

# **Approval by Capacity Calculation Region Hansa Regulatory Authorities**

**of**

## **Capacity Calculation Region Hansa TSOs’ Redispatching and Countertrading Cost Sharing Methodology in accordance with Article 74 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management**

**20 February 2019**

### **I. Introduction and legal context**

This document elaborates an agreement of all Capacity Calculation Region (“CCR”) Hansa Regulatory Authorities (Bundesnetzagentur, Energimarknadsinspektionen, Energy Regulatory Office, Danish Utility Regulator) and Norwegian Waterresource and Energy Directorate on 20 February 2019, on the Redispatching and Countertrading Cost Sharing Methodology (“RD&CT cost sharing methodology”). This is pursuant to Article 74 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (“Regulation 2015/1222”).

This document is intended to constitute the basis on which all CCR Hansa Regulatory Authorities will each subsequently make national decisions pursuant to CACM GL Article 9(7)(h) to approve the proposal submitted by CCR Hansa TSOs. The CCR Hansa TSOs are: TenneT TSO GmbH, Svenska Kraftnät, Polskie Siece Elektroenergetyczne, 50Hertz and Energinet.

The legal provisions relevant to the submission and approval of the proposal, and this CCR Hansa Regulatory Authority agreed opinion, can be found in Articles 3, 9, 12, 74 of Regulation 2015/1222. They are set out below for reference:

Article 3 of Regulation 2015/1222:

*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:

- 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. If TSOs or NEMOs fail to submit a proposal for terms and conditions or methodologies to the national regulatory authorities within the deadlines defined in this Regulation, they shall provide the competent regulatory authorities and the Agency with the relevant drafts of the terms and conditions or methodologies, and explain what has prevented an agreement. The Agency shall inform the Commission and shall, in cooperation with the competent regulatory authorities, at the Commission's request, investigate the reasons for the failure and inform the Commission thereof. The Commission shall take the appropriate steps to make possible the adoption of the required terms and conditions or methodologies within four months from the receipt of the Agency's information.*
- 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*
  - (a) (..)
  - (b) (..)
  - (c) *the methodology for coordinated redispatching and countertrading in accordance with Article 35(1);*
  - (d) (...)
  - (e) (...)
  - (f) (...)
  - (g) (...)
  - (h) (...)
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. (...)
12. *In the event that one or several regulatory authorities request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6, 7 and 8, the relevant TSOs or NEMOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authorities. The competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs (6) and (7) within the two-month deadline, or upon their joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009. If the relevant TSOs or NEMOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 of this Article shall apply.*
13. *TSOs or NEMOs responsible for developing a proposal for terms and conditions or methodologies or regulatory authorities responsible for their adoption in accordance with paragraphs 6, 7 and 8, may request amendments of these terms and conditions or methodologies. The proposals for amendment to the terms and conditions or methodologies shall be submitted to consultation in accordance with the procedure set out in Article 12 and approved in accordance with the procedure set out in this Article.*

14. *TSOs and NEMOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 13.*

Article 12 of Regulation 2015/1222:

1. *TSOs and NEMOs responsible for submitting proposals for terms and conditions or methodologies or their amendments in accordance with this Regulation shall consult stakeholders, including the relevant authorities of each Member State, on the draft proposals for terms and conditions or methodologies where explicitly set out in this Regulation. The consultation shall last for a period of not less than one month.*
2. *The proposals for terms and conditions or methodologies submitted by the TSOs and NEMOs at Union level shall be published and submitted to consultation at Union level. Proposals submitted by the TSOs and NEMOs at regional level shall be submitted to consultation at least at regional level. Parties submitting proposals at bilateral or at multilateral level shall consult at least the Member States concerned.*
3. *The entities responsible for the proposal for terms and conditions or methodologies shall duly consider the views of stakeholders resulting from the consultations undertaken in accordance with paragraph 1, prior to its submission for regulatory approval if required in accordance with Article 9 or prior to publication in all other cases. In all cases, a clear and robust justification for including or not the views resulting from the consultation shall be developed in the submission and published in a timely manner before or simultaneously with the publication of the proposal for terms and conditions or methodologies.*

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). 25.7.2015 L 197/67 Official Journal of the European Union*
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 (1); (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.*

## **II. The CCR Hansa TSO proposal**

The proposal for a RD&CT cost sharing methodology developed by all CCR Hansa TSOs, dated 16 March 2018, was received by the last CCR Hansa Regulatory Authority on 4 April 2018.

The Hansa Regulatory Authorities evaluated the proposal and subsequently sent a Request for Amendment to the RD&CT cost sharing methodology dated 2 October 2018. The main NRA comments to the proposal were:

- Lack of clarity on how the cost sharing would work in practice.
- Lack of clarity on how the cost type “availability payments” is aligned with CACM art. 74(4)
- The references in the methodology had room for improvement.

Following the request for amendment, all CCR Hansa TSOs sent an amended proposal for RD&CT cost sharing methodology dated 4 December 2018. This was received by the last NRA 20 December 2018.

Article 9(10) of Regulation 2015/1222 requires Regulatory Authorities of the region, in this case CCR Hansa, to consult and closely cooperate and coordinate with each other in order to reach agreement. A decision is required by each Regulatory Authority by 20 February 2019, two months after receipt at the last Regulatory Authority.

The main elements of the RD&CT cost sharing methodology is:

- RD&CT measures are used to maintain technical limits for stable operation of CCR Hansa HVDC interconnectors and to handle fault, failure or unplanned outage on a CCR Hansa interconnector, including converter stations.
- RD&CT measures are used to maintain the capacity on the interconnector made available to the market in case a congestion occurs on an interconnector to which a number of windfarms are directly connected, and that congestion is due to a wind forecast error for one of the windfarms.
- Costs from redispatch and countertrade related to a Hansa interconnector shall be split according to ownership share of the interconnector.
- Costs from redispatch and countertrade related to the adjacent AC-grids, shall be paid by the TSOs in the adjacent CCRs according to their cost sharing methodologies.
- Cost and income of activated redispatch and countertrade measures shall be thoroughly documented and kept in record.

It should also be mentioned that the CCR Hansa TSOs have issued a proposal for coordination of countertrade and redispatch under CACM GL art 35. This proposal is treated separately by the CCR Hansa Regulatory Authorities.

### **III. All Regulatory Authority position**

All Regulatory Authorities found initially that the original proposal for a RD&CT cost sharing methodology did not fulfil all of the requirements of Regulation 2015/1222. As a response to the request for amendment, all Hansa TSOs made several amendments to the RD&CT cost sharing methodology.

Following the amendments, all Regulatory Authorities of CCR Hansa find that the methodology meet the requirements of Article 74 of Regulation 2015/1222 and therefore is approvable.

### **IV. Conclusions**

All CCR Hansa Regulatory Authorities have assessed, consulted and coordinated and closely cooperated to reach an agreement that the RD&CT cost sharing methodology for CCR Hansa meet the requirements of Regulation 2015/1222 and as such can be approved by All CCR Hansa Regulatory Authorities.

The amended proposal for a RD&CT cost sharing methodology was received by the last CCR Hansa Regulatory Authority on 20 December 2018. All CCR Hansa Regulatory Authorities must therefore make their decisions latest 20 February 2019, on the basis of this agreement and in accordance with the two months deadline as set out in Regulation 2015/1222. Following national decisions taken by each Regulatory Authority, all CCR Hansa TSOs will be required to publish the Redispatching and Countertrading Cost Sharing Methodology on the internet in line with Article 9(14) of Regulation 2015/1222.