

Energy Community Secretariat

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Agency for the Cooperation of Energy Regulators, ACER

Per email only

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Reference: Public consultation on the definition of capacity calculation regions

Dear ACER consultation managers, dear Mr Pototschnig,

The Energy Community Secretariat (“Secretariat”) welcomes the opportunity to contribute to the public consultation on the definition of capacity calculation regions and has the pleasure to provide the following replies to the questions raised in the consultation document.

A. General remarks

The Secretariat understands the importance of the definition of capacity calculation regions (CCRs) for integration of the entire Internal Electricity Market, comprising both the EU Member States and the Energy Community Contracting Parties. The adoption of the CACM Regulation into the acquis of the Energy Community is discussed in its high-level bodies at the moment. Due to that, the items delivered pursuant to the CACM Regulation are expected to be also of relevance for the non-EU Parties of the Energy Community.

The *All TSOs’ proposal for Capacity Calculation Regions* (CCRs Proposal) in accordance with Article 15(1) of Commission Regulation (EU) 2015/1222 (CACM Regulation) submitted on 13 November 2015 to all NRAs for approval marks the first key deliverable that was jointly developed, requiring joint approval. As the latter step towards adopting the CCRs Proposal has not been achieved resulting in the Agency to adopt a decision pursuant to Article 8(1) of Regulation (EC) No 713/2009, the Secretariat understands that this provides an opportunity to overcome a few shortcomings of the CCRs Proposal submitted for approval.

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The following two sections will highlight the required adaptations of the CCRs Proposal in light of the relevance of the document for completing the Internal Electricity Market, covering the European Union Member States and the Energy Community Contracting Parties (Section B) and provide answers to the questions raised in the consultation document published on 22 June 2016 (Section C).

B. Required adaptations to CCRs Proposal

The CCRs Proposal pays account to the fact that cross-zonal transmission capacities cannot be calculated in an isolated manner. All interconnected areas, irrespective of whether they fall under EU or Energy Community jurisdictions, have to be taken into account in order to optimise the use of transmission capacity. The explanatory document accompanying the CCRs Proposal foresees the inclusion of non-EU bidding zone borders and with that the involvement the non-EU TSOs in the CCRs in its Annex 1. In doing so, however, the CCRs Proposal falls short of taking into account all interconnected areas in the CCRs Proposal “shadow” CCRs contained in said Annex 1. These “shadow” CCRs are nevertheless very important, as in practical terms, they will form the basis for the capacity calculation and allocations that will actually be applied by the TSOs, as compared to the ones contained in the actual CRRs Proposal. The observation that this is especially important for the application of flow-based capacity calculation is also enshrined in the CACM Regulation’s Article 20(4), foreseeing derogation for EU Member State’s TSOs that would form part of the SEE CCR to apply flow-based capacity calculation before the neighbouring Energy Community Contracting Parties’ markets are coupled. Concretely, the document omits synchronously interconnected non-EU bidding zones. ANNEX 1 of the CCRs Proposal’s explanatory document titled “Future composition of CCRs including various non-EU bidding zone borders” contains two chapters which are missing important borders between Energy Community Parties, covering both EU-Member States and Energy Community Contracting Parties.

Capacity Calculation Region 6: Central Eastern Europe (CEE) (p. 39) is missing the following interconnectors:

Bidding zone border	TSOs involved	Countries involved
HU-UA, RO-UA, SK-UA	MAVIR Hungarian Independent Transmission Operator Company Ltd., Compania Națională de Transport al Energiei Electrice "Transelectrica" S.A., Slovenská elektrizačná prenosová sústava, a.s., NPC "Ukrenergo"	Hungary, Romania, Slovakia, Ukraine

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Capacity Calculation Region 11: Southeast Europe (SEE) including non-EU bidding zone borders (p.44) is missing the following interconnectors:

Bidding zone border	TSOs involved	Countries involved
AL-GR, AL-ME, AL-KS, KS-MK, KS-ME, KS-RS ¹	Operatori i Sistemit te Transmetimit sh.a. (OST), Transmission, System and Market Operator – KOSTT j.s.c., Operator na elektroprenosniot sistem na Makedonija, Akcionersko drushtvo za prenos na elektricna energija i upravuvanje so elektroenergetskiot system na Makedonija, vo drzavna sopstvenost (MEPSO), JAVNO PREDUZEĆE ELEKTROMREŽA SRBIJE BEOGRAD (JP EMS BEOGRAD)	Albania, Kosovo ² , FYR of Macedonia, Serbia

C. Answers to consultation questions

1. *Do you consider both the commitment from the CWE and the CEE TSOs to cooperate towards a merger of the CWE and CEE CCRs and the MoU signed on 3 March 2016 as sufficient to ensure that the CWE and CEE regions will develop and implement a common congestion management procedure compliant with the requirements of the CACM Regulation, as well as of Regulation (EC) No 714/2009? Or should the definition of the CCRs provide for a CCR already merging the proposed CWE and CEE regions to ensure compliance with the required common congestion management procedure?*

The MoU signed on 3 March 2016 marks an important step towards the implementation of an integrated day-ahead capacity calculation process based on a flow-based approach, not only for

¹ This bidding zone border, as well some of those contained in the initial CCRs Proposal, are defined under the assumption that the Transmission System Operators of Kosovo and Serbia declare congestion between their bidding zones. In case that this is not done, the integrated bidding zone covering Serbia and Kosovo should read RS/KS, and consequential amendments to relevant bidding zones needs to be made.

² This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

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the CEE and CWE regions, but for all interconnected bidding zones in the Energy Community, covering the European Union and non-EU Members States. The methodologies implemented in the project that will be set-up as a result of said MoU is likely to set the standard procedures that will be applied throughout the continent for the years to come and even as further methodologies that are to be developed under the CACM Regulation. For that, the implementing TSOs would be well advised to have open, transparent and inclusive procedures for agreeing on relevant procedures.

A very important element that is missing in said MoU is commitment towards harmonising and introducing a single coordinated intraday capacity calculation procedure. This would have been of special relevance in the context of defining the CCRs, as more coordination of capacity calculation close to real-time results in a better usage of available transmission capacity, and hence reduces the potentially burdensome impact of CCR definitions. An example where this comes clear is the discussion about the inclusion of a bidding zone border between Austria and Germany/Luxembourg. The supposedly adverse impact of introducing such new border on the then separated bidding zones would be significantly reduced, if the TSOs ensure making available more capacity to the market through highly coordinated intraday capacity calculations and allocations. Today, the lack of said procedures leads to a de facto splitting of the Austria/Germany/Luxembourg zone on a frequent basis within the intraday timeframe. For better integrating the markets, having a reliable and predictable procedure for the intraday timeframe would prove to be more beneficial for market participants. This is true even for the event that the declaration of congestion at said border results in an increase of capacities that are being made available to the market on other borders.

The issue whether the MoU will be sufficient for achieving the integration of CWE and CEE is in turn probably less dependent on whether the CCRs Proposal foresees it or if the TSOs work voluntarily towards it. What maybe matters more is if the implementation project will be successful, the commitments made are true, and whether the cooperation will be widened to the intraday timeframe in a timely manner.

- 2. Do you have comments on the description of the geographical evolution of the CCRs over time, as proposed by all TSOs in Annex 3 to the Explanatory document to the CCRs Proposal?*

The CACM Regulation envisages items which set forth standards for the development of both the bidding zones, through the review of the bidding zone configuration in accordance with Article 32, and the CCRs, through the Biennial report on capacity calculation and allocation pursuant to Article 31. These regular deliverables should rather be used to stipulate the development of the CCRs over time, as compared to the rather static CCRs Proposal, which would in turn have to be changed after one of the other two items suggest so.

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3. *Should the CEE region (or a merged region) include the bidding zone borders between Croatia and Slovenia, between Croatia and Hungary, and between Romania and Hungary?*

The inclusion of all of these borders to either CEE or SEE is justifiable. What matters most, is the implementation of the obligation for cooperation for neighbouring Coordinated Capacity Calculators by exchanging and confirming information on interdependency of the CCRs foreseen in Article 29(9) of the CACM Regulation.

4. *Should the CEE region (or a merged region) include a bidding zone border between Germany/Luxembourg and Austria?*

Yes, but not under the current conditions of congestion management. The potentially adverse impact of including a bidding zone border between Germany/Luxembourg and Austria can be reduced by conditioning it with the requirement to introduce coordinated intraday capacity calculation procedures in CWE and CEE and to simultaneously increase capacities on other neighbouring borders. Both these steps will lead to improved market integration and remove the justification for opposing the introduction of the bidding zone border. Moreover, said bidding zone border is factually introduced on a daily basis in the intraday timeframe already today due to the operational limitations to scheduling intraday exchanges applied by the TSOs of said bidding zones (by means of a so-called 'intraday stop').

5. *Do you have comments on any other new element or development concerning the CCRs Proposal which occurred after the public consultation held by ENTSO-E from 24 August to 24 September 2015?*

In the Secretariat's view, ACER has highlighted to most important elements that occurred after the public consultation in the other questions of this consultation.

Best regards,
Yours sincerely,



Janez Kopač
Director
Energy Community Secretariat