

**REQUEST FOR AMENDMENT  
BY THE CHANNEL REGULATORY AUTHORITIES**

**TO**

**THE PROPOSALS OF THE CHANNEL TSOS FOR  
THE COORDINATED REDISPATCHING AND  
COUNTERTRADING METHODOLOGY**

**AND**

**THE REDISPATCHING AND COUNTERTRADING  
COST SHARING METHODOLOGY**

**21 September 2018**

# 1. Introduction and legal context

This document elaborates an agreement of the Regulatory Authorities within the capacity calculation region Channel (CRE, CREG, Ofgem and ACM) on the proposal of the Transmission System Operators within the capacity calculation region Channel (Channel TSOs) for a common methodology for coordinated redispatch and countertrading in accordance with Article 35 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (Regulation 2015/1222) and for a common methodology for redispatching and countertrading cost sharing in accordance with Article 74 of Regulation 2015/1222.

This agreement of the Channel Regulatory Authorities shall provide evidence that a decision does not, at this stage, need to be adopted by the Agency for Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of the Regulation 2015/1222. This agreement is intended to constitute the basis on which Channel Regulatory Authorities will request an amendment to the common methodology for coordinated redispatch and countertrading and to the common methodology for redispatching and countertrading cost sharing proposal pursuant to Article 9(12) of Regulation 2015/1222.

The legal provisions relevant to the submission and approval of the proposals and this Channel Regulatory Authority agreement on this proposal, can be found in Articles 3, 9, 35 and 74 of the Regulation 2015/1222.

## **Article 3** of Regulation 2015/1222:

Objectives of capacity allocation and congestion management cooperation

This Regulation aims at:

- (a) promoting effective competition in the generation, trading and supply of electricity;
- (b) ensuring optimal use of the transmission infrastructure;
- (c) ensuring operational security;
- (d) optimising the calculation and allocation of cross-zonal capacity;
- (e) ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;
- (f) ensuring and enhancing the transparency and reliability of information;
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;
- (h) respecting the need for a fair and orderly market and fair and orderly price formation;
- (i) creating a level playing field for NEMOs;
- (j) providing non-discriminatory access to cross-zonal capacity.

## **Article 9** of Regulation 2015/1222:

Adoption of terms and conditions or methodologies

1. TSOs and NEMOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs

shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.

2. (...)
3. (...)
4. (...)
5. Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.
6. (...)
7. The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:  
(...)
  - (c) the methodology for coordinated redispatching and countertrading in accordance with Article 35(1);  
(...)
  - (h) the redispatching or countertrading cost sharing methodology in accordance with Article 74(1).
8. (...)
9. The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.
10. Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6, 7 and 8, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.
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.
12. (...)

**Article 35** of Regulation 2015/1222:

Coordinated redispatching and countertrading

1. Within 16 months after the regulatory approval on capacity calculation regions referred to in Article 15, all the TSOs in each capacity calculation region shall develop a proposal for a common methodology for coordinated redispatching and countertrading. The proposal shall be subject to consultation in accordance with Article 12.

2. The methodology for coordinated redispatching and countertrading shall include actions of cross-border relevance and shall enable all TSOs in each capacity calculation region to effectively relieve physical congestion irrespective of whether the reasons for the physical congestion fall mainly outside their control area or not. The methodology for coordinated redispatching and countertrading shall address the fact that its application may significantly influence flows outside the TSO's control area.
3. Each TSO may redispatch all available generation units and loads in accordance with the appropriate mechanisms and agreements applicable to its control area, including interconnectors.

By 26 months after the regulatory approval of capacity calculation regions, all TSOs in each capacity calculation region shall develop a report, subject to consultation in accordance with Article 12, assessing the progressive coordination and harmonisation of those mechanisms and agreements and including proposals. The report shall be submitted to their respective regulatory authorities for their assessment. The proposals in the report shall prevent these mechanisms and agreements from distorting the market.
4. Each TSO shall abstain from unilateral or uncoordinated redispatching and countertrading measures of cross-border relevance. Each TSO shall coordinate the use of redispatching and countertrading resources taking into account their impact on operational security and economic efficiency.
5. The relevant generation units and loads shall give TSOs the prices of redispatching and countertrading before redispatching and countertrading resources are committed.

Pricing of redispatching and countertrading shall be based on:

  - (a) prices in the relevant electricity markets for the relevant time-frame; or
  - (b) the cost of redispatching and countertrading resources calculated transparently on the basis of incurred costs.
6. Generation units and loads shall ex-ante provide all information necessary for calculating the redispatching and countertrading cost to the relevant TSOs. This information shall be shared between the relevant TSOs for redispatching and countertrading purposes only.

**Article 74** of Regulation 2015/1222:

Redispatching and countertrading cost sharing methodology

1. No later than 16 months after the decision on the capacity calculation regions is taken, all TSOs in each capacity calculation region shall develop a proposal for a common methodology for redispatching and countertrading cost sharing.
2. The redispatching and countertrading cost sharing methodology shall include cost-sharing solutions for actions of cross-border relevance.
3. Redispatching and countertrading costs eligible for cost sharing between relevant TSOs shall be determined in a transparent and auditable manner.
4. The redispatching and countertrading cost sharing methodology shall at least:
  - (a) determine which costs incurred from using remedial actions, for which costs have been considered in the capacity calculation and where a common framework on the use of such actions has been established, are eligible for sharing between all the TSOs of a capacity calculation region in accordance with the capacity calculation methodology set out in Articles 20 and 21;
  - (b) define which costs incurred from using redispatching or countertrading to guarantee the firmness of cross-zonal capacity are eligible for sharing between

- all the TSOs of a capacity calculation region in accordance with the capacity calculation methodology set out in Articles 20 and 21;
- (c) set rules for region-wide cost sharing as determined in accordance with points (a) and (b).
5. The methodology developed in accordance with paragraph 1 shall include:
- (a) a mechanism to verify the actual need for redispatching or countertrading between the TSOs involved;
  - (b) an ex post mechanism to monitor the use of remedial actions with costs;
  - (c) a mechanism to assess the impact of the remedial actions, based on operational security and economic criteria;
  - (d) a process allowing improvement of the remedial actions;
  - (e) a process allowing monitoring of each capacity calculation region by the competent regulatory authorities.
6. The methodology developed in accordance with paragraph 1 shall also:
- (a) provide incentives to manage congestion, including remedial actions and incentives to invest effectively;
  - (b) be consistent with the responsibilities and liabilities of the TSOs involved;
  - (c) ensure a fair distribution of costs and benefits between the TSOs involved;
  - (d) be consistent with other related mechanisms, including at least:
    - (i) the methodology for sharing congestion income set out in Article 73;
    - (ii) the inter-TSO compensation mechanism, as set out in Article 13 of Regulation (EC) No 714/2009 and Commission Regulation (EU) No 838/2010;
  - (e) facilitate the efficient long-term development and operation of the pan-European interconnected system and the efficient operation of the pan-European electricity market;
  - (f) facilitate adherence to the general principles of congestion management as set out in Article 16 of Regulation (EC) No 714/2009;
  - (g) allow reasonable financial planning;
  - (h) be compatible across the day-ahead and intraday market time-frames; and
  - (i) comply with the principles of transparency and non-discrimination.
7. By 31 December 2018, all TSOs of each capacity calculation region shall further harmonise as far as possible between the regions the redispatching and countertrading cost sharing methodologies applied within their respective capacity calculation region.

## 2. The Channel TSOs' Proposals

On 1 December 2017, Channel TSOs launched a public consultation on their proposal for the Coordinated Redispatching and Countertrading Methodology for the Channel region. It was consulted until 12 January 2018, in line with Article 10 of Regulation 2015/1222.

The final version of the Channel TSOs' proposals, dated 16 March 2018, was received by the last Regulatory Authority on 21 March 2018, together with a separate document providing a justification for taking into account, or not, the views expressed by stakeholders during the consultation. The proposal includes a proposed timescale for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222, in line with Article 9 of Regulation 2015/1222.

Article 9 of Regulation 2015/1222 requires relevant Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make decisions within six months following receipt of submissions of the last relevant Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by 21 September 2018.

### **3. Channel Regulatory Authorities' position**

#### **3.1 On the Channel TSOs' proposal for Redispatching & Countertrading methodology**

The Channel Regulatory Authorities request Channel TSOs to amend some parts of the proposal pursuant Article 9(12) of the Regulation 2015/1222. The details of the request for amendment are explained in this section.

##### 1. Introduction

The Channel Regulatory Authorities have concluded that several aspects for Redispatching and Countertrading are not clear in the proposal. The proposal does not address all the necessary provisions; namely:

- The rights and responsibilities of the Regional Security Coordinator (RSC) should be clarified. It should especially be made clear what type of Remedial Actions (RA) a RSC can propose.
- It is also unclear, what other action a RSC can propose in case of rejection of a RA by the assisting TSO.
  - How is efficiency of actions ensured if the TSOs and the RSC can only propose countertrading?
  - When can the RSC propose such RA? What is the timing of the different Operational Security Analysis performed? When is the last one?
  - What happens if, as foreseen in the Article 78(4) of SO GL<sup>1</sup> an action proposed by the RSC is rejected by one TSO? To be more concrete: what are the consequences in terms of coordination (and in terms of cost sharing) of the rejection of the recommendation made by the RSC?
- What happens if a TSO detects a congestion that was not detected by the RSC or proposes a RA that was not proposed by the RSC?
  - In that case, what are the consequences in terms of coordination (and in terms of cost sharing) of the recourse to a remedial action that was not detected by the RSC?
- How is secured that the data (volume and price) shared between TSOs and the RSC stays relevant?

These points, and some other issues, are explained in more detail in the next paragraphs.

##### 2. Article 2 – Role of the RSC

According to Article 78(1)(b) of SO GL, TSOs must provide the RSC with the updated list of

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<sup>1</sup> Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation

possible remedial actions, including notably both countertrading and redispatching. The Channel Regulatory Authorities consider that the TSOs' proposal lacks clarity regarding the RA that could be proposed by the RSC and would expect some clarifications. Notably, the Channel Regulatory Authorities are of the opinion that a RSC should be able to propose redispatching measures, as is the case in other capacity calculation regions (CCRs).

Channel Regulatory Authorities have the impression that with the present proposal interaction with other CCRs, for example the CORE region, is avoided. As result, redispatching decisions and costs would not be treated in accordance to the principles proposed in the Channel CCR, while these costs result from congestion inside the Channel requesting TSOs' control area.

Channel TSOs shall clarify the methodology accordingly.

### 3. Article 4 – RD&CT Actions

In the proposal the redispatching is made possible in the control area of the requesting TSO, but not in the control area of the assisting TSO. In particular, a countertrade can lead to a new congestion in the network of the assisting TSO. Redispatching can be used to solve this congestion. Therefore the methodology must also include the possibility for assisting TSOs to use redispatching.

Furthermore, Channel TSOs explained that the RSC will only propose countertrading and that the requesting TSO then can ask to use redispatching instead. The Channel Regulatory Authorities are of the opinion that a RSC must have all the information needed to calculate what is the best solution between all the possible redispatch and countertrading options. A RSC must be able to compare all possibilities. In particular, Channel NRAs currently consider that it should be made clear that the RSC considers all possible countertrades and possible redispatches (both cross-border and local) and proposes the most efficient solution. The Channel Regulatory Authorities request the TSOs to amend the methodology so that it is consistent with the roles and responsibilities of the RSC as defined in the System Operation Guideline (SOGL).

TSOs shall ensure that the aforementioned changes are reflected in the definitions and scope sections of the methodology as well.

### 4. Article 6 and 7 – Information exchange

TSOs should provide some descriptions of their Redispatching and Countertrading pools regarding:

- The types of Redispatching and Countertrading existing pools (e.g. “reserved” resources, “free” participation etc.);
- the interactions of the resources from Redispatching and Countertrading “pools” with other resources (e.g. usage of the same pool for both RDCT and balancing);
- the actual “firmness” deadlines for price and for the available volume (for market participants);
- the rules for selecting dispatched Redispatching and Countertrading actions;
- the rules for calculating the costs of dispatched Redispatching and Countertrading actions (in particular in case of interactions with non-RDCT resources).

The clarification by the TSOs should allow easy comparison of the different schemes in the countries of the Channel Region.

TSOs should also consider a “feedback loop” allowing them ex-post to compare the actual available volumes and costs of Redispatching and Countertrading with the forecast used to take the decision of commitment of such Redispatching and Countertrading action. This is to allow assessment of the quality and possibly improvements of the forecasts.

#### 5. Article 8 - Detection

In the proposal physical congestion can be detected by either a Channel TSO or a Channel RSC. From the explanatory note we understand that the Channel RSC is responsible for detection in periods 1 to 3 and the Channel TSO is responsible in period 4.

Also, Channel Regulatory Authorities are of the opinion that the actions taken to solve a congestion detected by a security analysis not conducted by the RSC may need to:

- 1 be further analyzed ex-post to ensure that these actions were relevant, or
- 2 not be considered as a cost to be shared in accordance article 74 (regardless of the sharing key).

This should be written down more clearly in the methodology.

Furthermore, TSOs should explain and justify in the explanatory note the reasons why all security analysis performed commonly through the RSC could fail to identify a congestion while a security analysis performed by a single TSO would detect it – and vice versa.

#### 6. Procedures

The proposal refers to operational procedures on certain points. Channel Regulatory Authorities request Channel TSOs to list, at least in the explanatory note, the elements they intend to detail in those operational procedures. Furthermore, Channel Regulatory Authorities consider that some crucial elements should be in the methodology itself (and not be left to the procedures) and should be harmonized. For example:

- In Article 12: the methodology must detail at least the overall selection process of the bids (which bid of the Common Merit Order List (CMOL) is used and from which CMOL?), when the bids are submitted by the market participants and until when they can be updated, when the units are activated and committed. Also, the methodology should provide elements on the energy price calculation (for instance, in case a same bid is used in a bidding zone to maintain the system in balance and for countertrading, which part of the cost is considered in the cost sharing process?)
- The proposal shall make explicit the timing for exchanging volumes and prices.
- The description of the available RD and CT Actions must be published

#### 7. Article 9(9) – Rejection of request

Article 9(9) explains that, should a Participating TSO reject a recommended remedial action, they must provide a justification for their decision to the other Participating TSOs. Nonetheless, Article 9 fails to explain the next steps for the RSC(s) and Participating TSOs after a justification is given. Channel Regulatory Authorities ask that the methodology is further developed to clearly outline the next steps after a justification for rejecting a recommended remedial action is given. Channel TSOs should elaborate on the management of the resulting congestions that are left unresolved as well as the costs incurred, depending on who is the party responsible for the rejection (the Requesting or Assisting TSO).

The methodology should be more detailed on the events described in article 9(9)(c) and 9(9)(d). Channel Regulatory Authorities request TSOs to detail further these articles.

8. Article 7(2)(b) - costs of resources

Channel TSOs should make clear in Article 7(2)(b) what the costs of resources are exactly (e.g. in the paragraph on procedures). Also, one or more TSOs in the Channel CCR have costs for availability payments. TSOs should make clear that these costs are not taken into account.

9. Article 11 – Activation of Coordinated Redispatching and Countertrading

Article 11(4)(c) states that Participating TSOs may, if applicable, reject the Net Transmission Capacity (NTC) value of an interconnector proposed by the Channel day-ahead and intraday capacity calculation and provide a new NTC value that solves the physical congestion. Article 11(5)(a) allows Participating TSOs to reduce the NTC value of an interconnector in the case where Single Intraday Coupling remains open for the concerned activation period.

Both provisions are out of the scope of the RD and CT methodology as defined by Article 35 of Regulation 2015/1222. The framework for determining the amount of NTC that can be offered to the market is set by Article 20 of Regulation 2015/1222 and should be set out in the Channel Capacity Calculation Methodology. Accordingly, Channel Regulatory Authorities ask that these provisions are removed from the RD and CT methodology.

10. Explanatory note - cross CCR

In the explanatory note it is stated that: “Similarly, if TSO(s) are members of both the Core and Channel Region and decide to use cross-border Redispatching/Countertrading (from the Core CCR) as a RD and CT Actions for Channel CCR, this RD and CT Actions should also be aligned with the Core CCR methodologies and the bilateral or multilateral TSOs agreements allowing such exchanges.”

It is unclear how the decision will be made on pure economic efficiency principles. Also, in case that the efficient solution is a Redispatching and Countertrading action in the “non-polluting CCR” (e.g. in the Channel CCR while the congestion is induced by CORE flows), it is unclear how this will impact the cost to the polluting CCR.

TSOs are requested to explain in the methodology and/or the explanatory note how such interactions are dealt with.

11. Article 12 – Selection of RD and CT Actions

Article 12(6) states that TSOs should activate the most “economically efficient” redispatching and countertrading actions amongst the resources available for redispatching and countertrading actions as opposed to the most “effective and economically efficient” actions. Article 8(4) states that Channel RSCs shall, according to Article 78 of the guideline on SO GL, recommend to the relevant Channel TSO *effective and* economically efficient remedial actions to solve the identified physical congestion, based on the available price and volume information. Channel Regulatory Authorities ask that Article 12(6) is amended so that Channel TSOs activate the most “effective and economically efficient” redispatching or countertrading action.

### **3.2 On Channel TSOs' proposal for the Redispatching & Countertrading cost sharing methodology**

The Channel Regulatory Authorities request Channel TSOs to amend the proposal pursuant to Article 9(12) of the Regulation 2015/1222. The details of the request for amendment are explained in this section.

#### 1. Article 4(2) - Countertrading and redispatching

Article 4(2) states that the total cost of coordinated redispatching and countertrading will be determined transparently “by summing the costs/incomes of Participating TSOs involved in Countertrading” as opposed to summing the costs/incomes of Participating TSOs involved in Countertrading **and Redispatching**.

The total cost of coordinated redispatching and countertrading should be determined by summing the costs/incomes of Participating TSOs involved in countertrading and in redispatching activities.

#### 2. Article 4(3) and 4(4) – Principles

In relation to Article 4(3), Channel TSOs are asked to explain in more detail which costs and incomes will be considered and which costs and incomes will not be considered for redispatching and countertrading. In particular, TSOs should make clear that availability costs are not taken into account.

Furthermore, Article 4(3) refers to costs and incomes being considered for redispatching and countertrading with these being developed in Article 4(3)(a) and (b). However, Article 4(4) states that the “Requesting TSO will incur the total cost of coordinated Redispatching and Countertrading”.

In the interests of consistency and clarity, Channel Regulatory Authorities request that Article 4(4) is amended to articulate that the Requesting TSO will incur the total cost and income of coordinated redispatching and countertrading<sup>2</sup>. For the avoidance of doubt, the methodology should be clear that the Requesting TSO incurs the costs or financial gains from redispatching and countertrading actions taken.

#### 3. Article 4 (5)

The proposal does not give clear evidence to support that the RD and CT Cost Sharing methodology is in accordance with Article 74(6) of Regulation 2015/1222. For example, Article 4(5)(e) states that the methodology “facilitates adherence to the general principles of congestion management as set out in Article 16 of Regulation (EC) No 714/2009” but does not explain how this is achieved.

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<sup>2</sup> The Channel Regulatory Authorities note TSOs' explanation that in Channel Region there are no unscheduled flows due to the Interconnectors of the Bidding Zone borders being HVDC, and as such there is no direct “polluter” identified. The assisting TSO is requested to help, by providing RD and CT Actions in order to compensate the imbalance of its grid due to the SO-SO trade. The Requesting TSO, who is facing the congestion, should thus logically bear the entire costs of the coordinated Redispatching or Countertrading.

Channel Regulatory Authorities ask Channel TSOs to explain with greater detail why Article 4(5) is in accordance with article 74(6) of the Regulation 2015/1222.

#### 4. Decision between CCRs

In the request for amendment on the RD and CT methodology, Channel Regulatory Authorities ask Channel TSOs to provide more detail to Article 12 (4) (b) of that proposal, so that the methodology addresses how decisions between CCRs will be made on pure economic efficiency principles. Accordingly, the methodology on Article 74 of CACM should deal with the sharing of the relevant costs consistently.

#### 5. Article 5 – Monitoring and Reporting

Channel Regulatory Authorities ask that Channel TSOs publish the Requesting TSO reports on their website for the benefit of market participants. The report is likely to shape improvements made to the redispatching and countertrading process and should be shared with market participants in order to give a reasonable indication of where likely improvements will be made to allow them to plan appropriately.

Also, Article 74(5)(a) of Regulation 2015/1222 requires that the RD and CT cost sharing methodology includes a mechanism to verify the actual need for redispatching or countertrading between TSOs involved. No such mechanism is included in this methodology. Instead, Article 5(4) of the RD and CT cost sharing methodology states that this mechanism is included in the Channel RD and CT methodology, submitted in accordance with Article 35 of Regulation 2015/1222.

The RD and CT cost sharing methodology must contain all necessary component parts described in Article 74 of Regulation 2015/1222. Channel Regulatory Authorities ask that the mechanism to verify the actual need for redispatching or countertrading between TSOs involved is included in the RD and CT cost sharing methodology.

Lastly, in accordance with Article 74(5)(d) of Regulation 2015/1222, Channel TSOs are encouraged to compare the actual volumes and costs of redispatching and countertrading with the forecast used to take the decision of commitment of such redispatching and countertrading action. This shall allow for an assessment of the quality and possibly improvements of forecasts.

## **4. Actions**

Based on the above rationale, Channel Regulatory Authorities agree to request an amendment to the Proposals. This amendment should contain the elements mentioned above.

TSOs should also ensure that the proposal does not include typing errors and that its wording is clear and legally robust.