

**REQUEST FOR AMENDMENT BY
THE SEE CCR REGULATORY AUTHORITIES**

OF

**THE SEE CCR TSOs' PROPOSAL FOR 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**

29 March 2019

I. Introduction and legal context

This document elaborates an agreement of the SEE CCR Regulatory Authorities (hereinafter: SEE NRAs), agreed on 29 March 2019 at SEE CCR Energy Regulators' Regional forum, on the SEE CCR TSOs' (hereinafter: SEE TSOs) proposal for Redispatching and Countertrading cost sharing methodology (hereinafter: cost - sharing methodology), submitted in accordance with Article 74 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (hereinafter: CACM Regulation).

This agreement of the SEE NRAs shall provide evidence that a decision on the cost-sharing methodology does not, at this stage, need to be adopted by ACER pursuant to Article 9(11) of CACM Regulation. It is intended to constitute the basis on which the SEE NRAs will each subsequently request an amendment to the cost-sharing methodology pursuant to Article 9(12) of CACM Regulation.

The legal provisions that lie at the basis of the cost-sharing methodology, and this SEE NRAs agreement on the above-mentioned methodology, can be found in Articles 3, 9 and 74 of CACM. They are set out here for reference.

Article 3 – 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 – 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.*

[...]

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: (...)*
 - h) *the methodology for coordinated redispatching and countertrading 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. (...)
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. (...)
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 – Redispatching and countertrading cost sharing

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 (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.

II. **The SEE TSOs proposal**

The cost-sharing methodology was not submitted to public consultation, as not required by Article 74(1) or Article 12 of CACM Regulation. The cost-sharing methodology was received by the last SEE NRA on 27 September 2018. The proposal includes proposed timescales for its implementation and a description of its expected impact on the objectives of CACM, in line with Article 9(9) of CACM Regulation.

Article 9(10) of CACM Regulation requires SEE NRAs 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 Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority pursuant to Article 9(10) of CACM Regulation.

The proposal describes the process steps from having available the total costs of any redispatching and/or countertrading remedial actions of cross-border relevance all the way to the share per TSO of these total costs in order to guarantee the firmness of cross-zonal capacity and to ensure the security of supply of the electricity system.

The process steps are vaguely described and in case of some process steps, several options are included as for example the prioritization approach for allocating the costs to the different types of flows.

III. **The SEE NRAs' position**

All SEE NRAs welcome the efforts made by the SEE TSOs to develop a proposal in the current framework where most of the methodologies with important impact as Coordinated Redispatching and Countertrading Methodology, according to Article 35 of CACM Regulation and proposal for common provisions for regional operational security coordination according to Article 76 of Regulation 2017/1485 (SOGL Regulation) are still under discussion or elaboration phase.

Regarding the content of the methodology submitted, the SEE NRAs observe that the level of detail is generally insufficient.

All SEE NRAs unanimously agreed, at the SEE CCR Energy Regulators' Regional forum organized on 29 March 2019, that they cannot approve the cost-sharing methodology for the reasons that are detailed below and thus request the SEE TSOs to amend it and to incorporate the following SEE NRAs' assessment remarks pursuant to Article 9(12) of the CACM. The assessment contains general remarks and more detailed ones, assessing every article of the cost-sharing methodology individually.

III. **1. General Remarks on the content**

The Proposal is not sufficiently clear and described in such a way that SEE NRAs are able to enforce it after approval on a national level. SEE TSOs should draft the cost-sharing methodology in a legal format which is directly enforceable and legally sound, in that it should be possible to foresee how the methodologies will be applied.

Both, the Coordinated Redispatching and Countertrading and Cost Sharing methodologies of CACM Regulation are strongly interlinked with each other as well as with provisions of the SOGL Regulation and terms, conditions and methodologies to be proposed under SOGL Regulation. In this context, the methodologies pursuant to Articles 75(1) and 76 of SOGL Regulation as well as the provisions in Articles 74 – 78 of SOGL Regulation shall be mentioned.

The SEE NRAs acknowledge that some of the methodologies from SOGL Regulation are under development and the Coordinated Redispatching and Countertrading Methodology according to Article 35 of CACM Regulation was referred on 11 February 2019 by SEE NRAs to ACER to decide. Nevertheless, the cost-sharing methodology should describe with more details the relevant elements / principles under the SOGL Regulation applicable to cost-sharing methodology and the definitions and concepts should be updated according to the amendments agreed within the Coordinated Redispatching and Countertrading Methodology of CACM Regulation.

Furthermore, all the references to the SEE CCR Capacity Calculation Methodology according to Articles 20 and 21 of CACM Regulation should be reassessed in the context of the amendments proposed by ACER on the Coordinated Redispatching and Countertrading Methodology elaborated according to art 35 of CACM Regulation.

In order to understand the effects of the options and parameters selected, SEE NRAs ask SEE TSOs to make a sensitivity analysis on prioritization as for example the loop flow threshold and the percentage of the limit of the internal line. The analysis could be carried out using existing tools/methods and historical data.

III. 2. Specific remarks and actions to be taken

SEE NRAs express some concerns on which the TSOs are asked to amend the document and/or provide more clarifications.

Whereas

According to paragraph 7 of the “Whereas” section, the proposal:

“b. Contributes to the objective of ensuring optimal use of the transmission infrastructure in accordance with Article 3 (b) of the CACM Regulation by using last available inputs based on the best possible forecast of transmission systems and market results at the time of each security analysis, updated in a timely manner, for the detection of Coordinated Redispatching and Countertrading needs”.

The general principle of solving the congestion at least costs should be emphasized and the previously mentioned paragraph to be amended as follows:

“b. Contributes to the objective of ensuring optimal use of the transmission infrastructure in accordance with Article 3 (b) of the CACM Regulation by ensuring TSOs to solve physical congestion at the least cost using last available inputs based on the best possible forecast of transmission systems and market results at the time of each security analysis, updated in a timely manner, for the detection of Coordinated Redispatching and Countertrading needs.”

Article 2 - Definitions

The definitions that are already included in CACM Regulation and in SOGL Regulation either should not be repeated here, or should be accordingly to the Regulation in force (for example “Remedial Actions”, “Operational Security Analysis”, “Regional Security Coordinator”).

TSOs should provide, also, the definitions of thermal limit, threshold, sink and source for better clarity.

Application of this methodology

Article 3 (Cross-border relevance of congestions) of the cost-sharing methodology defines that this methodology should be applied within the SEE CCR.

The methodology should clearly establish the following:

- If the methodology covers only the costs and/or the revenues, are also mentioned in Art. 6 (Redispatching costs).
- What costs related to the activation of Remedial Actions according to art 76 SOGL are covered.
- The critical network elements of the SEE CCR Coordinated Redispatching and Countertrading Methodology, according to Article 35 of CACM Regulation, where these costly Remedial Actions are applied shall be clarified if they are the same or not with the critical network elements of SEE CCR Capacity Calculation Methodology according to Articles 20 and 21 of CACM Regulation.
- The description of the costs not eligible for cost-sharing.

Regarding Article 4 (Real-time operation), SEE TSOs should explain under which conditions the TSOs will take into account the RSC recommendations. SEE TSOs should describe the costs, if any, related to Remedial Actions implemented by SEE TSOs deviating from the recommendation of RSCs, taken into account for cost sharing.

The procedure applied where coordination is not possible (e.g. lack of time) should be correlated with the fast activation process as defined in Coordinated Redispatching and Countertrading Methodology methodology (art.35 of CACM Regulation), where there was a reference that at least bilateral coordination exists.

The SEE TSOs shall, also, explain the additional option of unilateral activation of remedial actions of cross-border relevance, as this is considered as non-compliant with Article 35, par. 4 of CACM Regulation.

Article 5 and Article 6 – Countertrading costs and Redispatching costs

There shall be clear reference that the costs of countertrading and redispatching refer only to remedial actions of cross-border relevance applied to critical network elements of the Coordinated Redispatching and Countertrading Methodology, according to Article 35 of CACM Regulation.

Article 7 - Description of the activation of costly remedial actions

The content of this article should have been included in Coordinated Redispatching and Countertrading Methodology, according to Article 35 of CACM Regulation and be complemented by that of Article 76 of SOGL Regulation.

SEE TSOs should provide more details on the frequency of cost-sharing calculation (e.g. every-time of costly Remedial Action activation?)

Cost-sharing methodology

Article 8 – Flow decomposition methodology

SEE TSOs should describe the steps and provide further details on them for a better clarity. Moreover, the step related to the determination of the control area costs per network element and the aggregation of costs on control area level should be better described.

The PST flows should be also added within the category of flows.

The categories with flows should comprise distinct the transit flows.

Article 9 – Causation principle

Mapping of costs to critical network elements

SEE TSOs should add the costs of countertrading measures of cross-border relevance.

Causation principles based on prioritization of flows

SEE TSOs should explain the rules to be applied for the proposed fixed value of 20% of the internal line limit.

Article10- Principles for sharing keys calculation

A. Non-coordinated actions with RSC

SEE TSOs should provide the regulatory framework according to which the costs related to non-coordinated remedial actions could be shared.

Article 11

Monitoring

TSOs should enlarge and correlate with the process steps to be documented in the central database for each activation of a remedial action.

Article 12

Regular Reporting to NRAs

In order to have an auditable and solid ground when analysing costs TSOs should add the following information on costs and revenues (if this is the case) to be reported to NRAs on a yearly basis:

- List all activations of remedial actions including the addressed security violation, the activated resources and the associated costs;
- Provide an overview of the total redispatching and countertrading costs eligible for cost sharing within the quarter per bidding zone/TSO according to the applied cost sharing arrangements;
- Provide redispatching and countertrading costs according flow type Import/Export flows; Loop flows; Internal flows and Transit flows per bidding zone/TSO;
- Provide an overview of the total costs/revenues per control area since the implementation of this methodology;
- Provide an overview of the costs allocated to the bidding zones outside the SEE CCR and the sharing among TSOs;

Furthermore, a more frequent report (e.g. a quarterly one) would be welcome.

Article 14

Implementation

SEE TSOs should correlate the implementation date of the cost-sharing methodology with the implementation date of the SEE CCR Coordinated Redispatching and Countertrading Methodology, according to Article 35 of CACM Regulation and in coordination with the methodology of Article 76 of SOGL Regulation. Moreover, SEE TSOs should include within the proposal a timescale for implementation as provided in Article 9(9) of CACM Regulation.

IV. Conclusions

The SEE NRAs have consulted and closely cooperated and coordinated and have reached an agreement on 29 March 2019 at the SEE CCR Energy Regulators' Regional forum, to **request an amendment to the cost-sharing methodology submitted by SEE TSOs pursuant to Article 74 of CACM Regulation**. The amended cost-sharing methodology should take into account the SEE NRAs position stated above and shall be submitted by TSOs no later than 2 months after the last national decision to request an amendment has been made, in accordance with Article 9(12) of CACM Regulation.

The SEE NRAs must make their national decisions to request an amendment to the cost-sharing methodology, on the basis of this agreement, pursuant to Article 9(10) of CACM Regulation.