

Public consultation on ACER's proposed amendments to the
**all TSOs' proposal for the capacity calculation regions ('CCR')
determination**

Fields marked with * are mandatory.

The objective of this consultation is to gather views and information from stakeholders regarding the ACER's proposed amendments to the proposal for the '*definition of capacity calculation regions in accordance with Article 15(1) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management*' (hereafter the 'Proposal'), which was submitted by all TSOs to ACER on 9 November 2020. The input from the consultation will inform ACER when preparing its decision on the Proposal.

This consultation is addressed to all interested stakeholders, including regulatory authorities, nominated electricity market operators and transmission system operators in accordance with Article 14 of Regulation (EU) 2019/942.

Replies to this consultation should be submitted by 25 January 2020 23:59 hrs (CET).

1 General Consideration

* 1.1 Name

Lorenzo Biglia

* 1.2 Email

l.biglia@efet.org

* 1.3 Company

EFET

* 1.4 Country

Italy

* 1.5 Should the following answers to this public consultation be treated as confidential?

Yes

No

ACER will publish all non-confidential responses. It will process personal data of the respondents in accordance with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies 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](#) and the specific privacy statement referred to this consultation.

2 Background Information

Related documents:

- [Regulation \(EU\) 2019/942 of the European Parliament and of the Council of 5 July 2019 establishing a European Union Agency for the Cooperation of Energy Regulators \(recast\)](#)
- [Regulation \(EU\) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity \(recast\)](#)
- [Commission Regulation \(EU\) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management](#) (CACM Regulation)
- [Commission Regulation \(EU\) 2017/1485 of 2 August 2017 establishing a Guideline on electricity transmission system operation](#) (SO Regulation)
- [Decision No 04/2019 of the Agency for the cooperation of energy regulators of 1 April 2019 on the electricity transmission system operators' proposal for amendments of the determination of capacity calculation regions](#)
 - [Annex I - Amendment of the determination of capacity calculation regions in accordance with Article 9\(13\) of the Commission Regulation \(EU\) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management](#)
 - [Annex III - Consolidated list of capacity calculation regions with assigned bidding zone borders and attributed TSOs](#)
- [All TSOs' capacity calculation regions assessment report](#)
- [Decision of the board of appeal of the European Union Agency for the cooperation of energy regulators A-001-2017_R \(consolidated\)](#)
- [All TSOs's proposal for the 'Definition of the capacity calculation regions in accordance with Article 15 \(1\) of the Commission Regulation \(EU\) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management'](#)
- [ACER Guidance Note on Consultations](#)

Background

The first determination of the capacity calculation regions came into effect on 17 November 2016 with the ACER Decision 06/2016 on the TSOs proposal for the determination of capacity calculation regions.

A first revision of the determination of the capacity calculation regions added the new bidding zone border between Belgium and Great Britain and its corresponding TSOs to the Channel CCR and came into effect on 18 September 2017 with the approval by all regulatory authorities.

The second revision of the determination of the capacity calculation regions came into effect with the ACER Decision 04/2019 on the all TSOs' amendment proposal, which was referred to ACER and approved on 1 April 2019. Following an introduction of the bidding zone border between DK1-NL, ACER assigned this border to the Hansa CCR to avoid interference with ongoing implementation processes in the regional capacity calculation methodologies. However, ACER also concluded in its Decision that with the introduction of this new bidding zone border it would be more efficient, in the long-term, to place the DK1-NL together with the DK1-DE/LU bidding zone border in the Core CCR. Therefore, the Decision included a provision for all TSOs to:

1. assess the future determination of bidding zone borders in the respective regions around these bidding zone borders; and
2. submit a proposal including the reassignment of the DK1-NL and the DK1-DE/LU bidding zone borders and an implementation timeline for such reassignment unless the assessment proves that the current Determination of CCRs is the most efficient one.

An assessment was submitted to ACER by all TSOs within the required deadline (18 months after Decision 04/2019) on 1 October 2020. This assessment aimed to prove that the current CCR determination is the most efficient assignment of bidding zone borders and was therefore not submitted together with an amendment proposal.

On 22 May 2020, ACER's Board of Appeal issued its decision A-001-2017 (consolidated) inviting the relevant parties to initiate the procedure to replace the currently applicable ACER Decision 06/2016. Following this, all TSOs submitted the Proposal to ACER on 9 November 2020, which, once approved by ACER, will replace the CCR determination established with the ACER Decision 06/2016 and its subsequently approved amendments.

The submitted Proposal reflects the currently established CCR determination with the addition of the SE4-DE/LU to the Hansa CCR following the certification of Baltic Cable AB as a TSO, as well as amendments following the Italian bidding zone review. Besides the description of the current CCR determination, Article 14 of the Proposal also addresses the requirement for a CCR assessment and the future reassignment of the DK1-NL and DK1-DE/LU bidding to the Core CCR stemming from the ACER Decision 04/2019.

ACER has to adopt a decision on the Proposal by 9 May 2021. In the context of adopting this decision, ACER seeks an opinion of the stakeholders on ACER's proposed amendments to the Proposal. Other comments and concerns are also welcome.

3.1 Topic 1: The status of DK1-NL and DK1-DE/LU bidding zone borders

Previous processes related to these two borders

As described above, all TSOs submitted a CCR assessment report aiming to prove that the currently established CCR determination is more efficient than the foreseen shift of DK1-NL and DK1-DE/LU bidding zone borders to Core CCR. Since this CCR assessment report was submitted shortly before the submission of the Proposal, recital (10) of the Proposal acknowledges that the evaluation of the submitted CCR assessment report is ongoing and therefore Article 14 of the Proposal still reflects the same

requirement from ACER Decision 04/2019 (i.e. for TSOs to perform an assessment and submit a proposal for amendment).

Regarding the content of the submitted CCR assessment report, ACER deems that the aim and specific requirements for the CCR assessment report following ACER Decision 04/2019 was misunderstood by TSOs. In its Decision 04/2019, ACER acknowledged the drawbacks of immediate reallocation of the concerned bidding zone borders due to ongoing implementation projects and rather requested an assessment looking into future determination of CCRs after the ongoing projects are finished. The submitted CCR assessment report on the other hand mainly focuses on the current status of the CCR determination and does not:

- sufficiently assess the possibility of applying solutions for addressing unscheduled allocated flows (e.g. application of advanced hybrid coupling) in alternative CCR configurations (e.g DK1-DE/LU and DK1-NL bidding zone border in Core CCR);
- sufficiently address the impact of future grid topology (in particular the addition of the west coast line on the AC bidding zone border connecting DE/LU with DK1);
- assess the effects on regional operational security coordination pursuant to Article 76 of the SO Regulation under different CCR determinations in accordance with the requirement from Article 6(2) (c) of Annex I of the Decision 04/2019;
- invalidate the arguments for the foreseen reallocation of the relevant bidding zone borders presented in the Decision 04/2019.

Therefore, ACER is of the opinion that the submitted CCR assessment report does not constitute a reason to conclude that no change is needed in future regarding the DK1-NL and DK1-DE/LU bidding zone borders.

ACER agrees that the foreseen reallocation of DK1-NL and DK1-DE/LU bidding zone borders should not be implemented in a timeframe that would interfere with ongoing, high-priority implementation processes (e.g. Core DA and ID CCM). Nevertheless, ACER deems it important to allow for efficient planning of the long-term development of the internal energy market by providing timely signal regarding the future evolution of CCRs. This is important in order to plan future integration projects in a way that changes in CCR do not significantly affect them. As the scope of such exercise is to provide a long-term signal for planning, ACER deems it reasonable to allow for some more time for an appropriate assessment regarding efficient placement of the DK1-NL and DK1-DE/LU bidding zone borders. Thus, ACER considers it appropriate to provide TSOs additional 12 months to perform such an assessment.

Regarding the scope of the assessment, ACER intends to improve the requirements for a CCR assessment on the basis of which changes of the CCR determination should be made. Also, to simplify the process and discussion regarding the placement of DK1-DE/LU and DK1-NL, ACER proposes that these two borders are by default allocated to the Core CCR and thereby the TSOs assessment would only require to define the appropriate timing for this reallocation. Alternatively, if TSOs disagree with the default solution, they may prove that the default solution is not the most efficient one in which case they would need to demonstrate such efficiency and make a proposal which cancels such reallocation.

In what follows, ACER presents the arguments why it believes that in the long-run the DK1-DE/LU and DK1-NL bidding zone borders should be allocated to Core CCR.

ACER's view regarding efficient capacity calculation

While the argumentation from ACER Decision 04/2019 for moving the relevant bidding zone borders remains equally valid for the present Decision, ACER would like to further elaborate on the reasons why the future reallocation of the DK1-DE/LU bidding zone border into the Core flow-based capacity calculation would be more efficient than the currently foreseen application of a coordinated net transmission capacity (c N T C) a p p r o a c h .

Once the new west coast line on the AC bidding zone border DK1-DE/LU is operational, this border will constitute from six AC interconnectors (i.e. three double circuits). The application of cNTC approach on this border would not be efficient, because such approach incorrectly makes a static assumption about the source and the sink behind the electricity exchange on DK1-DE/LU border. Typically, TSOs would assume that exchange from DK1 to DE/LU will be produced in DK1 and consumed in DE/LU. In reality, however, the source of this exchange will depend on the market outcome which is known only in capacity allocation. Consequently, the cNTC approach will make a static ex-ante assumption of the flow pattern at the interconnectors on this border, whereas in reality the location and size of the congestion depends on the market outcome in Core and Nordic CCR (i.e. net positions of those bidding zones), which can only properly be modelled with flow based approach. Therefore, the location and size of physical congestion on this border can only be accurately simulated within the flow-based capacity calculation. Depending on the many different possibilities regarding the sources and sinks behind the exchange on the DK1-DE/LU bidding zone border, a congestion might occur on either AC interconnectors of the western line or eastern line on the DK1-DE/LU bidding zone border (also the size of the congestion will differ). While before the implementation of the western link the flow pattern on this border was almost independent of market outcome outside DK and DE/LU, this is no longer the case with the additional western link. If the inaccuracy about the location and size of physical congestion is not properly addressed with the flow-based approach, it would need to be addressed with higher reliability margin in cNTC approach, which would thereby reduce the effectively available cross-zonal capacities.

Such alignment between availability of capacities for the market and the related physical availabilities also provides the necessary transparency on the size and location of physical congestion, which is much better in the flow-based approach. This also allows for accurate monitoring of the margin available for cross-zonal electricity trade (MACZT) values to monitor the fulfilment of the 70% requirements. In contrast, the monitoring of MACZT in the AC networks with cNTC approach can never accurately determine whether the 70% requirement has been effectively fulfilled.

The advanced hybrid coupling (AHC) in the AC borders with cNTC approach, as proposed by all TSOs, is not an appropriate solution to address the impact of one CCR on the other CCR. This is because in the cNTC approach an exchange over such border assumes a fixed distribution of flows over the concerned AC interconnectors, whereas in reality the distribution of such flows depend on the set of net positions of bidding zones in the vicinity. For this reason, the AHC is only appropriate for the HVDC bidding zone borders (i.e. between the Continental Europe Synchronous Area and the Nordic Synchronous Area) as the physical flows resulting from exchanges on such borders can be correctly simulated without any loss of efficiency and accuracy.

ACER's view regarding efficient regional operational security coordination

In addition to the higher efficiency in capacity calculation and allocation by applying the flow-based approach on AC bidding zone borders as argued above, ACER is also of the opinion that regional operational security coordination and related processes can be more efficiently performed if the three bidding zone borders between DK1, NL and DE/LU are assigned to the same CCR. Any significant event, which requires regional operational security coordination (e.g. an outage of assets or deviation of forecasts) and takes place in proximity to this triangle of bidding zone borders, will need to involve the common optimisation of remedial actions from DK1, NL and DE/LU. An outage of the DK1-NL HVDC interconnector would, for example, require a large amount of remedial actions located in these bidding zones but, under the current determination of CCRs, these bidding zones are not applying a common methodology for i) regional operational security coordination in accordance with Article 76(1) of the SO Regulation, ii) coordinated redispatching and countertrading in accordance with Article 35 of the CACM Regulation and iii) redispatching and countertrading cost sharing in accordance with Article 74 of the CACM Regulation. A cross-regional coordination of remedial actions and the related sharing of costs cannot be considered as possible enduring solution to address the problems related to these three borders, since such coordination is always suboptimal (i.e. less efficient) and uncertain (unclear whether the problem can always be resolved). Cross-regional coordination should, for this reason, only be applied as a temporary solution until the determination of CCRs can be improved. Only on HVDC interconnectors, the cross-regional coordination could be considered as a more permanent solution, since managing the congestions on those elements is much easier and they have limited impact on other TSOs.

ACER's proposed amendments to the Proposal

For the above reasons, ACER aims to amend the Proposal such that:

1. DK1-DE/LU and DK1-NL are by default reallocated to Core CCR and, consequently, the DK1-SE3 and DK1-DK2 bidding zone borders are assigned to Hansa CCR together with the other bidding zone borders of DC interconnectors between the Continental Europe Synchronous Area and the Nordic Synchronous Area.
2. All TSOs are required to submit an amendment to the determination of CCR by 12 months after the adoption of the present decision. Such an amendment should propose the appropriate timeline for the reallocation of the concerned borders, taking into account the impact on ongoing implementation processes of terms and conditions or methodologies in the existing CCRs.
3. All TSOs have the right to disprove ACER's opinion that the reallocation in point 1 is not efficient in which case they should propose an amendment of the proposal cancelling such reallocation and complemented by an EU-wide assessment, which proves that the proposed change in the CCR determination would not provide higher efficiency in terms of:
 - efficiency of capacity calculation and allocation in all timeframes; and
 - efficiency of regional operational security coordination in accordance with Article 76(1) of the SO Regulation, coordinated redispatching and countertrading in accordance with Article 35 of the CACM Regulation and redispatching and countertrading cost sharing in accordance with Article 74 of the CACM Regulation in all CCRs.

Q1 - Please provide your comments concerning the ACER's reasoning for default reallocation of Hansa CCR bidding zone borders and the request to TSOs to make a proposal on a suitable timeline for such reallocation.

The European Federation of Energy Traders (EFET*) welcomes the opportunity to provide comments regarding ACER's proposed amendments to the proposal for the 'definition of capacity calculation regions in accordance with Article 15(1) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management', which was submitted by all TSOs to ACER on 9 November 2020. The definition of CCRs is an important topic for us, as we expect that the benefit from increased coordination will lead, over time, to more cross-zonal capacity being made available to the market by the TSOs and thus, to deeper integration of European electricity markets .

The current proposal primarily aims to update the CCRs delineation in line with recent decisions. We appreciate that ACER's amendments are accompanied by an all-TSOs impact assessment of the proposed delineation of CCRs and an evaluation of alternatives , as this helps market participants to make better-informed comments.

However, we agree with ACER that the assessment report does not constitute a reason to conclude that no change is needed in future regarding the DK1-NL and DK1-DE/LU bidding zone borders and that TSOs shall be granted an 12 additional months to perform this assessment. This would allow for efficient planning of the long-term development of the internal energy market by providing timely signal regarding the future evolution of CCRs.

On a general note, we would suggest a periodic review of the overall delineation of CCRs, e.g. every four or five years, accompanied by a full impact assessment of the current situation and the potential need for changes. As mentioned in previous EFET statements on CCR delineation, it appears to us that the CCRs of "buffer regions" (Channel and Hansa) should be thought of as temporary, and that these CCRs should be progressively integrated in larger CCRs in the coming years . Besides this, it is important to keep in mind that the development of methodologies at CCR level was intended as an interim step towards harmonisation at a later stage, e.g. article 21.4 CACM requires the harmonisation of capacity calculation methodologies by 31 December 2020. ACER and the NRAs should keep this objective in mind and hold the TSOs accountable to attaining it, based on best practice.

We appreciate that the Sweden-Germany border has been allocated to the Hansa CCR and we agree with ACER that, in the long-run, the DK1-DE/LU and DK1-NL bidding zone borders should be allocated to Core CCR because the location and size of physical congestion on these borders can only be accurately simulated within the flow-based capacity calculation in meshed networks? We support the recommendation that all TSOs submit an amendment to the determination of CCR by 12 months after the adoption of the present decision.

Q2 - Please provide your comments concerning the option to cancel such reallocation and the assessment criteria for making such a proposal.

We support ACER proposal and we would welcome a thorough assessment on its eventual cancellation.

3.2 Topic 2: The status of Channel and UI CCR

Following the consequences of Brexit, ACER concluded in discussions with the European Commission that the Brexit will lead to the deletion of the Channel and UI CCRs, since these CCRs would no longer contain any bidding zone borders under the scope of the capacity calculation regions in accordance with Article 15 of the CACM Regulation.

Q3 - Please provide any comments related to the necessary amendments due to Brexit.

ACER concluded, in discussions with the European Commission, that Brexit will lead to the disappearance of the Channel and Ireland and United Kingdom (IU) CCRs, since these CCRs would no longer contain bidding zone borders under the scope of the capacity calculation regions. Indeed, article 15 of the CACM Regulation only applies to bidding zone borders fully located in the EU, which is no longer the case for the Channel and IUK CCR borders since the changed status of UK TSOs to non-EU TSOs. However, we appreciate to see the inclusion of bidding zone borders with the UK into the respective CCRs in the current proposal. We also suggest maintaining these CCRs in the future, after the UK and the EU reach more in-depth agreements.

3.3 Topic 3: Other issues

Besides the above mentioned foreseen amendments, ACER does not foresee any further significant content amendments to the Proposal at the moment.

Q4 - Please provide any further comments on the proposed CCR determination.

We reiterate that point 12 of the Preamble recognises the importance of interconnected power systems operated by non-EU TSOs. However, in our view, the point is of a rather general nature and its content should be substantiated further in the body of the proposal with concrete references to borders with non-EU TSOs when those are of particular importance to the functioning of the internal energy market (IEM), such as Switzerland, the UK, Norway and the Western Balkans.

We understand and acknowledge the political complexities around this issue and the need for inter-TSO or intergovernmental agreements to be established in some cases. But we would also remind ACER of the importance of safeguarding the electricity market and system in synchronous grid of Continental Europe and other synchronously interconnected EEA and non-EU countries. To improve system security and ensure smooth and efficient electricity trading, it is therefore important for such non-EU TSOs to take part in related coordination activities for the development of methodologies and processes on a CCR level.

- Norway: As we understand, the 3rd EU Energy Package has been applicable in the EEA EFTA States since October 2019. Therefore, it is not clear to us why bidding zone borders with Norway are not included in the Hansa and Nordic CCRs. We would appreciate additional information and call for the inclusion of bidding zone borders with Norway in the respective CCRs.

- Switzerland: Switzerland is part of the synchronous grid of Continental Europe and deeply interconnected with the EU Internal Electricity Market. Independently from the complexities surrounding the negotiations on intergovernmental agreements between the Swiss Federation and the EU, EFET considers the inclusion of Switzerland into the CCR coordination processes crucial for the functioning of the EU Internal Electricity Market, in particular with view to the better integration of the Italian electricity market with the liquid markets of CWE. In the short term we insist on ensuring the participation of Swissgrid in the coordination processes and the inclusion of Swiss CNECs into capacity calculation in the Core and Italy North region through practical arrangements. In the long term, we recommend the inclusion of Swiss bidding zone borders into the respective CCRs and the full participation of Switzerland in the IEM, including market

coupling.

- Energy Community: We understand that it is not feasible to include bidding zone borders with Serbia, Bosnia and Herzegovina, Montenegro, North Macedonia, Albania and Kosovo into the SEE CCR until CACM is implemented by the Energy Community Contracting Parties. As this will take some time, we recommend in the short term to consider including Western Balkans CNECs into capacity calculation in the Core and SEE regions through practical arrangements.

In the long term, we recommend the inclusion of the Energy Community Contracting Parties into the SEE CCR through the evolution that is foreseen in the All TSOs' proposal for CCRs from October 2015 and their full participation in the IEM, including market coupling.

- The UK: UK TSOs are now non-EU TSOs. However, we appreciate that the proposed amendments keep the bidding zone borders with the UK in the Channel and IU CCRs. As in the case of Norway, we suggest maintaining these CCRs in the future, after the UK and the EU reach more in-depth agreements.

Contact

[Contact Form](#)