

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.

The methodology for calculating maximum entry capacity for cross-border participation is not yet well advanced. This methodology is highly interactive with the separate revenue sharing methodology. The finer detail of such a methodology, its assumptions, definitions, and parameters need to be examined carefully to avoid unintended consequences. In particular, we consider that Article 4 of the methodology "for calculating the maximum entry capacity" is discriminatory against foreign capacity as it obliges a Member State to exhaust all its local capability prior to even considering foreign capacity.

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?

Both the concepts of Maximum Entry Capacity (MEC) and Simultaneous Scarcity Factor (SSF) are used to represent the degree to which a neighbouring market can contribute to security of supply in the home market. However, these two metrics will be based on different calculation methodologies which are as yet not clearly explained in the ENTSOe methodologies. This creates unnecessary complexity and potential inconsistencies which in turn will reduce market transparency and create negative outcomes for consumers.

We highlight the potential for inconsistencies in the fact that the methodology for establishing the maximum entry capacity does not exclude the possibility of an interconnector receiving both a high MEC and a high SSF. In this case, a relatively high amount of capacity tickets can be sold (implicitly or explicitly), however the revenue of this would mostly be channelled to the CM TSO as a result of the high SSF. In that sense, the CM TSOs would have a financial benefit of targeting both a high SSF and a high MEC, which is inconsistent and would risk leading to either an overestimate of the MEC (which would risk security of supply) or an overestimate of the SSF (which would unfairly reduce the income of the interconnector TSO).

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.

In European energy markets, interconnector TSOs earn congestion rent through the price differentials between bidding zones. The ENTSOe proposed methodology for sharing cross-border revenues in capacity markets proposes that congestion rents in capacity markets should be shared between interconnector TSOs and the TSO that runs the Capacity Market.

Greenlink believes this to be fundamentally incorrect and contrary to requirements of the Electricity Regulation (EU) 943/19 (articles 26 and article 19). In particular, when the TSO running the capacity market is not the owner of the interconnectors providing the cross-border capacity, the chosen sharing mechanism has the potential to distort investment signals and promote inefficiency in the connected markets thus hampering:

- (i) Further integration of European Energy Market
- (ii) Realising the EU's Green Deal, while decreasing competition;
- (iii) Increasing costs; and
- (iv) reducing security of supply for consumers.

A solution is required that does not suffer from these drawbacks and complies with existing EU rules. One such solution would be to extend the established principles from cross border energy markets to cross-border participation in capacity markets.

In the future, markets may be dominated by zero or very low marginal cost generation, and alongside this it is very likely that Member States will continue introducing capacity markets. However, capacity markets are likely to reduce energy price volatility and thereby reduce energy market congestion income for interconnectors. Therefore, it is crucial that interconnectors can fully capture capacity congestion income of the cross-border capacity made available. If this is not the case, then this would inappropriately re-allocate the income away from the party providing capacity (i.e. interconnector) towards other parties (operator of the CM) who do not provide such benefits. This introduces an undue bias against interconnector infrastructure by negatively affecting the financial viability of both existing and new interconnector projects and result in suboptimal infrastructure investment decisions. Greenlink recommends that capacity market revenues are fully allocated to the owners of the interconnection infrastructure.

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.

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.

The proposed methodology on “common rules for determining when a non-availability payment is due” (article 19.3) restricts a capacity provider from selling more than its nameplate capacity across all capacity markets it participates in. Put simply, if a stress event happens in Country A on a Tuesday and in Country B on a Thursday, a power station in country A can send its full capacity to its own market on Tuesday and its full capacity to Country B on Thursday. The draft proposals would seem to prevent this, forcing the capacity provider to choose to support only country A or country B, or to limit its support to both.

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.

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.

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.

Greenlink have examined the proposals for the draft methodologies relating to cross border capacity markets recently consulted upon by ENTSOe. The following is a summary of our views on the methodologies related to the sharing of revenues, calculation of maximum entry capacity and common rules for non-availability payments:

- Greenlink supports the aims of the Clean Energy Package to roll out consistent arrangements for cross-border participation in capacity markets across Europe. Effective cross-border arrangements will provide benefits for European consumers.
- A well-functioning capacity market needs to be underpinned by a capability to transport electricity from one location to another. Therefore, clear methodologies that appropriately recognise and fully reward the contribution that interconnectors make facilitating such transportation is essential.
- Without interconnector infrastructure electricity will not be transported between countries.
- Greenlink is concerned that the draft methodologies are insufficiently detailed. Our conclusion is that they do not provide a fair reward for the pivotal role interconnector infrastructure plays in facilitating cross-border participation in capacity markets.

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

Clear definition of system stress

We understand the principle established by the EU Electricity Regulation of what is meant by "System Stress". As there are financial implications of participating in capacity markets during times of system stress, there has to be a clear definition of what system stress actually means in the methodology.

Contact

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