, therefore, wants to remind ACER that the design of IDAs must preserve ID market liquidity, typically by shortening the interruptions of the continuous market as much as possible.

Eurelectric proposes the introduction of a regular review/assessment of the implementation of ID auctions. Such a review should analyse the effects of IDAs in terms of efficiency, cross-zonal capacity allocated, and impact on the liquidity of the continuous SIDC. The assessment should result in the publication of an annual report based on relevant indicators to demonstrate improvements in congestion management and capacity allocation; as well as to challenge the number of auctions.

Modify the abstract principle of intraday capacity pricing into auction SIDC

Eurelectric requests, if possible, to reformulate/extend Art. 55 (Pricing of intraday capacity) in a way that does not lead to contradictory requirements (i.e. maintaining continuous trading as the target model while requiring pricing of capacity which can be economically meaningful only if the scarcity of this capacity is revealed by gathering offer and demand at a given point in time).

If ID auctions are to be implemented anyway, Eurelectric supports modifying the abstract principle of intraday capacity pricing (in Art. 55) into auction SIDC.

Auction SIDC design

Eurelectric agrees with the need for more consultations and closer stakeholder involvement, including all market participants (i.e. not only TSOs and NEMOs).

Clarify the interactions and interfaces between continuous and auction SIDC

In this context:

- Eurelectric requests that the number of ID auctions remains limited. Eurelectric requires that CACM GL mentions explicitly that there will not be more than three ID auctions at 3 p.m. DA, 10 p.m. DA and 10 a.m. ID, to limit the negative impact on the ID continuous market.
- CACM GL should further state that the number of ID auctions is to be reduced if the annual report shows limited improvements in congestion management, capacity allocation or detrimental impact on the liquidity, following their introduction.
- Interactions and interfaces between continuous and auction SIDC need to be clarified; CACM GL shall only allow stopping continuous trade for auctioning cross-zonal capacity in a limited manner.
- Eurelectric considers that interruptions in continuous trading should be limited to no more than 10 minutes for IDA (as already in force for regional auctions according to the CACM GL).
- Each IDA should follow a recalculation of cross-zonal capacities - link to Art. 58 (Provision of input data).
- Concerning the operation of SIDC (Art. 59), where possible, the Gate Closure Time should be maximum 30 minutes before real-time (or even shorter, e.g. 15 minutes).
- In the same way as for SDAC, Eurelectric requires that both simple and complex products are mentioned for SIDC as compulsory in the products accommodated by the algorithm (Art. 53) (see January 2020 [ACER Decision on ID Products](#) and [Annex I](#)). No step-back vis-à-vis existing products shall be made.
- Concerning the introduction/implementation of complex products in the intra-day coupling, we refer to the [Eurelectric position paper on ACER consultations on the algorithm methodology review, including SIDC and ID auctions from November 2019](#).

Coexistence of auction SIDC and Complementary Regional Intraday Auctions

Eurelectric requests that in case ID auctions are implemented, complementary regional ID auctions should be prohibited in Art. 63 (Complementary regional auctions for SDIC) and Art. 9 (Adoption of terms and conditions or methodologies – see paragraph 7 (f)).

Link SIDC auctions to capacity recalculation

Eurelectric does not agree with changing the number of IDAs depending on the amount of cross-border capacity.

The timing of each ID capacity recalculation has to be defined in CACM GL so that it provides the expected results before each ID auction for each CCR. Capacity recalculation should be linked to IDAs (before them), not vice-versa, as stated earlier in our response.

(+) TSOs tasks

Concerning TSOs tasks related to SDAC and SIDC (Art. 8), and in the context of the introduction of IDAs, Eurelectric would like CACM GL to include the following obligations for TSOs:

- To allocate the leftover cross-zonal capacity in the continuous ID market so that it is ready to be offered to market participants at the time of the cross-zonal ID Gate Opening Time;
- To systematically recalculate cross-zonal capacity shortly before the IDAs, in parallel with the continuous trading in intraday coupling.

(+) Interactions between SIDC and SDAC

If SIDC is opened at 3 p.m. DA, the deadline for the calculation of scheduled exchanges should be earlier than 3.30 p.m. DA, modifying the Art. 43 (Methodology for calculating scheduled exchanges resulting from single day-ahead coupling).

Concerning the provision of input data in SDAC process (Art. 46), we could expect to move the deadline for the provision of information to the market sooner than 11 a.m. (and 30 minutes) DA.

(+) SDAC and SIDC calculations

Eurelectric asks ACER to ensure that adequate computational resources and robust processes are put in place for SDAC and SIDC calculations. The objective is to avoid malfunctions within the processes and to ensure timely results. The use of high-performance computing should be considered to achieve computational efficiency.

2.5. Open CACM to allow for innovations on DA & ID Market Design

General algorithm requirements (e.g. repeatability, scalability, auditability) & constraints (e.g. uniform price, products)

CACM GL requires both the SDAC and SIDC algorithm to be repeatable and scalable. ACER raises that especially full repeatability is a difficult requirement to accomplish with uniform pricing. Eurelectric requires the algorithm to be auditable, well-documented and fully specified, demonstrating its relevance to respond effectively to functionalities expected by NEMOs, TSOs and market participants.

A promising solution in this regard would be to only rely on open source regional/European algorithms.

2.6. Reframe dispositions for methodologies already delivered

Updating timelines of already delivered methodologies and creating clarity on updating methodologies periodically

Eurelectric understands this proposal and reminds ACER that the timeframe of implementation should always mention explicitly the conditions for the Go Live too, to ensure no step back for market participants.

Consultations and stakeholder involvement are needed for revising methodologies already delivered.

Eurelectric agrees to deal with cables managed by single interconnector TSOs in CACM GL.

3. COST (CACM Title II CH 8, Title III WO. Art. 74)

3.1. Ensure consistency of congestion income distribution methodologies across time frames

As CIDM is also part of FCA GL and EB GL: harmonisation among GLs would be needed

Eurelectric welcomes the harmonization of the relevant guidelines (CACM GL with Forward Capacity Allocation GL and Electricity Balancing GL).

3.2. Regulatory framework for MCO function costs

Identification of those costs that are subject to regulation (i.e. assessed by NRAs and recovered through regulated mechanisms)

Clarification on the nature of the NRAs joint assessment of costs and on the coordination procedure

Implementation of the principle that: "All activities that are monopolistic in nature should be financed through a regulated mechanism"

No opinion at this moment

3.3. Describe in more details the Cost Report and costs sharing

Inclusion of a deadline for Cost Report submission

Clarification of what is meant by sensitive commercial information

Clarification on the information to be conveyed through the national cost report

Incorporation of the sharing key formula defined by all NRAs (i.e. two-step approach: split between MSs and split within MSs)

No opinion at this moment

4. Capacity Calculation (CACM Title II, CH 1, Art. 14-31)

4.1. General Improvements & Integrate CEP provisions in the capacity calculation framework

70% margin for cross zonal trade vs. 30% for reliability margin, internal and unscheduled flows

The Electricity Regulation (ER, Art. 16 (8)) stipulates that a TSO is considered compliant if a minimum of 70% of the cross-border capacity is made available for cross-border trading, the remaining 30% is for the reliability margin, loop flows or internal flows. This rule is in force since January 2020, but derogations have been granted to many TSOs in Europe (pursuant to ER Article 16(9)).

Eurelectric asks that:

- The CACM GL should not introduce any additional measures than those in the ER regarding the 70% rule, see. ER Article 16(8) (General principles of capacity allocation and congestion management).
- The capacity calculation methodology in the CACM GL (see Title II, CH1, Section 3) should introduce the possibility for derogations as recognised in ER Article 16(9) and for national action

plans – for the sake of clarification of coexistence of CCMs with rules introduced by the Electricity Regulation.

- In the CACM GL, it should be clarified the time-frame for which the 70% rule should apply.

RCC tasks in capacity calculation

Pursuant to ER Art. 16(3), Regional Coordination Centres (RCC) shall carry out the coordinated capacity calculation and CACM GL needs thus to be modified accordingly (notion in CACM GL of ‘coordinated capacity calculator’).

In addition:

- CACM GL shall recall that RCC has to calculate the external allocation constraints based on a transparent methodology (if such constraints are to be maintained).
- RCCs are to assess the operational security of the capacity calculation regions (CCRs) with the 70% rule, pursuant to ER Art. 16(3).
- Speaking about the capacity calculation in ID, Eurelectric asks ACER for a clarification of the articulation between ID auctions and the Redispatch & Countertrading process (CACM, Title II, CH3, Art. 35), so that the CACM GL would be consistent with the System Operation GL (EU) 2017/1485 Art. 76-78 concerning the regional operational security coordination, cf. *Coordinated Regional Operational Security Assessment* (CROSA).
- Eurelectric asks for a harmonization of the timing for the capacity calculation in intraday, for each border in each CCR (so that they are all carried out before auctions).
- Frequency of recalculation of cross-zonal capacities for intraday should at least follow IDAs. CACM GL Article 14 (Capacity calculation timeframes) has to be modified accordingly. In between recalculation may be maintained to ensure efficiency.

Improve framework for capacity validation

Concerning the 70% rule, Eurelectric favours a validation of operational security by the RCC (and not only by the TSOs), as a coordinated and transparent approach.

Align (redundancy check)/merges/reorder of paragraphs in CC-chapter (including consistency with other GLs)

Eurelectric welcomes the proposition of ACER to review the capacity calculation chapter in CACM GL and to make it consistent with other guidelines (System Operation GL, Forward Capacity Allocation GL).

Harmonisation deadline for all CCMs in all CCRs

Realistic deadlines have to be set for all Capacity Calculation Methodologies (CCMs) in all CCRs. Eurelectric asks for the details to be introduced by ACER on the measures put in place so to ensure the deadlines are met.

Obligation for a biennial report on CC and allocation

We understand that CEP asks for a report on structural congestion every three years, while CACM GL Art. 31 provides for a biennial report. Eurelectric considers that the report on capacity calculation and allocation (see Art. 31) should be updated regularly – every three years as mentioned in the CEP is sufficient.

Clarify the status of third countries in the Capacity calculation process

Eurelectric fully supports the consideration of third countries in the capacity calculation process and operational security assessment.

It should be possible to include borders with third countries in a CCR. In this CCR, borders with third countries should be taken into account in the capacity calculation process on an equal footing and this has to be coordinated by the RCC.

4.2. Use of remedial actions in capacity calculation

Inclusion of costly remedial actions in the CCM RAOs and/or capacity validation as mandated by Article 16(3) and (4) of E. Reg

As previously mentioned, Eurelectric asks ACER mainly to realign CACM GL and SO GL (Art. 75) on this topic and supports the inclusion of Costly RA in the CCM RAO and/or CC validation, including Costly RA from third countries in a coordinated manner.

On the other hand, Eurelectric recommends that the capacity calculation is made allowing for all High Voltage Direct Current and Phase Shifter Transformers settings to be optimized by the SDAC (Advanced Hybrid Coupling, see 4.5 below) or as long as AHC is not implemented, within the coordinated capacity calculation.

4.3. Improve harmonization of Capacity Calculation parameters across time frames

LTA inclusion vis-à-vis FCA

In the event where the inclusion of Long Term Rights (LTRs) in the DA capacity allocation can lead to non-secure operational situations, TSOs have two options: the curtailment of LTRs (before the DA allocation) or the use costly remedial actions (after the DA allocation). Eurelectric believes that TSOs should always choose the option of bringing higher overall welfare between the two (curtailment or use of remedial actions). In any case, market participants shall be compensated for the related loss.

Definitions of operational security limits and remedial actions vis-à-vis SO GL

Eurelectric would welcome an alignment of the CACM GL to the SO GL concerning the operational security limits definition.

GSK strategies

The approaches to determine Generation Shift Keys (GSKs) are different among Capacity Calculation Regions and even TSOs; this is explained by differences between capacity mixes and networks across Europe. Eurelectric does not consider that GSK-approaches should be aligned across CCRs.

Eurelectric requires a periodical assessment of the GSK methodologies selected by each TSO across Europe in order to ensure their relevance. ACER should be formally responsible for this assessment and guide TSOs.

4.4. Improve requirements for Capacity Calculation inputs

Specify that CGM is also CC input

Eurelectric fully supports that CACM GL should specify explicitly that the Common Grid Model (CGM) is a Capacity Calculation input.

Also, Eurelectric requires complete transparency on the CGM, see also the [Eurelectric position paper on transparency of system operators on cross-border exchange capacities from February 2020](#).

Develop requirements on IGM and CGM content

Eurelectric agrees to align the definitions and requirements on Individual Grid Model (IGM) and Common Grid Model (CGM) between CACM GL and SO GL.

Inclusion of list critical network elements and corresponding operational security limits

Eurelectric asks ACER for the inclusion of the rule to select CNECs (critical network elements and constraints, cross-border and internal with proven cross-border impact), as stated for example in the CORE capacity calculation methodology. Rule on the calculation of operational security limits should also be included in the revision.

Allocation constraints

Eurelectric notices that a framework for the analysis on the efficiency of allocation constraints is missing in CACM GL, whereas these are currently inputs needed for the capacity calculation process.

Eurelectric recommends that CACM GL should provide principles of demonstrating the efficiency of allocation constraints against costly remedial actions before 2022, and otherwise to remove the possibility of allocation constraints in CACM GL. This principle has been adopted in the CORE region (cf. ACER Decision 02-2019).

If allocation constraints were to be maintained, Eurelectric believes that as a target solution, they should be computed by the RCCs based on a transparent methodology.

4.5. Treatment of HVDC within Capacity Calculation

Treatment of HVDC in the capacity calculation (cross- border and within bidding zones).

Eurelectric recalls that not only High Voltage Direct Current (HVDC) but also Phase Shifter Transformers (PSTs) should be included in the capacity calculation, in a coordinated manner to favour efficient capacity allocation and congestion management.

CACM GL should reckon the controllability feature of HVDC and PSTs and hence their role as Remedial Actions within a Capacity Calculation Methodology and in capacity allocation (Advanced Hybrid Coupling).

Explicitly allow for AHC only for radial AC or HVDCs (e.g. Art. 29(10))

Eurelectric supports the use of Advanced Hybrid Coupling (AHC), allowing taking into account HVDCs as well as PSTs in the optimization algorithm, to improve the efficiency of allocation between CCRs.

The 70% threshold should be assessed with the most favourable setting of the HVDCs and PSTs considered in the coordinated capacity calculation and allocation.

(+) Transparency of the CC Parameters

Eurelectric requires transparency of all the capacity calculation parameters (which is not the case so far), to enable the market participants to fully reproduce the results of the capacity calculation process, see again the [Eurelectric position paper on transparency of system operators on cross-border exchange capacities from February 2020](#).

So far, the disclosed information does not allow to reproduce results and make accurate predictions for the spot market. For example, the effect of renewables on the grid and the flow-based parameters is not known day-ahead.

Eurelectric generally asks for increased standardisation of the document structure, of the data format, documents to be easier found by search and usage indexing methods for search, systematic storage of all relevant documents and name conventions and versioning of documentation.

4.6. Criteria for capacity calculation regions and for application of CNTC

Requirement to form CCRs

Eurelectric requests that CACM GL should clearly define a process when borders are added to a CCR and/or are transferred from one CCR to another. In particular, since CCR methodologies are not harmonized, it should be clarified whether a new element is submitted to the same methodology as the CCR it joins.

In CACM GL, the clause concerning Italy / Switzerland in the capacity calculation methodology (CACM, Title II, CH 1, Art. 20(3)) should be rewritten. If the Swiss constraints can be taken into account in the capacity calculation (as it is the case in CORE), a flow-based capacity calculation might be used in the CCR Italy-North.

CACM GL should define a framework for the inclusion of third countries in the coordinated capacity calculation process and the inclusion of their borders in a CCR, following the same procedural rules as for amending the capacity calculation methodology. The inclusion of third countries in the coordinated capacity calculation process should be designed in such a way as to maximise social welfare in the region while respecting the network security constraints. The inclusion of borders with third countries should also encompass remedial actions optimisation, congestion rent allocation and remedial actions cost sharing.

Establish clearer principles for determination of CCRs and interdependency of borders including the treatment of HVDC interconnectors

Eurelectric supports the definition of clearer principles / a methodology for the determination of CCRs, see the [Eurelectric response paper to the ENTSOE consultation on the definition of Capacity Calculation Regions from September 2020](#).

- Eurelectric believes that the definition of the CCR should group the inter-dependent borders so that the respective cross-zonal capacities are consistently calculated. This would allow for an efficient allocation of the margin available for cross-zonal trade.
- Eurelectric considers that the data gathered by ENTSO-E and ACER as part of the Bidding Zone review technical report and of the market monitoring report could be used to assess the level of inter-dependency between borders. Indeed, by assessing the flows on the constraining Critical Network Element related to exchanges on each border, one could identify more objective criteria to select the borders subject to the same capacity calculation methodologies.

Delete outdated requirements

No opinion at this moment

Clarify requirements for applying CNTC approach

In CACM GL, the requirements needed to apply a coordinated net transmission capacity (CNTC) approach versus a flow-based approach should be clarified (see Title II, CH 1, Section 3, Art. 20 - Introduction of flow-based capacity calculation methodology).

In addition, Eurelectric asks for a periodical review of the need to deploy a flow-based approach for each CCR.

5. Remedial Actions (CACM Title II, CH 3, Art. 35 & 74)

Concerning remedial actions, Eurelectric would like to recall some general, but major requests:

- Eurelectric asks for full transparency on remedial actions activations, as previously mentioned in the Eurelectric position paper on transparency of system operators on cross-border exchange capacities from September 2020. TSOs should publish for every CNEC the forecasted setting of remedial actions (costly and non-costly) as soon as it is known.
- Since CCRs' methodologies for determining remedial actions (in particular, redispatching and counter trading) are not harmonized at the European level, more transparency is requested on them. If this cannot be achieved through the publication by TSOs of the descriptive methodologies, this should be done at least through the publication of the methodologies' terms and conditions.
- A general objective of harmonization or at least an effort of standardization among CCR methodologies for determining remedial actions should be pursued.
- In particular, speaking about redispatching and countertrading (RDCT), Eurelectric notes that neither CACM GL nor SO GL defines the market framework in which RDCT should be organized and managed by TSOs. Practices among countries can be very different. Even if the operational choices must ultimately remain the prerogatives of the Member States / TSOs, Eurelectric believes that a convergence of approaches should be encouraged for RDCT implementations across Europe.
- Eurelectric asks ACER to consider the idea of a periodical review/efficiency assessment of TSOs methodologies for determining remedial actions.
- Eurelectric asks for coordination of remedial actions with third countries.

5.1. Alignment with CEP Provisions and consistency with SO Regulation

Solving the incongruences and the overlap between CACM and SO GL on remedial actions

Eurelectric agrees to align the CACM GL to the SO GL and ER provisions on remedial actions, see SO GL Art. 20 to Art. 23.

This is especially needed on redispatching:

- Several provisions of the ER on redispatching are unclear, especially the possibility to apply non-market based redispatching. From Eurelectric point of view, non-market based redispatching

shall be applied only in case of a failed tendering procedure and not as a precautionary measure applied by some TSOs. Market participants shall be free to bid in the redispatching tenders.

- In CACM Article 35(5), prices for redispatching shall be aligned with the principle stated in the Electricity Regulation.
- It shall also be clarified that if a market participant's right to generate is impacted by remedial action or any kind of restrictive action by a connecting system operator, it shall be considered as redispatching. Consequently, the market participant should be duly compensated for any losses.

Clarifying the role of RCC in coordination remedial actions pursuant to E. reg

Eurelectric agrees that in CACM GL, the role of Regional Coordination Centres in the coordination of remedial actions should be clarified pursuant to ER Article 16(3).

Including CEP provisions about cost sharing and improving them

Eurelectric agrees that provisions in

- ER Article 16(13) about remedial actions cost sharing principles,
- ER Article 15(3) about the cost sharing of remedial actions in the context of action plans,
- SO GL Article 76(1)(b)(v) about a general principle for remedial actions cost sharing

should be incorporated/aligned.

Eurelectric notes that no rule for cross-CCR costs is given in ER nor CACM GL. Eurelectric asks ACER to add principles for cost sharing between CCRs.

Eurelectric points out that the process currently described in CACM GL for remedial actions and their associated cost does not guarantee a fair sharing of costs between CCRs, when one critical network element is impacted by exchanges in different CCRs. That's why Eurelectric asks ACER for a clarification in CACM GL on the coordination of remedial actions and the sharing of costs between TSOs when dealing with network elements belonging to more than one CCR.

5.2. Avoid duplication between CACM and SO Regulation

Avoid duplication in coordination of RDCT actions between CACM and SO Regulation

Eurelectric agrees with such a simplification between CACM GL and SO GL.

6. Bidding Zone Review (CACM Title II, CH 2, Art. 32-34)

As an input to this part, Eurelectric recalls its [Position paper in response to ACER Consultation on methodology & assumptions in the BZR process from April 2020](#).

6.1. Integrate & improve CEP provisions in BZR framework

Align CACM provisions related to bidding zones with Art. 14 E. Reg

Eurelectric agrees with a strict alignment with ER Article 14 (Bidding zone review) and asks ACER that no additional measures or more coercive measures than those in the ER are introduced in CACM GL.

Improvements of criteria taking into account the experience gained in the past

CACM GL Title II, CH2 Article 33 (Criteria for reviewing bidding zone configurations) established a list of minimum criteria that shall be considered when performing the bidding zone review (BZR).

Eurelectric welcomes the proposition of ACER to update and improve this list of criteria in the framework of the CACM GL revision.

- The BZR should be pursued as a multi-criteria study, including both quantifiable and qualitative criteria, monetized or not. Indeed, it is all the more important to keep multiple criteria, as many aspects still cannot be monetized and may be subject to different interpretations by stakeholders and MSs.
- At least those criteria listed in the CACM GL should be taken into account for BZR.
- Eurelectric believes that relevant criteria are those that proved their impact in bidding zone reviews; criteria that were not impacted by BZR should not be maintained.
- According to Eurelectric, key criteria are the following: “economic efficiency”, “market liquidity”, “accuracy and robustness of price signals”, “transaction and transition costs” and “stability and robustness over time”.
- In addition, future grid development needs to be considered in BZR with a long-enough time horizon in order to avoid short-term bidding zone changes that cause market distortions.
- The criteria “network security” – see Art. 33(1)(a) – should be a given for all calculations. It is difficult to understand why this should differ depending on the bidding zone configuration.
- Eurelectric also believes that many other criteria should be considered: market simplicity, the effect on operational complexity, balancing resource provision in each BZ, consistency/stability of investment signals, legal feasibility, price equalization, technical feasibility.
- Eurelectric considers that the so-called criterion “transition costs” – see Art. 33(1)(b)(iii) – should be clarified. If understood as the amount of potential stranded costs associated with a configuration change, it should be a major dimension in the bidding zone review. Indeed, a change of bidding zone configuration can have a dramatic impact on market fundamentals, influencing to a very large proportion the value of price-sensitive assets: for example, if a single bidding zone encompasses the two ends of a merchant line, then its market value drops virtually to zero. The fact that bidding zone configuration can change is per se a regulatory risk that is very difficult to anticipate for investors and the financial risks leads to additional investment costs. Eurelectric thus requests ACER to introduce the calculation of stranded costs for merchant assets in the criteria needed in BZR (either by clarifying the meaning of transaction costs or by adding new criteria).
- More generally, Eurelectric asks ACER to consider in BZR the level of economic redistribution among market participants across different bidding zones. The potential loss of welfare in every bidding zone should be assessed and taken into consideration.

Congestions: (Structural) physical congestion and (structural) commercial congestion

Whereas:

- “structural congestion” is defined in ER and CACM GL as “congestion in the transmission system that is capable of being unambiguously defined, is predictable, is geographically stable over time, and frequently reoccurs under normal electricity system conditions”;
- “physical congestion” is defined in CACM GL as “any network situation where forecasted or realised power flows violate the thermal limits of the elements of the grid and voltage stability or the angle stability limits of the power system”;
- “market congestion” is defined in CACM GL as “a situation in which the economic surplus for single day-ahead or intraday coupling has been limited by cross-zonal capacity or allocation constraints”;

Eurelectric asks ACER to explain what is meant by “commercial congestion” and to explain why this notion is necessary in the CACM GL. At this stage, we consider that commercial congestion is usually closely linked with physical congestion, and thus do not see the need to distinguish these two nor the rationale behind.

Clarify what is negligible impact (CACM Regulation, with respect to national bidding zone review)

ER Recital (19) uses the notion of “negligible impact” when speaking about BZR launched by a single regulatory authority or TSO: if the BZ configuration has negligible impact on neighbouring TSO’s control areas, they are not invited to participate in the review. In CACM Art. 32, this term is used in the same idea.

Eurelectric asks ACER to define this notion of “negligible impact” by the fact that the NRAs and TSOs concerned, at least in neighbouring countries, confirm that there is no cross-border impact for their control areas.

Clarify what is no impact (Electricity Regulation with respect to internal structural congestions)

ER Art. 14(1) stipulates that “Member States shall take all appropriate measures to address congestions. Bidding zone borders shall be based on long-term, structural congestions in the transmission network. Bidding zones shall not contain such structural congestions unless they have no impact on neighbouring bidding zones, or, as a temporary exemption, their impact on neighbouring bidding zones is mitigated through the use of remedial actions and those structural congestions do not lead to reductions of cross-zonal trading capacity in accordance with the requirements of Article 16.”

According to Eurelectric, the definition of “no impact” in the ER is sufficiently clear.

6.2. Triggering a BZR: Regular reporting on structural congestions

Pursuant to CACM GL Title II CH2 Article 34 (Regular reporting on current bidding zone configuration by ENTSO for Electricity and the Agency), ACER shall assess the efficiency of current bidding zone configuration every three years, taking in input from a) a technical report on current bidding zone configuration issued by ENTSOE, and b) a market report issued by ACER.

Pursuant to ER Art. 14(2), ENTSOE has to publish a report on structural congestions and other major physical congestions between and within bidding zones (congestion report) every three years. Based on this report, bidding zone reconfigurations can ultimately be triggered.

Specific congestion report as a prerequisite, issued at European, regional (CCR) or national level

Eurelectric believes that there must be a sufficiently accurate and unbiased congestion report at European level; regional and national ones should not be mandatory.

Clarify that a national review launched pursuant to Article 32(1)(d) of CACM is allowed, based on a national congestion report

Interaction between the congestion report foreseen by Article 14 Regulation 943 and the CACM congestion report every three year

The congestion report foreseen by ER Art. 14 and the CACM GL technical report schedules should be coordinated. In addition, the technical report requested in the CACM GL should ideally be used as an input to the congestion report.

Content of congestions report: Physical congestions, Commercial congestions, impacts on neighbouring bidding zones

As mentioned previously, Eurelectric asks ACER to explain what is meant by “commercial congestion”, which is a notion defined neither in the CACM GL, nor in the ER, and to explain why this notion would be used in BZR.

Market report: is it effectively needed?

Yes, the market report is crucial to the BZR, it should present an equal input to the study vis-à-vis the technical report and the congestion report.

6.3. Triggering a BZR: Decision to launch

Review/confirm the entities that may launch a review, also in view of the Electricity Regulation

According to Eurelectric, ACER has to be the decision-maker to launch a BZR. CACM GL Art. 32 should be clarified on this point.

Possibility to provide guidance when launching a review (e.g. on configurations)

Maximum transparency must be guaranteed at all stages of the bidding zone review, for all market participants. In particular, all data, assumptions and relevant parameters used in the review should be published before launching the study.

Confirm the current CACM responsibilities in case of a national review launched based on Article 32(1)(d) of CACM: in this case only national TSO, NRA and MS if the review has a negligible impact on neighbouring TSOs' control areas.

Eurelectric believes that BZR should be performed in a coordinated way at the European level, to evaluate the impact at European scale. If a BZR is performed by national entities, Eurelectric asks at least for the publication of an impact study on TSO's control areas concerned, the transparency of the BZ review methodology used, and a consultation open to neighbouring NRAs.

Moreover, as previously mentioned, Eurelectric requests that this qualification of “negligible impact” has to be confirmed by the NRAs and TSOs concerned, at least in neighbouring countries concerned by the national BZR.

6.4. Content & requirements of the BZR methodology

Keep the second step of CACM Art. 32(4)(b) as a reference, preserving the consultation of market participants for the draft report and general involvement in the whole process and including any further consultation process as per Electricity Regulation.

Eurelectric supports a stronger stakeholder involvement of all market participants during the BZR process. Stakeholder involvement is needed during all the steps of the review. Eurelectric proposes to have a similar process as the last BZR with a stakeholder group of representative organisations advising the team performing the review.

Eurelectric proposes that the methodology defines at least two levels of stakeholder involvement:

- Stakeholder involvement in the governance: the critical decisions related to the BZR should be discussed and approved by an advisory committee including representatives of the concerned industry and the Member States;
- Transparent information of the stakeholders and consideration of their proposals with public workshops after each stage of the process and public consultation at each critical stage.

The stakeholder group should also be involved in the assessment of the result and the consideration of the respective criteria. The assessment should be complemented by a broader European consultation.

Add transparency requirements for the BZR process (publication, etc.)

As already written above, maximum transparency must be guaranteed at all stages of the bidding zone review. All data, assumptions, relevant parameters, descriptive methodologies used in the review should be published and made accessible to all market participants.

In addition, Eurelectric recommends that the simulation tool used for the BZ configuration assessment is open source. It should be possible for all stakeholders to run simulations on its own and propose (with appropriate governance) improvements in the tool and/or perform their own sensitivity analysis.

Adaption based on the experience matured so far – New Art. 33: streamlining criteria (overlaps), clarifying scope of some criteria (“economic efficiency”?), differentiating criteria to be maximised (optimization problem) vs. prerequisites (e.g. assignment units to BZs)

Eurelectric welcomes the ACER initiative to review Art. 33 and refers to [paragraph 6.1](#) for positions already expressed on this topic.

Align the number of years for considering projects in the reference scenario & Role of TYNDP if any

Eurelectric agrees with suggested alignment.

12 months for the simulation phase

Eurelectric agrees with suggested 12 months period for the simulation phase.

No timeline for the methodology and alternative configurations – only preliminary submission to involved

A timeline is defined in the ER Art. 14, hence we do not see the need to add additional provisions in the CACM GL.

NRAs, approval by NRAs formally launching the review and the 12 months period (see above)

6.5. Development and approval of the BZR methodology

Review timeline for amendments (not defined in CACM)

Eurelectric agrees with the clarification of the timeline for amendments.

Decision on the methodology in case of disagreement among TSOs and/or NRAs?

Eurelectric does not agree to modify the CACM GL on this topic, as ER Art. 14(7) is sufficiently clear.

Role of the methodology pursuant to the Electricity Regulation

The role of the methodology pursuant to ER Art. 14(5) should be clarified in CACM GL.

Fall-back option in case of lack of proposed configurations

Eurelectric believes in this case the BZR should not be launched.

6.6. Decision on BZ reconfiguration

MS role, including case of disagreement, as per CEP provisions

Eurelectric does not agree to modify CACM GL on this topic, ER Art. 14(7) is sufficiently clear.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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