

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.

Article 7 of the Entsoe consultation mentions that "The contribution of each neighboring country or bidding zone to the adequacy of the considered country or bidding zone is determined as the average contribution of the exports from the electrical neighbor to the considered bidding zone, during all scarcity hours. If the average is negative, it shall be replaced by 0. The contribution will be calculated on an annual basis for upcoming years and shall be based on ERAA modelling".

Total Direct Energie (TDE) considers that this definition only applies for the interconnector contribution to adequacy (in the cases where the interconnectors are seen saturated). But it could also happen that interconnectors are not seen saturated during scarcity hours, because of capacity shortages in the neighboring country: in this situation foreign capacities should benefit from capacity revenues (directly or through their TSO).

TDE considers a proper scheme for cross-border participation in capacity mechanism should embrace these 2 situations, the probabilities of which must be assessed:

- If interconnectors are seen saturated, they are the limiting factor and then should benefit from capacity remuneration
 - if interconnectors are not seen saturated, foreign capacities are the limiting factor and then should benefit from the capacity remuneration
- For instance, given a 1000 MW interconnector from country B to country A, if the risk assessment shows this interconnector is saturated with a 75% probability for a given maturity:
- this interconnector should benefit from $75\% \times 1000 \times \text{Price}$, where Price is the value for capacity in A (€/MW)
 - the capacities located in B should benefit from $25\% \times 1000 \times \text{Price}$

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?

Calculations of security of supply assessments should of course been carried at a European scale, but contributions to security of supply of a given country should be based on real and direct interconnectors with other countries. With the methodology described in Q1, non-directly interconnected countries could benefit from capacity remuneration indirectly if there is a lack of capacity in the country in the middle (recursive approach).

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.

The capacity value of the neighboring country depends on the situation:

- When interconnection between two Member States is deemed as the scarce resource limiting the participation of foreign capacities in the capacity mechanism: in this case, increasing the interconnection would improve security of supply of the Member States
- When interconnection is not deemed as the scarce resource limiting the participation of foreign capacities in the capacity mechanism: in this case, new available foreign capacities would improve security of supply of the Member States

Electricity Regulation Article 26 (9) states "Where capacity mechanisms allow for cross-border participation in two neighbouring Member States, any revenues arising through the allocation referred to in paragraph 8 shall accrue to the transmission system operators concerned [...]. If the neighbouring Member State does not apply a capacity mechanism or applies a capacity mechanism which is not open to cross-border participation, the share of revenues shall be approved by the competent national authority of the Member State in which the capacity mechanism is implemented [...]".

According to Electricity Regulation, revenues shall indeed be assigned to transmission system operators. This article does not prevent the obligation for TSOs to allocate it between themselves and market actors.

In consequence, the methodology for sharing the revenue must appropriately determine the allocation of revenues received by transmission system operators between interconnections and foreign capacities considering the scarcity situation of transmission capacities according to the different Member States, in order to give to the market actors and TSOs the right economic signals.

Total Direct Energie wants to comment the Article 12 § 4 of the consultation about economic incentives:

- When interconnection is not deemed as the scarce resource limiting the participation of foreign capacities in the capacity mechanism, foreign capacities shall receive the entire revenue. They do not have to pay some kind of interconnection access price. If the interconnection is not saturated, the contribution of a foreign capacity is the same as the contribution of a national capacity. That is why both of them must receive the same capacity remuneration.
- In the other case, to give an incentive to further develop interconnections is relevant but shall be appropriately designed. National regulators have to monitor that the TSOs revenues received for the capacity remuneration are effectively allocated for the development of transmission capacity.

This position can be illustrated with an example. If the interconnector capacity is 2500 MW (technical capacity minus average availability rate), with a probable saturation of 70% during scarcity situations (as calculated under adequacy assessments), then the whole capacity (2500 MW) will receive a remuneration, splitted in:

- Capacity remuneration allocated to interconnections must represent 70% of 2500 MW (1750 MW)
- Capacity remuneration allocated to foreign capacities must represent 30% of 2500MW (750 MW) (split between foreign capacities to be assessed).

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.

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.

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

Contact

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