

**REQUEST FOR AMENDMENT BY THE SOUTH-WEST
EUROPE REGULATORY AUTHORITIES AGREED AT
THE SOUTH-WEST EUROPE ENERGY REGULATORS'
REGIONAL FORUM**

ON

**South West Europe TSO's proposals for the
methodology for Coordinated Redispatching and
Countertrading and for Redispatching and
Countertrading Cost Sharing in accordance with
Articles 35(1) and 74(1) of Commission Regulation
(EU) 2015/1222 of 24 July 2015 establishing a
guideline on capacity allocation and congestion
management**

11 January 2019

I. Introduction and legal context

Articles 35 and 74 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereinafter referred to as “CACM Regulation”) requires that no later than 16 months after the approval of the proposal of for capacity calculation regions (Article 15(1)), i.e. by March 2018, all TSOs in each capacity calculation region shall submit a proposal for the methodology for Coordinated Redispatching and Countertrading (hereinafter referred to as “RDCT methodology”) and for Redispatching and Countertrading Cost Sharing (hereinafter referred to as “Cost Sharing Proposal”).

Article 35 of CACM regulation, requires elaborating a RDCT methodology, which define how actions of cross-border relevance should be coordinated between the TSOs of each capacity calculation region to effectively relieve congestions. To that end, each TSO may redispatch any available generation unit or load through appropriate mechanisms applicable in its control area. TSOs are also required to assess for a future harmonization of redispatching and countertrading mechanisms established in the different CCRs. By January 2019 a report, assessing this possibility should be issued by each TSO of each region.

The above-mentioned Article 35 also requires generation and loads to provide to their relevant TSOs with the information required for calculating the costs for redispatching and countertrading. Final prices can be based on incurred costs or in prices of relevant markets.

On the other hand, Article 74 of CACM regulation requires TSOs to develop a cost sharing methodology for redispatching and countertrading actions of cross-border relevance. Determining which redispatching and countertrading costs are eligible for sharing between TSOs of a capacity calculation region, and how this costs will be shared, ensuring a fair cost distribution, incentivizing efficiency and allowing for an ex-post monitoring of the actual need and costs. This article also asks for a harmonization of the cost sharing methodologies between the different capacity calculation regions by December 2018.

In line with Article 20 of the CACM Regulation, South-west Europe (SWE) TSOs launched a public consultation from 24 January to 25 February 2018, on their proposals for RDCT methodology and Cost Sharing.

The RDCT methodology and Cost Sharing proposals developed by the SWE TSOs, were received by the last SWE Regulatory Authority on the 16 March 2018, respecting the above mentioned deadline of 17 March 2018.

After a thorough analysis, SWE Regulatory Authorities agreed on 10 September 2018 to request some amendments on the proposed methodology. In particular about:

- *Reasons for not including redispatching coordination.*
- *Improvements of the definitions of requesting and assistant TSO.*
- *Need to incorporate in the methodology the high-level details of procedures for price estimation and final price calculation*
- *Clarification on the roles and responsibilities of RSC*

- *Clarifications on the procedures to be applied in case of detecting negative impacts on other CCRs.*
- *Rules for selecting RDCT actions, actual firmness deadlines for prices and volumes, and for the fast activation process.*
- *Tools for evaluating the accuracy of the estimations.*
- *Clarifications on the regional or individual grid models to be used.*
- *Explanations on the costs to be considered in the socialization principle.*
- *Possibility to introduce some polluter-pay principle instead of a universal socialization principle.*
- *Links between RDCT methodology and System Operations methodologies dealing with operational security analysis and coordination*

SWE TSOs submitted an amended version of the RDCT methodology and Cost Sharing proposals two months after the amendments were required. This second version was received by the last SWE Regularity Authority on the 13 November 2018.

SWE NRAs welcomed this amended version where a great part of the requirements have been properly treated. Nevertheless, SWE NRAs after a common analysis have agreed on the need of introducing further improvements, some of them already treated in the previous Request for amendments.

This document elaborates an agreement of the SWE Regulatory Authorities on the SWE TSOs proposal for RDCT methodology and for Cost Sharing Proposal, in accordance with Article 35(1) and 74(1) of CACM Regulation. This agreement of the SWE Regulatory Authorities provides evidence that a decision does not need at this stage to be adopted by the Agency for Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of the CACM Regulation.

This agreement is intended to constitute the basis on which SWE Regulatory Authorities will request an amendment to the RDCT methodology and Cost Sharing proposal pursuant to Article 9(10) of Regulation 2015/1222.

II. The SWE TSOs' Proposal

The SWE TSOs proposal package received in November 2018 contains four documents:

- a) The proposal for the methodology for Coordinated Redispatching and Countertrading ("RDCT methodology") in accordance with Article 35 of CACM regulation
- b) An explanatory note on the RDCT methodology, which incorporates further and more in-depth explanations.
- c) The proposal for Redispatching and Countertrading Cost Sharing ("Cost Sharing Proposal") in accordance with Article 74 of CACM regulation

- d) An explanatory note on the Cost Sharing Proposal

III. SWE Regulatory Authorities' position on RDCT and cost-sharing methodologies

After a thorough analysis of the submitted methodologies, SWE Regulatory Authorities have identified several points where some changes or further improvement are required.

Therefore SWE Regulatory Authorities request SWE TSOs to amend the proposal pursuant Article 9(12) of the Regulation 2015/1222.

The details of the request for amendment are explained in the two following sections:

a) SWE Regulatory Authorities' position on RDCT methodology

1. On the scope of the methodology: Art 3 of RDCT methodology

As stated in both methodologies, the submitted proposal is focused only on the Coordinated Countertrading process.

In the explanatory note SWE TSOs commits for a study, foreseen by Q1 2019, which enables the identification of the main cases where applying redispatching (individually or in a combined mechanism) could be more efficient, in order to introduce the redispatching mechanism in this RDCT methodology if assessed positively.

SWE NRAs welcome this future study, but consider that this commitment on the deadline should be included in the official methodology, notwithstanding that the Explanatory note can elaborate further details of this study.

2. On the role of RSC: Art 4(1) and Art 8(1) of RDCT methodology

SWE NRAs consider that the Regional Security Coordinator (RSC) shall have a more prominent role than the one established by the general principles of the current methodology. The RSC is indeed better placed than each single TSO for all the different steps of the process (congestion detection, proposal of the most relevant remedial action, impact assessment, etc.). As such, most congestion detections and remedial action identifications are expected to be performed by the RSC.

Article 4 of RDCT methodology states that countertrading is by definition coordinated at least between the two TSOs involved. SWE NRAs consider such statement reflects the insufficient level of coordination proposed by the current methodology. Coordination shall

not be narrowed down to the cooperation needed to increase the production on one side of the border and decrease it on the other side. Coordination requires a higher level of verification by a RSC who has a view of the systems on both sides of the border, identifies a congestion, selects the most suited remedial action, assesses its impact and supervises the good implementation of the process.

In addition, SWE NRAs consider that the methodology should establish that the RSC shall verify the reasons for rejection or deviation from its recommendations as well as verify them.

3. On the impact of countertrading on other CCRs: Article 4(4) of RDCT methodology

Art 4(1) should be reworded in order to clarify the role of the Requesting TSO in the impact assessment. The current wording indeed seems to indicate that the Requesting TSO performs the impact assessment where it should only be the RSC.

4. On the procedures for price estimation and final cost calculation: Art 7(2) and Art 11 and Art 13(2) of RDCT methodology

SWE NRAs would like to highlight that key parts of the methodology cannot be transferred to 'Application procedures' or 'Coordinated Countertrading Procedures'. Any item of a significant impact on coordination or on cost sharing should be included in the methodologies. Even if some minor parts are provided in separate procedures, TSOs should clarify their intentions regarding the approval process stated in Art 13(2) which currently seems inconsistent between the process for the first version of the procedures and the process for amending these procedures.

In particular, SWE NRAs consider that the notion of price is not sufficiently detailed throughout the methodology. The RDCT methodology must incorporate a clear definition of prices in particular making explicit all cost components considered. The list shall be exhaustive, clear and it shall not be possible to introduce any cost not mentioned in the methodology. If relevant, the following costs need to be clearly defined: capacity reservation costs, imbalance costs, start-up costs and any variable costs incurred following the activation of the remedial action. For the avoidance of doubt, it should be clarified within the methodology that capacity reservation costs shall not be eligible for cost sharing.

RDCT methodology must clarify in the final cost calculation in Art 11 both that shared costs will be based on incurred costs or imbalance prices and which volumes will be considered.

Finally, SWE NRAs ask SWE TSOs to list, at least in the explanatory note, the elements they intend to detail in those operational procedures. For instance, in order to improve the transparency on the activation of coordinated countertrading measures, SWE NRAs expect SWE TSOs to explain how each TSO of the CCR will:

- Estimate the forecast prices and volumes of countertrading;
- Exchange information on price and volumes estimated (i.e. the timing to exchange those pieces of information);

- Deal with the fact that there might be possible interactions between the countertrading pool and other resources or products.

For the latter purpose, TSOs should provide in the explanatory note 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).

5. On the recommendations provided by RSC about the most effective remedial actions: Art 8(3) of RDCT methodology

It is not clear to which TSO ‘The relevant SWE TSO’ refers to in Art 8(3) when RSC provides recommendation about the remedial actions to be taken. SWE NRAs expect that the recommendation is provided to at least two TSOs (the requesting and the assisting TSOs) but could also be provided to the other TSOs of the region as well as other TSOs from other regions if relevant.

6. On the actions carried by the RSC in the coordination process: Art 9 of RDCT methodology

SWE NRAs wonder if the impact assessment described in Art 9(4) should be better run by RSC when looking for the most efficient remedial actions, before recommending any specific action and before starting the coordination process. SWE NRAs are concerned that such late verifications could indicate that the RSC has outdated information at the moment of the recommendation. SWE NRAs ask SWE TSOs to make sure that this is not the case. Information used by the RSC shall be regularly updated (before each coordinated security analysis).

SWE NRAs also consider that the coordination process must provide for RSC verification of the actual need for countertrading and the reasons for rejection or deviation from recommendations.

Finally, in Art 9(8) it is also unclear how RSC should proceed in cases where its recommendations are not followed by the requesting or assisting TSOs.

7. On the fast activation process: Art 12 of RDCT methodology

SWE NRAs have some concerns on the triggering of the fast activation process.

SWE NRAs would like to avoid incentives for the use of this last resort measure and require that TSOs investigate and monitor the reasons that have led to the usage of the fast activation process. TSOs should also explore the possibility of introducing some provision establishing that fast activation processes resulting from causes out of control of the TSO could be eligible to a socialization but if the action is within the control of the TSO (ie: if it could have been better anticipated) it should be borne by the requester TSO. Additionally, if the monitoring processes will detect an excessive use of the fast activation process, some changes should be introduced to limit the socialization principle in this non-coordinated mechanism.

SWE NRAs note that the provision of the Article 12(2) of the initial proposal on cost sharing, which established that all national RAs should be exhausted before asking for non-coordinated last resort CT, was deleted. Such deletion was not justified and was not required by SWE NRAs. This provision should be re-included in the methodology.

It should be also clarified if in Article 12(1), the deadline for the activation of the fast activation process is one hour before real time, or it should be defined in a more general way making reference to the 'RSC coordination deadline' defined in Art 2(2)(f).

It is also unclear if in this fast activation process the Requesting TSO will be always the detecting TSO.

Regarding the ex-post control established in Art 12(5) and 12(6), it seems that the RSC can only use the reported information for CGM updating purposes, but has no dedicated role on evaluating the need or efficiency of the activated remedial actions, and therefore the ex-post control seems to be quite vague. Such vagueness is acceptable only if costs resulting from the fast activation process are borne by the owner of the critical network element that was congested.

8. On the need of Article 16 of RDCT methodology

SWE NRAs consider that there is no need that RDCT methodology provides for the amendment process already established in CACM Regulation. SWE NRAs ask SWE TSOs to delete this article.

b) SWE Regulatory Authorities' position on Cost Sharing methodology

1. On the eligible cost for cost-sharing and CNE to be included in the Common Responsibility Zone: Art 2 and 3 of Cost Sharing methodology

SWE NRAs welcome the proposed definition of a Common Responsibility Zone as a smart way to establish when a socialization principle must apply. Nevertheless, in line with the above-mentioned criteria that the RDCT must incorporate all the high-level principles, the criteria to determine which CNE are included in the Common Responsibility Zone should be included in the approved methodology.

Additionally, in order to avoid misunderstanding, Art 3 should clarify that only critical network elements belonging to the Common Responsibility Zone must be considered for socialization principle. Costs incurred on the rest of the CNEs would be borne by the owner of the CNE.

Besides, SWE NRAs underline that the methodology was not fully realigned to take into account the introduction of the CRZ proposed by TSOs. For example, article 3 of the cost sharing methodology indicates that eligible costs are those implemented to solve constraints on CNEs as defined in the capacity calculation methodology. SWE NRAs ask SWE TSOs to align the wording for a sake of coherence.

Finally, in “business as usual situations” (which excluded what happens during a Fast Activation Process), SWE NRAs consider that only the costs of the coordinated countertrading actions on CNEs included in the Common Responsibility Zone should be subject to a socialization principle. Indeed, as mentioned in the point 2. of this RfA (on the role of the RSC), SWE NRAs are of the opinion that the countertrading can be considered as coordinated if it has been recommended by the RSC, following an economic optimization, and then implemented by the Requesting and Assisting TSOs. As such, SWE NRAs ask SWE TSOs to modify the wording of the Articles 1 to 8 of the cost sharing methodology, to include the notion of “coordinated” countertrading.

2. On the countertrading cost: Art 5 of Cost Sharing methodology

SWE NRAs do not understand the interactions of this article with the article 13 of the RDCT methodology.

In parallel, SWE NRAs do not consider that it provides sufficient clarity on costs. In particular, it mentions “imbalancing costs and gains” which have not been defined at all. SWE NRAs ask SWE TSO to review article 5 of the cost sharing methodology in line with the above comments as well as with the comments provided in the part on “the procedures for price estimation and final cost calculation”.

3. On the cost sharing principle of remedial actions under Article 20 and 21 of CACM regulation: Art 8 of Cost Sharing methodology

As the proposed submitted version of RDCT methodology do not intend to deal with the redispatching processes, SWE TSOs should clarify the purpose of the provision included in the in the last paragraph of Article 8, that seems related to non-coordinated redispatching to relieve CNEs of critical network elements evaluated in the CCM methodology.

4. On the monitoring of the forecasted prices: Art 10 of Cost Sharing methodology

In a similar way, that Art 9 provides an explicit comparison of forecasted versus actual volumes activated for countertrading, Art 10 should implement an explicit comparison between forecasted and actual cost incurred for countertrading.

IV. Actions / conclusion

Based on the above rationale, SWE Regulatory Authorities agree to request an amendment to the SWE RDCT methodology and the Cost Sharing Proposal.