

**REQUEST FOR AMENDMENT BY THE IRELAND-UK (IU)
REGULATORY AUTHORITIES
OF**

**THE IU TRANSMISSION SYSTEM OPERATORS'
PROPOSAL FOR THE
REDISPATCHING AND COUNTERTRADING COST
SHARING METHODOLOGY**

14 September 2018

I. Introduction and legal context

This document elaborates an opinion of the Ireland-United Kingdom (IU) Regulatory Authorities, agreed on 14 September 2018, on the IU Transmission System Operators' (TSOs) proposal for the coordinated 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 (Regulation 2015/1222).

This agreed opinion of the IU Regulatory Authorities shall provide evidence that a decision on the coordinated redispatching and countertrading cost sharing methodology does not, at this stage, need to be adopted by Agency for the Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of the Regulation 2015/1222. It is intended to constitute the basis on which the IU Regulatory Authorities will each subsequently make national decisions pursuant to Article 9(7)(h) of Regulation 2015/1222.

The legal provisions that lie as the basis for the coordinated redispatching and countertrading methodology and of this IU Regulatory Authority agreed opinion can be found in Article 3, 9 and 74 of Regulation 2015/1222. These Articles 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.*

[...]

- 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*

[...]

7. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:*
[...]

(h) *the redispatching or countertrading cost sharing methodology in accordance with Article 74(1).*

[...]

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.*

[...]

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.*

[...]

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 74 of Regulation 2015/1222

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 (5);*
 - (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 IU TSO proposal

The coordinated redispatching and countertrading cost sharing methodology (hereinafter referred to as the “RD and CT cost sharing methodology”) proposed by IU TSOs, was received by IU Regulatory Authorities on 16 March 2018. The methodology includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222, in line with Article 9(9) of Regulation 2015/1222. The proposal includes cost-sharing solutions for actions of cross-border relevance in accordance Article 74(2) of Regulation 2015/1222.

Article 9(10) of the Regulation 2015/1222 requires IU 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 submission by the last Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by 16 September 2018.

III. IU Regulatory Authority position

IU Regulatory Authorities request IU TSOs to amend the proposal pursuant to Article 9(12) of Regulation 2015/1222. The details of the request for amendment are explained in this section, followed by a summary of the requested actions.

Article 4 - Principles

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.

Article 4 - Principles

In relation to Article 4(3), IU 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. For example, will availability payments be considered?

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, IU 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. 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.¹

In addition, little evidence is given 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.

¹ In the IU Region, there are no unscheduled flows due to the Interconnectors of the IU 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. This approach is in line with the third “High Level Principle” in the [Recommendation of the Agency for the Cooperation of Energy Regulators \(ACER\) no 02/2016 of 11 November 2016 on the Common Capacity Calculation and Redispatching and Countertrading Cost Sharing Methodologies](#).

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

Article 5 – Monitoring and Reporting

IU Regulatory Authorities ask that IU 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.

Article 5 – Monitoring and Reporting

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 IU 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. IU 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, IU 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.

IV. Actions

Based on the above rationale, all IU Regulatory Authorities agree to request an amendment to the RD and CT cost sharing proposal. This amendment should contain the following elements:

1. Amend Article 4(2) to clarify that the total cost of coordinated redispatching and countertrading corresponds to the sum of the costs/incomes of Participating TSOs involved in countertrading activities and in redispatching activities.
2. Add more detail to Article 4(3) to explain which costs and charges will be considered and which costs and charges will not be considered for redispatching and countertrading.
3. Amend Article 4(3) to make it clear that the Requesting TSO should incur the total cost and income of coordinated redispatching and countertrading.
4. Explain with greater detail why Article 4(5) is in accordance with Article 74(6) of the Regulation.
5. Amend Article 5(3) to make mandatory the publication of the annual Requesting TSO report on each IU TSO's website.
6. Amend Article 5 to ensure that a mechanism to verify the actual need for redispatching or countertrading between TSOs involved is included within the RD and CT cost sharing methodology.