

Public consultation on the ENTSO-E proposals for technical specifications for cross-border participation in capacity mechanisms

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Public Consultation ENTSO-E proposals for technical specifications for cross-border participation in capacity mechanisms

This consultation is addressed to all interested stakeholders.

Stakeholders are invited to fill out this online survey by **9 August 2020, 23:59 hrs (CEST)**.

For questions, please contact ACER at: ACER-ELE-2020-014@acer.europa.eu

Consultation objective and background

This consultation aims to gather stakeholder views on the proposed technical specifications for cross-border participation in capacity mechanisms.

On 3 July 2020, the European Network of Transmission System Operators for Electricity (ENTSO-E) submitted to ACER their proposals for technical specifications for cross-border participation in capacity mechanisms pursuant to Article 26(11) of Regulation (EU) 2019/943, and consisting of:

- a methodology for calculating the maximum entry capacity for cross-border participation;
- a methodology for sharing the revenues;
- common rules for the carrying out of availability checks;
- common rules for determining when a non-availability payment is due;
- terms of operation of the ENTSO-E registry; and
- common rules for identifying capacity eligible to participate in the capacity mechanism.

According to Article 26(11), ACER shall approve these proposals based on the procedure set out in Article 27 of Regulation (EU) 2019/943, amending them where required. In order to inform its assessment and if required, identify areas for amendment, ACER invites all interested third parties to submit their views on the proposals by responding to this online survey during a consultation period of 4 weeks.

Following this consultation, ACER will consider stakeholder feedback and expects to take a decision on the proposals, including potential amendments, within the next three months as required by Article 27 of Regulation (EU) 2019/943, i.e. by 5 October 2020.

Related documents

- ENTSO-E, Cross-border participation in capacity mechanisms: Proposed methodologies, common rules and terms of operation in accordance with Article 26 of the Regulation (EU) 2019/943 of the

European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast), version of 3 July 2020

(https://www.acer.europa.eu/Official_documents/Public_consultations/PC_2020_E_12/200703%20Single%20document%20for%20XB%20CM%20methodologies.pdf)

- ENTSO-E proposed methodologies, common rules and terms of reference related to cross-border participation in capacity mechanisms: Explanatory document, version of 3 July 2020 (https://www.acer.europa.eu/Official_documents/Public_consultations/PC_2020_E_12/200703%20Explanatory%20document%20for%20XB%20CM%20methodologies.pdf)
- ENTSO-E, Public consultation on draft methodologies and common rules for cross-border participation in capacity mechanisms: Response to public consultation comments received during the consultation held from 31 January to 13 March 2020, version of 3 July 2020 (https://www.acer.europa.eu/Official_documents/Public_consultations/PC_2020_E_12/200703%20Response%20to%20public%20consultation%20on%20XB%20CM%20methodologies.pdf)
- Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators (recast) (<https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32019R0942>)
- Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R0943>)
- ACER Guidance Note on Consultations (https://www.acer.europa.eu/Official_documents/Other%20documents/Guidance%20Note%20on%20Consultations%20by%20ACER.pdf)
- ACER Rules of Procedure (AB Decision No 19/2019) (https://www.acer.europa.eu/en/The_agency/Organisation/Administrative_Board/Administrative%20Board%20Decision/Decision%20No%2019%20-%202019%20-%20Rules%20of%20Procedure%20of%20the%20Agency.pdf)

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Privacy and confidentiality

ACER will publish all non-confidential responses, including the names of the respondents, unless they should be considered as confidential, and it will process personal data of the respondents in accordance with Regulation (EU) 2018/1725 (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018R1725>) of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, taking into account that this processing is necessary for performing ACER's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see ACER's Guidance Note on Consultations (https://www.acer.europa.eu/Official_documents/Other%20documents/Guidance%20Note%20on%20Consultations%20by%20ACER.pdf) and the specific privacy statement attached to this consultation.

Article 7(4) of ACER's Rules of Procedure (RoP) (<https://s-intranet/Drive/Departments/Electricity/ED%20Deliverables/Decision%20No%2019%20-%202019%20-%20Rules%20of%20Procedure%20of%20the%20Agency.pdf#search=rules%20of%20procedures>) requires that a party participating in an ACER public consultation explicitly indicates whether its submission contains confidential information.

* Is your submission to this consultation confidential?

- YES
 NO

Consultation questions

ACER seeks the opinion of stakeholders with respect to the following elements of the ENTSO-E proposal.

Methodology for calculating the maximum entry capacity

1. Do you agree with the proposed methodology for calculating the maximum entry capacity for cross-border participation? If not, please explain which elements of the methodology should be changed or otherwise improved.

Edison believes that the approach proposed by TSOs to determine the expected contribution of imports that a bidding zone can rely upon in moments of stress can lead to an overestimation of this contribution. In particular, the use of the average of imports during scarcity hours may not reflect the actual technically possible import in a wide range of stress situations, thus leading to an over-procurement of foreign capacity compared to its actual contribution to system adequacy in the country concerned. This outcome does not seem fully in line with the principles established in Article 26 which states that "calculation shall take into account the expected availability of interconnection and the likely concurrence of system stress in the system where the mechanism is applied and the system in which the foreign capacity is located."

In any case Edison welcomes the provision of Article 10.9 of the proposal, which states that beyond the average indicator, the National Resource Adequacy Assessments (NRAA) may analyse the statistical distribution of the contribution over all scarcity hours, based also on the recommendation of RCCs to TSOs. This provision should allow TSOs at national level to deviate from the recommendations of RCCs when they deem that a more restrictive approach should be applied in determining the entry capacity to be considered in capacity auctions.

2. Should the methodology allow for calculating capacity contributions from Member States with no direct network connection with the Member State applying the capacity mechanism?

Edison believes that priority should be given to the implementation of cross-border participation in CMS from Member States with direct network connection. The inclusion of Member States with no direct network connection could then follow at a later stage, provided that robust eligibility criteria are set up for these foreign participations. In particular, as suggested by ENTSO-E, specific de-rating factor could be applied since adequacy contribution of capacities installed in countries without direct network connections can be strongly impacted by network constraints of the bidding zones between the concerned Member State and the bidding zone of the country applying the CM.

Methodology for sharing the revenues from the allocation of entry capacity

3. Do you agree with the proposed methodology for sharing the revenues from allocating entry capacity? If not, please explain which elements of the methodology should be changed or otherwise improved.

Edison generally agrees with the principle set by ENTSO-E for the revenue sharing methodology which sets the amount of revenues to be shared between TSOs on the basis of the probability of simultaneous system stress, thus considering the role of the interconnection capacity as the limiting factor for the contribution of a given bidding zone to the adequacy of the country where the capacity mechanism applies.

Edison would also like to stress that revenues from the allocations of entry capacity that would not be allocated to and shared between the owners of transmission capacities could be used by capacity mechanism operators or the national TSO (if it is the CM operator) for uses linked to the capacity mechanism itself. In fact, it does not seem justified that revenues which are not shared between TSOs, since it is not useful to further incentivise transmission capacity (beyond a certain threshold transmission capacity is not the limiting factor in the contribution to adequacy of the country concerned), are governed by principles of Article 19.2 of the Regulation (EU) 2019/943. These revenues could be appropriately used in the capacity mechanism itself, e.g. to reduce CM costs borne by final customers or to improve its functioning. In any case, it should be considered that NRAs could be better placed to define revenue sharing methodologies that better reflect the actual contribution of foreign capacities and the obligations imposed to foreign capacity providers and TSOs compared to the domestic ones. The current wording of Article 26.9 of Regulation (EU) 2019/943 adequately considers this aspect and leaves the option to NRAs to adopt a revenue sharing methodology alternative to the one proposed by ENTSO-E.

Common rules for the carrying out of availability checks

4. Do you agree with the proposed common rules for the carrying out of availability checks? If not, please explain which elements of the proposed rules should be changed or otherwise improved.

Edison shares the need to apply the principle of non-discrimination for availability checks for foreign capacity providers that must be as close as possible to the ones that are applicable to the domestic capacities.

Common rules for determining when a non-availability payment is due

5. Do you agree with the proposed common rules for determining when a non-availability payment is due? If not, please explain which elements of the proposed rules should be changed or otherwise improved.

Edison believes that Capacity providers should be incentivized to make available the amount of capacity corresponding to the sum of all their commitments also in case of overlapping reference periods. The same non-availability payment calculation should apply for cross-border and domestic capacities and capacity providers should be incentivized to make available the amount of capacity corresponding to the sum of all their commitments also in case of overlapping reference periods.

Terms of the operation of the ENTSO-E registry

6. Do you agree with the proposed terms of the operation of the ENTSO-E registry? If not, please explain which elements of the proposed terms should be changed or otherwise improved.

Edison believes that principles related to the interactions between the registry and other databases (e.g. national capacity registries, etc.) should be clarified to avoid multiple submissions of the same data to different databases (double reporting obligations). This would lead to increased workload and risk of inconsistent data.

Edison welcomes that ENTSO-E, in its feedback document of the public consultation, declared that the design of the interfaces enabling connection with existing national databases/registries is ongoing in parallel with main process of registry development. Edison also understands that the implementation of this new feature may require additional time beyond the deadline of July 2021. Nevertheless, the description of this feature should be included in the current methodology and it should be implemented according to a precise implementation timeline also set in the methodology.

In particular, Edison asks to set up the registry in a sufficiently flexible manner with the possibility for local TSOs to collect and transfer through the registry all the pieces of information necessary for the effective participation in a given capacity mechanism and not only the general information presented in Article 27.2 of the proposal. This would avoid having to deal with multiple technical solutions and multiple submissions of the same data, limiting the interface for data exchange of the capacity provider to the IT systems of the local TSO.

Common rules for identifying capacity eligible to participate in the capacity mechanism

7. Do you agree with the proposed common rules for identifying capacity eligible to participate in the capacity mechanism? If not, please explain which elements of the proposed rules should be changed or otherwise improved.

Edison understands the need to identify a list of data common to different capacity mechanisms for an initial eligibility check of foreign capacity. Nevertheless, we would like to emphasize the need to apply eligibility criteria for foreign capacity providers that would be as close as possible to the ones that are applicable to the domestic ones, also in terms of de-rating of different types of assets (per technology and country) by including their individual per technology reliability standard expected effective contribution to reliability of the Member State applying the capacity mechanism (if applied for domestic resources). Only such approach may ensure the non-discrimination principle, provided in art. 26 of Regulation (EU) 2019/943.

Furthermore, provisions of Article 29.6 and 29.7 should not prevent capacities awarded in capacity mechanisms requiring participation in aggregated form (as it is the case in the Italian capacity mechanism) from participating in foreign capacity mechanisms requiring a unit-based participation, if availability checks in the former CMs are performed on a unit-based basis (e.g. through the nomination of the units which will be subject to the availability checks). The current definition of "Capacity Market Unit" included in Article 2 let.(c) of the current proposal seems to be in line with our request since it indicates that the CMU is "the single unit or group of aggregated units used by the capacity provider to fulfil its capacity commitment and upon which availability is checked". Therefore, Edison supports that the definition of CMU is related to capacity units relevant for the fulfilment of the obligation and the subsequent availability check and not to the virtual aggregations used to participate in the capacity auctions.

As underlined above, the use of the European registry to provide such additional information should be evaluated by ENTSO-E.

General provisions and other comments

8. Do you agree with the general provisions of the ENTSO-E proposals (Title 1)? If not, please specify which provisions should be changed or otherwise improved, and explain why.

The aim of CRMs is to ensure security of supply by giving long-term price signals to drive investment in new capacity and ensure the availability of existing production / DSR / BESS units for this purpose. The cross-border participation in capacity mechanisms should contribute to the achievement of this objective at the least cost for final customers. Therefore, all the solutions that could either jeopardize the attainment of security of supply objectives or result in higher capacity procurement costs should be avoided.

9. Do you have any other comments on the ENTSO-E proposals that we should take into account in our assessment?

No Answer.

Contact

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