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ACER – Agency for Cooperation of Energy Regulators
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Subject: Response to Public Consultation on the Definition of Capacity Calculation Regions

Dear Sir or Madam,

Please find below the response of GEN-I, d.o.o., to the questions posed in the framework of the public consultation on the definition of Capacity Calculation Regions.

In line with the submission instructions, we request that our answers be considered as confidential.

- 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?*

GEN-I considers the commitment from the CWE and the CEE TSOs to cooperate towards a merger of the CWE and CEE CCRs, as expressed in 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.

Given the complexity involved in the merger of CWE and CEE, including them at this point as an already-merged CCR would increase the possibility of an eventual delay therein or technical issues during implementation. A step-by-step approach, as outlined in the MoU signed on 3 March 2016, facilitates the solving of technical issues on a more individual basis as they appear, and thereby contributes to a smoother implementation of flow-based capacity allocation methodology.

- 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?*

In line with our other answers, the geographical evolution of CCRs over time should, as a general rule, follow a stepwise approach to ensure that market participants can adjust to changes accordingly and that the solving of technical issues can be done on a more individual basis as they appear, in order to allow for a smooth implementation for all parties involved.

- 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 bidding zone border between Romania and Hungary should be included within the CCR CEE (CCR 6), given that the Romania-Hungary border is already part of the 4M MC Project (Day-Ahead market coupling of CZ-SK-HU-RO) since November 2014 and that it already operates under the implicit capacity allocation mechanism within the framework thereof.

Additionally, the bidding zone borders between Croatia and Slovenia and between Croatia and Hungary should clearly be included within the CCR CEE (CCR 6) as well, as inclusion of the bidding zone border between Romania and Hungary within this region makes it unfeasible to include them in the CEE SEE (CCR 11).

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

GEN-I does not support the implementation of a bidding zone border between Germany/Luxembourg and Austria (DE/LU-AT border), as it would have negative effects on market liquidity and market power and would run counter to the stepwise integration of European electricity markets.

Generally, a larger bidding zone is more liquid, due to a higher number of market participants and hence a larger possible number of trading partners. Market participants therefore have more opportunities for trading while at the same time, individual trades have a smaller impact on the overall market. In a smaller bidding zone, the number of market participants is likewise smaller, which limits trading opportunities and furthermore could raise questions of market power and strategic behaviour.

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?*

Given the complexity of the shift to flow-based capacity calculation and the need to ensure a smooth implementation thereof, GEN-I believes that more emphasis should be placed on transparency of calculation methodologies.

While we welcome NC CACM's requirements for public consultations on proposed terms and conditions and methodologies (Art. 12 (1) and (2)), such as generation and load data provision (Art. 16 (1)), the common grid model methodology (Art. 17 (1)), and the common coordinated capacity calculation methodology in each respective CCR (Art. 20 (2)), to mention but a few, ensuring that market participants can adjust and respond appropriately to (i) the initial implementation of flow-based capacity allocation and (ii) the ongoing functioning of flow-based capacity allocation requires also *ongoing transparency* and in this regard, GEN-I supports the request that the complete set of flow-based parameters be subject to ex-ante publication by TSOs. The availability and disclosure of fundamental data is a key requirement for market participants to adjust appropriately and ensure that the flow-based methodology leads to the promised benefits, rather than creating additional uncertainties.

This is particularly important as in the CWE region, where flow-based capacity allocation is already implemented, the actual implementation thereof was made subject to a number of transparency requirements which, as of 5 May 2016, have not been properly implemented. This does not set a good precedent and gives additional support to ensuring a stepwise implementation of flow-based capacity allocation (in particular, but not limited, with regard to the CWE and CEE merger outlined in question 1 above).