

**APPROVAL BY THE CHANNEL REGULATORY
AUTHORITIES
OF**

**THE AMENDED CHANNEL TSOs PROPOSALS FOR THE
COORDINATED REDISPATCHING AND
COUNTERTRADING METHODOLOGY**

AND

**THE REDISPATCHING AND COUNTERTRADING COST
SHARING METHODOLOGY**

23 January 2019

I. Introduction and legal context

This document elaborates on an agreement of the Regulatory Authorities within the capacity calculation region Channel, agreed on 22 January 2019, on the amended proposals of the Transmission System Operators (TSOs) within the capacity calculation region (CCR) Channel (Channel TSOs) for:

- i. a common methodology for coordinated redispatching (RD) and countertrading (CT) 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;
- ii. a common methodology for redispatching (RD) and countertrading (CT) cost sharing in accordance with Article 74 of Regulation 2015/1222.

This agreement of the Channel Regulatory Authorities shall provide evidence that a decision on either methodology does not, at this stage, need to be adopted by the Agency for the 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 each subsequently make national decisions 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 can be found in Articles 3, 9, 35 and 74 of 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.*

[...]

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:*

[...]

c. the methodology for coordinated redispatching and countertrading in accordance with Article 35(1);

[...]

h. the redispatching or countertrading costs 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 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 (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 Channel TSOs proposals

Channel TSOs have submitted amended proposals for the RD and CT methodology and for the RD and CT cost sharing methodology which are examined in turn.

RD and CT methodology

The RD and CT methodology proposes a common approach within the Channel CCR for the effective and economically efficient use of coordinated remedial actions which have the effect of relieving physical congestions within a control area of a Channel TSO. 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 for a coordinated RD and CT methodology was consulted on by the Channel TSOs through ENTSO-E between 1 December 2017 to 12 January 2018, in line with Article 35 and Article 12 of Regulation 2015/1222.¹ The Channel TSOs submitted an original RD and CT proposal in March 2018. The Channel Regulatory Authorities issued a request for amendment on 21 September 2018. The Channel TSOs subsequently submitted an amended proposal on 23 November 2018. Regulation 2015/1222 requires the competent Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and take decisions within two months following receipt of an amended proposal by the last regulatory authority. A decision is therefore required by each Regulatory Authority by 23 January 2019.

RD and CT cost sharing methodology

The coordinated RD and CT cost sharing methodology proposes common cost sharing solutions for actions of cross-border relevance within the Channel CCR in accordance Article 74(2) of Regulation 2015/1222. 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. This proposal is not subject to consultation and the Channel TSOs did not consult on the methodology.

The original RD and CT cost sharing methodology proposed by Channel TSOs, was received by Channel Regulatory Authorities in March 2018. The Channel Regulatory Authorities issued a request for amendment on 21 September 2018. The Channel TSOs subsequently submitted an amended proposal on 23 November 2018. Regulation 2015/1222 requires Channel Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and make decisions within two months following receipt of an amended proposal by the last regulatory authority. A decision is therefore required by each Regulatory Authority by 23 January 2019.

III. Channel Regulatory Authority position

In the request for amendment published in September 2018², the Channel Regulatory Authorities requested several amendments in order to ensure the methodologies included the necessary level of detail and transparency to be considered satisfactory.

Channel Regulatory Authorities share the opinion that the amended RD and CT and RD and CT cost sharing methodologies can be approved. Channel TSOs have amended the methodologies to a satisfactory degree. For example, with regard to the RD and CT methodology, Channel TSOs were asked to remove provisions which allow them to reject or reduce net transfer capacity (NTC) values. Channel TSOs complied with this request. With regard to the RD and CT cost sharing methodology, TSOs developed the detail of the methodology in line with the Regulatory Authority request. For example, TSOs were asked to provide more detail as to how the methodology achieved the aims

¹ The public consultation is available on the ENTSO-e website: <https://consultations.entsoe.eu/markets/channel-redispachandcountertrd/>

² Channel Regulatory Authority Position Paper published in September 2018 : https://www.ofgem.gov.uk/system/files/docs/2018/09/channel_regulatory_authority_agreement_to_request_an_amendment_to_the_ch.pdf

set out in Article 74(6) of Regulation 2015/1222. TSOs amended the methodology by providing a greater explanation in Article 4(7) of the methodology as to how the proposal shall achieve the aims.

Channel Regulatory Authorities would like to note however that in order to effectively implement the methodologies, Channel TSOs propose to establish RD and CT operational procedures during the implementation phase of the methodology. Those procedures would be established between relevant TSOs of each bidding zone border in the Channel Region. They would not be submitted to Channel Regulatory Authorities for approval.

Channel Regulatory Authorities are of the opinion that methodologies should normally be stand-alone documents and should contain all the elements required in the relevant Articles of Regulation 2015/1222. It is therefore of critical importance for the methodologies to contain all the relevant principles at the heart of the methodology so that the methodologies can be deemed to contain an appropriate level of transparency necessary to be approved.

Channel Regulatory Authorities consider that the RD and CT and RD and CT cost sharing methodologies currently contain all such relevant principles and can therefore be deemed to contain an appropriate level of transparency. In order to allow an ongoing assessment of the compliance of the operational procedures and methodologies, Channel NRAs request the publication of these procedures.

Further, Article 35(3) of Regulation 2015/1222 states:

“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.”

Additionally, Article 74(7) of Regulation 2015/1222 states:

“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.”

Channel Regulatory Authorities understand that it is not possible for Channel TSOs to further harmonise either methodology in accordance with their respective deadline. Nonetheless, TSOs are expected to further harmonise the methodologies as far as possible within a reasonable timeframe. Specifically, Channel TSOs are asked to further harmonise their approach to the criteria listed in Article 12(5)(a) to (f) of the RD and CT Methodology.

In light of the above assessment and considerations, Channel Regulatory Authorities share the opinion that the amended RD and CT and RD and CT cost sharing methodologies can be approved.

IV. Actions

The Channel Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach agreement that the amended RD and CT methodology and RD and CT cost sharing methodology meet the requirements of the Regulation 2015/1222 and as such can be approved by relevant Regulatory Authorities.

The Channel Regulatory Authorities must therefore make their decisions, on the basis of this agreement, by 23 January 2019. The RD and CT methodology and RD and CT cost sharing methodologies will be adopted upon the decision of the last Regulatory Authority concerned.

Following national decisions by the Channel Regulatory Authorities, the Channel TSOs will be required to publish the amended proposals as approved in line with Article 9(14) of Regulation 2015/1222. The Channel TSOs must meet the implementation deadline required respectively by Article 17(2) and Article 7(1) of the amended RD and CT methodology and RD and CT cost sharing methodology.