
Determination of capacity calculation regions Explanatory note

30 November 2023

Disclaimer

This explanatory document is submitted by all TSOs to the Agency for the Cooperation of Energy Regulators for information and clarification purposes only accompanying the “All TSOs’ proposal for amendment of the Determination of capacity calculation regions methodology 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

Contents

Contents.....	2
I. Introduction and rationale to this document.....	3
II. Celtic Cable.....	3
1 Background.....	3
2 Options considered and motivations.....	3
III. Merge of Core and Italy North CCRs for DA CC.....	4
3 Background.....	4
4 Chronology.....	5
IV. Conclusion	5
V. Annex 1 – Public consultation responses	7
VI. Annex 2 – Public consultation responses	15

I. Introduction and rationale to this document

Following the **informal** Guidance by ACER to ENTSO-E, TSOs and NEMOs on how to draft proposals for terms and conditions or methodologies dated March 2023, ACER strongly welcomes that the proposals are accompanied by an explanatory document for **information** purposes. This explanatory document will **not be approved** by ACER.

The explanatory document should describe the **options** considered during the development of the proposal, the views of stakeholders as expressed during the **public consultation**, a clear and robust justification for including or not the views resulting from the consultation, as well as the **justifications and arguments** for the choices made in the proposal.

II. Celtic Cable

1 Background

The Single Electricity Market (SEM) of Ireland and Northern Ireland does not have an interconnector with European Union and, due to Brexit, the former IU Capacity Calculation Region (SEM-GB CCR) no longer exists.

The SEM is expected to be re-coupled with the EU in 2026, when the Celtic Interconnector is planned to go live. The Celtic Interconnector is a planned subsea HVDC 700 MW link to allow the exchange of electricity between SEM and France. Specifically, the 575 km interconnector is between Knockraha (Ireland) and La Martyre (France).

The Celtic Interconnector will create a new Bidding Zone Border (hereafter, BZB) between the bidding zones of SEM (Single Electricity Market) and FR (France).

2 Options considered and motivations

The attribution of SEM-FR BZB in a Capacity Calculation Region (hereafter, CCR) had two options: (1) to establish of a new CCR, (2) to attribute the SEM-FR Bidding Zone Border to an existing CCR. The first option considered was a new SEM-FR CCR, whereas the second option was Core CCR.

Following to an analysis of the two options, TSOs/ENTSO-E believe that the attribution of the SEM-FR BZB in the Core CCR is the preferred option. Please find below the key-motivations and reasoning that led to such a proposal:

- **Advanced Hybrid Coupling and Capacity Calculation** - Influence between Celtic and current Core CNECs would be monitored whatever is the CCR option (Core or dedicated SEM-FR CCR) through the CORE Advanced Hybrid Coupling (AHC). CORE AHC would compute the PTDF from Celtic towards current CORE CNECs. In other words, one option or the other is equivalent when looking at cross-influence between Celtic and current Core CNECs, Celtic influence PTDF will be computed into CORE Flow-Based. On one hand, from this CORE AHC perspective, half of the path for a full Core integration will be fulfilled, and on the other hand, the capacity calculation on Irish island would not be very different from a FB calculation if a dedicated CCR would be chosen. For

this reasons, TSOs/ENTSO-E are of the opinion that it is worth to go for the full CORE integration, from a capacity calculation point of view.

- **Future Proofness** - On some other aspects, it was assessed as being a more futureproof choice to go to the Core CCR rather than to a dedicated CCR, because of the risk to be dissolved and transferred to Core CCR over the next years.
- **Future Extensibility of interconnection capacity and mutual Cross Influence between SEM and France** – In case of extensions of interconnection capacity between SEM and France, this would emphasize the mutual influence between Core and SEM. A higher mutual influence would support integrating with Core CCR. For these reasons, the attribution of the SEM-FR BZB to Core CCR will guarantee a stable CCR choice, thus not requiring another potential amendment of CCRs over the next years. TSOs/ENTSO-E believe that a stable and future-proof CCRs setup is a beneficial aspect.
- **System Operation Regions** - EirGrid and SONI are currently appointed to Central Europe SOR. Therefore, the attribution to the SEM-FR BZB into CORE CCR will not require a change to the current structure of SORs.

Moreover, TSOs/ENTSO-E believe that the attribution of the SEM-FR BZB to the Core CCR, with its Flow-Based Capacity Calculation methodology, is an appropriate choice which will foster electricity market integration and facilitate the energy transition.

Public consultation – On the 7th July 2023, a public consultation was launched to gather the views of stakeholders on the attribution of the SEM-FR BZB in the Core CCR. The Public Consultation closed on the 21st of August. Four responses were received by the closing date (EDF, UFE, EFET, Nord Pool). ACER submitted its Shadow Opinion on the 28th of August.

Overall, the responses received are either in favor to the proposal or neutral. Some of the responses simply asked for additional details or clarifications. TSOs/ENTSO-E prepared an answer to each response received. The answers are available in Annex 1 of this document.

According to the responses received, TSOs/ENTSO-E did not see the need of making changes to the proposal of CCR amendment launched for public consultation during Summer 2023.

III. Merge of Core and Italy North CCRs for DA CC

3 Background

Following the understanding already communicated in the past years (e.g. in the explanatory document to the determination of CCRs in 2015 a possible merge from Italy North CCR and back then the predecessors of CORE CCR (CWE and CEE) was explicitly mentioned) ACER accompanied and encouraged TSOs and NRAs from the two directly affected regions to provide options for a possible merge.

Highlighting there is no concrete plan that Switzerland joins SDAC in a foreseeable future accompanied with the understanding of the inefficiency applying a flow-based capacity calculation in Italy North CCR first, and only then merging it with the Core CCR, at the end, after several rounds of discussion on the inter-regional level among Core and Italy North TSOs and NRAs, led ACER to request TSOs to amend the CCR determination proposal to merge Core and Italy North CCR.

Taking into account the currently ongoing implementation projects (e.g. long term CC, ROSC, ...) a stepwise approach, starting the merge in a first step only in the day ahead timeframe, was proposed which then shall be followed by subsequent steps to complete the merge for the other CCR-related obligations at a later stage.

Worth mentioning is, that TSOs, in the process of drafting of and agreeing on the proposal, agreed, that it should be clear that the merger will be fully conducted at a final stage. Clarifying this, All TSOs agreed that they shall provide an amendment of the CCR determination methodology at the latest at the time of the implementation of DA CCM in the Central Europe.

4 Chronology

Hereunder the steps that initiated the amendment of the CCR determination proposal are summarized:

- (a) **Inter-Regional coordination process** with final workshop in Rome, 27.06.2023
 - Principles of a merger of Core and Italy North for the Day Ahead timeframe were finally discussed on inter-regional level between ACER, Core and ITN NRAs and TSOs. Additionally ENTSO-E MI convenors were attending this workshop.
 - Prior to this concluding workshop on inter-regional level, multiple coordination and discussion meetings between the most impacted parties took place, especially highlighting a particular workshop in Munich dated 02.03.2023.
 - In parallel, ACER already informally approached TSOs/ENTSO-E requesting the amendment of the CCR Determination Methodology concerning this merger of Core and IT-North CCRs.
- (b) **Formal request** of ACER, 17.07.2023
 - ACER requested in a letter that all TSOs develop an amendment of the Determination of CCRs to merge Core and Italy North capacity calculation regions for day-ahead capacity calculation.
 - ACER requested to submit the amendment proposal by 30.11.2023.
- (c) **Drafting a proposal** to amend the Determination of CCRs Methodology in order to merge Core and Italy North CCRs.
- (d) **Approval by All TSOs** formally via written voting procedure on 10.10.2023
 - approval of the final version of the CCR determination amendment and agreement to start the public consultation process
- (e) **Public Consultation** was run between 11.10.2023 until 11.11.2023
 - Only a few comments were received by stakeholders, namely by EDF, EFET and UFE. The comments by market parties and also the answers drafted by the TSOs can be found under Annex 2 below. However according to the responses received, TSOs/ENTSO-E did not see the need of making changes to the proposal of CCR amendment.
- (f) Entso-E Market Committee/All TSOs meeting on 28.11.2023 approved the **submission** of the amendment of the proposal on 30.11.2023.

IV. Conclusion

For all the reasons presented above, TSOs/ENTSO-E propose to amend the Determination of Capacity Calculation Regions including attributing the upcoming SEM-FR Bidding Zone Border to Core CCR and to

follow the request by ACER to merge the Italy North and Core CCRs into a new Central Europe CCR and to follow a stepwise approach for the integration.

V. Annex 1 – Public consultation responses

TSOs comments to public consultation responses for Celtic cable

Organization	EDF	TSO comment/responsible
Any views on the proposal are welcomed	<ul style="list-style-type: none"> EDF takes note of this ENTSO-E consultation on the integration in the CORE capacity calculation region (CCR) of the Celtic Interconnector planned in 2026 in view of the integration of the Irish Single Electricity Market (SEM) in the EU market. From a general perspective, EDF recalls that (i) it supports the idea of an as much coordinated as possible capacity calculation process within the EU borders and at the borders of the EU with third countries and that (ii) any further addition of borders in a CCR must be assessed against the possible joint influence of other borders on power flows and against the possible negative impacts on the capacity calculation processes at regional level and its ongoing evolutions. EDF understands from former exchanges at national / regional level that two possible options were discussed for coupling SEM with the EU : one being a dedicated CCR and the other the integration into the CORE CCR. The latter seems to have been chosen; in view of point (i) above, EDF is a priori rather supportive of such a choice, but would appreciate more transparency on the pros and cons that led to the present proposal. 	<p>Influence between Celtic and current Core CNECs would be monitored whatever is the CCR option (Core or dedicated CCR) through the CORE Advanced Hybrid Coupling (AHC). CORE AHC would compute the PTDF from Celtic towards current CORE CNECs. So, from point (ii) perspective one option or the other is equivalent when looking at cross-influence between Celtic and current Core CNECs, Celtic influence PTDF will be computed into CORE Flow-Based. On one hand, from this CORE AHC perspective, half of the path for a full Core integration will be fulfilled, and on the other hand, the capacity calculation on Irish island would not be very different from a FB calculation if a dedicated CCR would be chosen, then EirGrid/SONI and RTE are of the opinion it is worth to go for the full CORE integration, from a capacity calculation point of view. On some other aspects, it was assessed as being a more futureproof choice to go to the Core CCR rather than to a dedicated CCR, because of the risk to be dissolved and transferred to CORE CCR. Future proofness is also guaranteed in case of extensions of Inter-Connectors between Ireland and France, that would emphasize the mutual influence between CORE and</p>

- Moreover, TSOs have informed in their Capacity Calculation and Allocation (CC&A) Report 2023 (cf. Part 4) that they are developing a framework for Capacity Calculation Region Assessment, responding notably to the request made by ACER in its Decision on the determination of capacity calculation regions (Annex 1) of 7th May 2021. According to ENTSO-E, this framework will be “a ‘toolbox’ used by all TSOs to perform future assessments of CCR configurations”. We understood this framework would be submitted to public consultation by end of 2023. EDF expects more stakeholder involvement, transparency and details towards market participants about this future framework. This should probably be discussed as well in the framework of CACM revision (cf. Article 15 dedicated to CCR in CACM Regulation).
- This also raises the question of (i) whether the choice of the CCR in which the Celtic cable should be integrated could wait until the finalization of this new framework and (ii) if impossible, whether the integration of Celtic into CORE could be reassessed with the new framework in case the interconnection with SEM is delayed.
- Furthermore, EDF considers this consultation is uncomplete and completely lacks background analysis, preventing market participants to provide an informed view. There is no explanatory document addressing the implications on the different timeframes (forward, DA and ID) and notably the impact on CORE capacity calculation processes and even on EU SDAC and SIDC. As said before, the pros / cons of possible different options should be detailed at the same time the proposal is submitted. EDF understands from a recent EirGrid, SONI, SEMO event that many options are still currently analysed for future SEM-EU market arrangement. A full picture should be given to stakeholders accompanying this CCR amendment proposal.

Ireland, supporting then to appoint this FR-IE border to CORE CCR.

Not compatible in terms of agenda. Anyhow, the EirGrid/SONI and RTE assessment was carried out by using some large part of this framework, still under finalization.

Determination of CCRs does not aim to address all market design aspects, which in addition are not dependent on the CCR choice. Furthermore EU SDAC and SIDC impact is rather equivalent whatever the CCR choice is made, main impact being creation of a new border.

Any other feedback	<ul style="list-style-type: none"> Concerning the handling of interconnectors between EU and British Isles, EDF considers that several issues are of much bigger impact in the landscape than the integration of Celtic into CORE: EDF supports finding rapidly an agreement on (i) the coordination of capacity calculations for the various interconnectors between EU and UK and (ii) the allocation of the resulting capacities. On the latter point, the optimal solution of a full price coupling being unfortunately politically out of sight, a non-regret measure could still be implemented to complement the present default solution in place – i.e. explicit capacity auctions, which are an acceptable second best option and should in any case be preferred to the Multi-Region Loose Volume Coupling (MRLVC) –, namely the merger of EPEX and NPS order books, so as to avoid two different Day-Ahead prices. 	<p>EirGrid/SONI and RTE also support a real coordination on all interconnectors, including British ones. As there are a large amount of capacity between Ireland and GB, and also between France and GB, it is of utmost importance from a technical perspective to get a reliable and efficient coordination with British interconnectors. However, this topic is very political and not in hands of TSOs.</p>
Organization	UFE (Union Française de l'Electricité)	TSO comment/responsible
Any views on the proposal are welcomed	<ul style="list-style-type: none"> UFE takes note of this ENTSO-E consultation on the integration in the CORE capacity calculation region (CCR) of the Celtic Interconnector planned in 2026 in view of the integration of the Irish Single Electricity Market (SEM) in the EU market. From a general perspective, UFE recalls that (i) it supports the idea of an as much coordinated as possible capacity calculation process within the EU borders and at the borders of the EU with third countries and that (ii) any further addition of borders in a CCR must be assessed against the possible joint influence of other 	<p>Influence between Celtic and current Core CNECs would be monitored whatever is the CCR option (Core or dedicated CCR) through the CORE Advanced Hybrid Coupling (AHC). CORE AHC would compute the PTDF from Celtic towards current CORE CNECs. So, from point (ii) perspective one option or the other is equivalent when looking at</p>

borders on power flows and against the possible negative impacts on the capacity calculation processes at regional level and its ongoing evolutions.

- UFE understands from former exchanges at national / regional level that two possible options were discussed for coupling SEM with the EU : one being a dedicated CCR and the other the integration into the CORE CCR. The latter seems to have been chosen; in view of point (i) above, UFE is a priori rather supportive of such a choice, but would appreciate more transparency on the pros and cons that led to the present proposal.

cross-influence between Celtic and current Core CNECs, Celtic influence PTFD will be computed into CORE Flow-Based. On one hand, from this CORE AHC perspective, half of the path for a full Core integration will be fulfilled, and on the other hand, the capacity calculation on Irish island would not be very different from a FB calculation if a dedicated CCR would be chosen, then EirGrid/SONI and RTE are of the opinion it is worth to go for the full CORE integration, from a capacity calculation point of view.

On some other aspects, it was assessed as being a more futureproof choice to go to the Core CCR rather than to a dedicated CCR, because of the risk to be dissolved and transferred to CORE CCR. Future proofness is also guaranteed in case of extensions of Inter-Connectors between Ireland and France, that would emphasize the mutual influence between CORE and Ireland, supporting then to appoint this FR-IE border to CORE CCR.

- Moreover, TSOs have informed in their Capacity Calculation and Allocation (CC&A) Report 2023 (cf. Part 4) that they are developing a framework for Capacity Calculation Region Assessment, responding notably to the request made by ACER in its Decision on the determination of capacity calculation regions (Annex 1) of 7th May 2021. According to ENTSO-E, this framework will be “a ‘toolbox’ used by all TSOs to perform future assessments of CCR configurations”. We understood this framework would be submitted to public

Waiting for the new framework is not compatible in terms of agenda. Anyhow, the EirGrid/SONI and RTE assessment was carried out by using some large part of this framework still under finalization.

consultation by end of 2023. UFE expects more stakeholder involvement, transparency and details towards market participants about this future framework. This should probably be discussed as well in the framework of CACM revision (cf. Article 15 dedicated to CCR in CACM Regulation).

- UFE take notes that the choice of solution (integrating the Celtic interconnection into the CORE CCR) was made before the finalization of this new framework. In this context, UFE requests that the reasons for not waiting for the new framework be detailed and provided to market participants. This also raises the question whether the integration of Celtic into CORE could be reassessed with the new framework in case the interconnection with SEM is delayed.
- Furthermore, UFE considers this consultation is uncomplete and lacks background analysis, preventing market participants to provide an informed view. UFE asks therefore for an explanatory document addressing the implications on the different timeframes (forward, DA and ID) and detailing that this evolution is not detrimental.
- Finally, given the European obligation to implement the AHC on CORE, which is due at the same time as the arrival of Celtic, UFE also asks for confirmation that a dedicated CCR for Celtic or an integration of Celtic interconnector to CORE will have the same impact on capacity calculation and available capacity.

As stated in the previous answer, the impact of AHC on current CORE CNECs will be equivalent as a full CORE integration. What deviates is the possible new CORE CNECs that would be identified, some in the neighbourhood of Celtic (on French side) and some other in North-western part of France in reason of a mutual influence between Celtic and CORE. On the Irish side, as there is for the time being only one inter-connector capacity calculation would be very similar whatever the CCR option is (same for the French side on the neighborhood part of Celtic Inter-Connector). Then capacity available will be similar, with a more accurate mutual-influence consideration with full CORE integration.

<p>Any other feedback</p>	<ul style="list-style-type: none"> • UFE understands that the Celtic interconnector would be included via advanced hybrid coupling. If this is indeed the case, market participants within UFE reiterate, as they already pointed out last December in a joint position of EFET and MPP, that this subject lacks clarity, and in particular that the impacts on Euphemia should be analyzed in greater detail. • Concerning the handling of interconnectors between EU and British Isles, UFE considers that several issues are of much bigger impact in the landscape than the integration of Celtic into CORE: UFE supports finding rapidly an agreement on (i) the coordination of capacity calculations for the various interconnectors between EU and UK and (ii) the allocation of the resulting capacities. On the latter point, the optimal solution of a full price coupling being unfortunately politically out of sight, a non-regret measure could still be implemented to complement the present default solution in place – i.e. explicit capacity auctions, which are an acceptable second best option and should in any case be preferred to the Multi-Region Loose Volume Coupling (MRLVC) –, namely the merger of EPEX and NPS order books, so as to avoid two different Day-Ahead prices. 	<p>Extension of CORE FB to one additional Bidding-Zone (SEM), with one additional border is not expected to be a significant burden to SDAC/SIDC processes and environments.</p> <p>EirGrid/SONI and RTE also support a real coordination on all interconnectors, including British ones. As there is a large amount of capacity between Ireland and GB, and also between France and GB, it is of utmost importance from a technical perspective to get a reliable and efficient coordination with British interconnectors. However, this topic is very political and not in hands of TSOs.</p>
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Organization	European Federation of Energy Traders (EFET)	TSO comment/responsible
<p>Any views on the proposal are welcomed</p>	<p>In principle, we support the proposal to include the SEM-FR bidding zone border in the Core CCR and its Flow-Based Capacity Calculation, as this would foster electricity market integration. This market integration will contribute to system security, the energy transition, and a Europe that is more resilient to price shocks as a whole. This would, of course, require upholding transparency standards in relation to all capacity calculation parameters in the Core region (including SEM) and ensuring consistency between all TSOs of the enlarged Core CCR. In the Capacity Calculation, the Celtic Interconnector representation has to be aligned as closely as possible with network constraints, in particular voltage ones. We urge TSOs to ensure the same level of transparency as in France and to pay particular attention to the CNEC selection.</p>	<p>We agree that all TSOs should be transparent in the choice of CNECs for capacity calculation, and our goal is to achieve this on the SEM-FR BZ border as with every other BZ border.</p>

We would also like to understand how the choice to integrate this BZ border in the Core CCR was made, e.g., compared to the option to create a separate CCR - what were the pros and cons of making this choice?

The future requirement that Core CCR use Advanced Hybrid Coupling (AHC) for interconnection between flow-based and NTC-based regions would mean that the influence of the Celtic interconnector on Core CNECs would be monitored even if SEM-FR was assigned to a dedicated CCR. Core AHC would compute the PTDF matrix including Celtic, so both options are equivalent when looking at cross-zonal influence. Creating a separate CCR was considered as an option, but joining Core CCR guarantees much more future-proofness if there is more mutual system influence in future in the event that interconnection between SEM and France is increased. A higher mutual influence would support integrating with Core CCR.

We request further analysis on the implementation of Advanced Hybrid Coupling (AHC) in day-ahead on this border, if it is to be implemented. The potential gains should be assessed together with the additional computational burden on EUPHEMIA. A cost-benefits analysis would need to be carried out to check whether it is also compatible with the other reforms planned in EU legislation (15' MTU in day-ahead in particular). Information about the plans of TSOs with regard to intraday market coupling at this border would also be welcome.

The Determination of CCRs does not aim to address all of the aspects of market design. In particular, many aspects of market design do not depend on CCR choice. The inclusion of Celtic in SDAC and SIDC will result in the addition of a single bidding zone and a single border, which will not add a significant additional burden to SDAC and SIDC processes and systems.

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. In addition, 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 - Article 21.4 CACM required the harmonisation of capacity calculation methodologies by 31 December 2020.

We reiterate the importance of a coordinated approach with interconnected power systems operated by non-EU TSOs. To promote such coordination, 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, and the Western Balkans - need to be considered in the determination of capacity calculation regions. 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 also remind the TSOs of the importance of safeguarding the electricity market and system in the synchronous grid of Continental Europe and other interconnected 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 at a CCR level

A periodic review of all CCRs is outside the scope of this proposal for amendment of CCRs. TSOs are already planning a review of some CCRs by 2026

EirGrid/SONI & RTE support a coordinated approach with interconnected power systems operated by non-EU TSOs. Due to the large volume of interconnection between the SEM and Great Britain, and also between France and GB, it is of utmost importance from a technical perspective to coordinate reliably and efficiently with National Grid

Any other feedback

Organization

Nord Pool European Market Coupling Operator AS

TSO comment/responsible

Any views on the proposal are welcomed

Nord Pool has no position on whether the inclusion of the Celtic Interconnector (CIC) in the EU CORE CCR is optimal or not, but in any case in which CIC is to operate within SDAC and SIDC, the overall wholesale market framework conditions applicable to the CIC, including with respect to Day-Ahead and Intraday implicit capacity allocation and utilization, should be fully consistent with what is required to be applied on all other EU Interconnectors participating in the SDAC/SIDC between multi-NEMO BZs like France and SEM

All TSOs agree in general with this point.

Any other feedback	<p>We consider it critical that the applicable wholesale market framework conditions for the CIC, irrespective whether it is included in the EU CORE CCR or somehow otherwise is included in SDAC/SIDC, must ensure full and equal market access to every member of every NEMO which is designated on either side of the border (i.e. in France and/or SEM). Such equal access should be secured via an appropriate multi-NEMO arrangement (MNA) framework applicable to all designated NEMOs on each side of the CIC. [At the time of writing, the precise status of the MNA applicable in the SEM region is not entirely clear.]</p>	<p>EirGrid notes your comment regarding MNA but believe that it is outside the scope of the consultation which is on CCR. However, we have brought your query to internal management and have been advised that it is be assessed by EirGrid and SONI as part of the wider reintegration programme with the EU.</p>

VI. Annex 2 – Public consultation responses

TSOs comments to public consultation responses for Core/IN merger

Organization	EDF	TSO comment/responsible
Any views on the proposal are welcomed	<p>EDF welcomes the opportunity to convey its reactions to this all TSOs’ consultation on the stepwise merger of the Core and Italy North capacity calculation regions (CCRs).</p> <p>From a general standpoint, EDF recalls that (i) it supports the idea of an as much coordinated as possible capacity calculation process within the EU borders and at the borders of the EU with third countries but also that (ii) any further addition of borders in a CCR or CCR mergers must be assessed against the possible joint influence of other borders on power flows and against the possible negative impacts on the capacity calculation processes at regional level and its ongoing evolutions. In this perspective, EDF is favorable to the efficient extension of the flow-based capacity calculation and to extend coordination to the largest geographical extent whenever relevant. However, such an</p>	

approach should not forget the necessary caution not to negatively impact or jeopardize priority processes, such as the operational existing CORE capacity calculation process and EU SDAC and SIDC processes.

As a preliminary comment, EDF considers that it is hard to provide an informed view. Indeed, the consultation document mentions that the impact analyses (with quantitative elements) or the identification of interactions with existing processes still remain to be done. It appears like putting the cart before the horse and it seems that it would have been wiser to first analyse the pros and cons and detail them along with the proposal when submitting to consultation. Stakeholders/market participants require to be put in a position allowing them to assess the risks posed to existing operational processes as well as the different impacts of the merger in terms of available/allocated capacities on each border. The current consultation gives the impression that no really informed view is expected from stakeholders/market participants and that the consultation is performed only to check the box of the legal requirement.

EDF however can share some remarks as in fact both the timeline and approach for the merger proposed are quite surprising.

- In terms of timeline, the information was in fact only very recently shared within the Italy North Forum and at the last MESC meeting. Neither did the works about the prioritization of projects shared in MESC and MCSC identify this issue as being a priority. Therefore, some information about the reason of such a rush of this initiative, as well as the ACER letter of 17th July 2023 mentioned in the consultation document, would be much appreciated, especially since TSO were able to perform only basic assessment due to the very short time given for this amendment. In any case, EDF considers that the implementation of this project should not be prioritized before further assessment within the project prioritization exercise on which market participants should also be consulted. In this perspective, impacts on Euphemia should be strongly considered.

- In terms of approach, the stepwise choice (segmentation between Day-Ahead first and extension to Intra-Day afterwards) also calls for comments. It is a first and beyond the consideration on the rush, this approach could be legally challenged and potentially give rise to legal uncertainty. Indeed,

- TSOs received a RfA from ACER with a submission deadline 30 November. Based on this RfA TSOs acted accordingly.

- Based on the RfA TSOs acted accordingly. For the time being the DA process will be implemented in the new

assigning a given bidding zone border to two different CCRs depending on the timeframe seems to contradict Article 15(2)(b) of CACM, which states that “each bidding zone border [...] shall be assigned to one capacity calculation region”. This provision is admittedly without prejudice of the possibility, as stated in CACM Article 20(5), to consider two adjacent CCRs developing a common flow-based approach for a given timeframe as one region for this purpose, but we understand this should not lead to the formal creation of a distinct CCR.

- Furthermore, a first step would have been to finalize the implementation of a flow-based CCM in the Italy North CCR before proposing a merger between the two CCR, even if it is a partial merger.

- No information is provided on the extent to which this partial merger implies a review of existing methodologies for the day-ahead timeframe: will Italy North simply accept the CORE methodologies, with only minor changes or will there be substantial modifications (in which case what are the foreseen modifications). Furthermore, governance issues should not impact or delay ongoing and existing processes.

- It would have been useful to describe the links/interactions with the implementation of all the other CCR-related obligations according to CACM, FCA, EB, SO as well as any other applicable European legislation to fully appreciate the benefits and challenges of the proposed methodology.

CCR and the other relevant processes (such as ROSC, ID...) shall follow. Due to the ongoing processes in the existing CCRs it was decided to follow a stepwise approach.

- Implementing FB in Italy North before merging the two regions was found to be the less efficient in comparison with immediate merge. A temporary methodology, new IT etc. would need to be developed.

- To be evaluated and considered in the drafting of the CC methodology of the new Central Europe CCR.

- To be evaluated and considered in the drafting of the CC methodology of the new Central Europe CCR.

	<ul style="list-style-type: none"> In spite of the obvious central position of Switzerland in the proposed Central Europe CCR, the amendment proposal very rapidly addresses the issue of its treatment in the various applicable methodologies and refers to contractual arrangements with no further details. EDF considers that beyond political issues and as matter of market efficiency and operational security, CACM should define a framework for the inclusion of third countries in the coordinated capacity calculation process and also for congestion management and that Switzerland should be taken into account as much as possible in the operational processes mentioned above. Market participants would also need: (i) a proper and long enough (18 months) parallel run; (ii) to have the operational transparency at the same level as for the CORE region; (iii) to understand how the Savoy-Piedmont interconnector will be managed (the same way as Alegro?). <p>EDF notes and supports that the proposed approach shall not set a precedent under the current legal framework for defining any other configurations of CCRs comprising only selected timeframes.</p>	<ul style="list-style-type: none"> To be evaluated and considered in the drafting of the CC methodology of the new Central Europe CCR. (this point will be one of the main points of attention in the development of the new CCM). To be evaluated and considered in the drafting of the CCM of the new Central Europe CCR.
<p>Organization</p>	<p>UFE (Union Française de l'Electricité)</p>	
<p>Any views on the proposal are welcomed</p>	<p>UFE welcomes the opportunity to convey its reactions to this all TSOs' consultation on the stepwise merger of the Core and Italy North capacity calculation regions (CCRs).</p> <p>From a general standpoint, UFE recalls that (i) it supports the idea of an as much coordinated as possible capacity calculation process within the EU borders and at the borders of the EU with third countries but also that (ii) any further addition of borders in a CCR or CCR mergers must be assessed against the possible joint influence of other borders on power flows and against the possible negative impacts on the capacity calculation processes at regional level and its ongoing evolutions. In this perspective, UFE is favorable to the efficient extension of the flow-based capacity calculation and to extend coordination to the largest geographical extent whenever relevant. However, such an approach must not overlook the need for caution to avoid negatively impacting or jeopardizing priority processes, such as the operational existing CORE capacity calculation process and EU SDAC and SIDC processes.</p>	<ul style="list-style-type: none"> Since UFE and EDF responses are in general identical, please see answers given to EDF.

As a preliminary comment, UFE considers it difficult to give an informed opinion. Indeed, the consultation document mentions that the impact analyses (with quantitative elements) or the identification of interactions with existing processes still remain to be carried out. It would have been preferable to first analyse the pros and cons and detail them along with the proposal when submitting to consultation. Stakeholders and market players need to be put in a position to assess the risks posed to existing business processes, as well as the different impacts of the merger in terms of available/allocated capacity at each border.

UFE however can share some remarks as in fact both the timeline and approach for the merger proposed are quite surprising.

- In terms of timeline, the information was in fact shared only very recently within the Italy North Forum and at the last MESC meeting. Neither did the works about the prioritization of projects shared in MESC and MCSC identify this issue as being a priority. Therefore, some information about the reason of such a rush of this initiative, as well as on the ACER letter of 17th July 2023 mentioned in the consultation document, would be much appreciated, especially since TSO were only able to perform basic assessment due to the very short time given for this amendment.
- In any case, UFE considers that the implementation of this project should not be prioritized before further assessment within the project prioritization exercise on which market participants should also be consulted. In this perspective, impacts on Euphemia should be strongly considered, both in terms of welfare improvements and computational performance (time to first solution, PRBs, optimality gap, ...). Notably, as the merger will create the unique combination in the SDAC of flow-based constraints and PUN orders in the IT North bidding zone, the impact on performance in the price determination and pun search sub-problems should notably be carefully assessed and publicly published.
- In terms of approach, the stepwise choice (segmentation between Day-Ahead first and extension to Intra-Day afterwards) also calls for comments. This is a first, and beyond the consideration on the rush, this approach could be legally challenged and potentially give rise to legal uncertainty. Indeed, assigning a given bidding zone border to two different CCRs

depending on the timeframe seems to contradict Article 15(2)(b) of CACM, which states that “each bidding zone border [...] shall be assigned to one capacity calculation region”. This provision is admittedly without prejudice of the possibility, as stated in CACM Article 20(5), to consider two adjacent CCRs developing a common flow-based approach for a given timeframe as one region for this purpose, but we understand this should not lead to the formal creation of a distinct CCR.

- Furthermore, a first step would have been to finalize the implementation of a flow-based CCM in the Italy North CCR before proposing a merger between the two CCR, even if it is a partial merger.
- No information is provided on the extent to which this partial merger implies a review of existing methodologies for the day-ahead timeframe: will Italy North simply accept the CORE methodologies, with only minor changes or will there be substantial modifications (in which case what are the foreseen modifications). Furthermore, governance issues should not impact or delay ongoing and existing processes.
- It would have been useful to describe the links/interactions with the implementation of all the other CCR-related obligations according to CACM, FCA, EB, SO as well as any other applicable European legislation to fully appreciate the benefits and challenges of the proposed methodology.
- In spite of the obvious central position of Switzerland in the proposed Central Europe CCR, the amendment proposal very rapidly addresses the issue of its treatment in the various applicable methodologies and refers to contractual arrangements with no further details. UFE considers that beyond political issues and as matter of market efficiency and operational security, CACM should define a framework for the inclusion of third countries in the coordinated capacity calculation process and also for congestion management and that Switzerland should be taken into account as much as possible in the operational processes mentioned above.
- Market participants would also need:
 - o a proper and long enough (18 months) parallel run, including the impacts on the key performance indicators of EUPHEMIA;

	<ul style="list-style-type: none"> o to have the operational transparency at the same level as for the CORE region; o to understand how the Savoy-Piedmont interconnector will be managed (the same way as Alegro?). <p>UFE notes and supports that the proposed approach shall not set a precedent under the current legal framework for defining any other configurations of CCRs comprising only selected timeframes.</p>	
<p>Organization</p>	<p>EFET - European Federation of Energy Traders</p>	
<p>Any views on the proposal are welcomed</p>	<p>Brussels, 10 November 2023 - The European Federation of Energy Traders (EFET) takes the opportunity of the TSOs consultation on amending the capacity calculation regions (CCRs) methodology to underline the necessary conditions for a successful merger of the Core and Italy North CCRs.</p> <p>Key messages We understand and agree in principle with the idea of the merger of the of Core and Italy North CCRs to create a new CCR “Central Europe”.</p> <p>However, a number of pre-requisites should be met to initiate this process:</p> <ol style="list-style-type: none"> 1. Overall economic welfare is maximised in the new CCR 2. The impact on SDAC quality and performance is publicly monitored and considered reasonable 3. TSOs perform a full cost-benefit analysis on the impact of Italian allocation constraints on the other bidding zones of the new CCR 4. Swiss CNECs are considered in the capacity calculation of the new CCR, similarly the model of the Italy North agreement with Swissgrid 5. Transparency requirements are set at least at the level of the Core CCR provisions, including a proper and long enough parallel run 	

6. Reasons for the differentiated speeds for the CCRs merger for day-ahead and intraday, respectively, are clarified, and implications on stakeholder involvement

7. The merger timeline is set according to the projects prioritisation framework agreed between ACER, market participants, TSOs and NEMOs in the MESC (available at: https://eepublicdownloads.blob.core.windows.net/public-cdn-container/clean-documents/Network%20codes%20documents/MESC/2023%20MESC%20documents/231018_MESC_2.4_ProjectPrioritisationFramework.pdf)

Detailed comments

Aiming for a common capacity calculation methodology (CCM) and other rules organising spot markets across the EU is an objective that EFET has always supported. In this sense, we support the gradual merger of CCRs.

It is nonetheless important to acknowledge that the development of CACM-based methodologies by CCRs have generally preserved regional specificities since 2015. Merging CRRs, and ultimately reaching common rules throughout the EU, will necessitate bridging significant gaps in the existing models applied across Europe.

Welfare maximisation should be the guiding principle to progress on the harmonisation of methodologies and the merger of CCRs. In the specific context of the Core and Italy North CCRs merger, this will require a thorough gap analysis of the respective CCMs, in particular a cost-benefit analysis of the impact of Italian allocation constraints on the whole Central European region. This impact assessment should also monitor all indicators of the SDAC algorithm described in the Annex 3 to the Algorithm methodology, Title 3-5, with an open publication.

Additionally, with Switzerland at the heart of the new Central Europe CCR, the impact of flows on the Swiss network will have to be taken fully into account. The spirit of the agreement between Swissgrid and the Italy North TSOs to take account of Swiss CNECs in the day-ahead capacity calculation will need to

- To be evaluated and considered in the drafting of the CC methodology of the new Central Europe CCR.
- As there is a high interdependency of the capacity calculation of Switzerland with the regions Italy North and Core, involved TSOs develop the

be extended to the whole Central Europe CCR. This will be essential for a meaningful calculation of capacity in the new CCR, and hopefully a stepping stone towards the integration of Switzerland into market coupling as soon as bilateral negotiations with the EU allow it.

Transparency on day-ahead flow-based parameters will need to be harmonised on the highest standard possible. At the moment, we would request that they be at least at the level set in the Core CCR, and we look forward to possibly improving these standards even further. These transparency requirements should be discussed in a merged version of the existing consultative groups for Core and Italy North will need to be merged – at least for day-ahead discussions. Furthermore, a proper and long enough parallel run should be performed. Market participants would also need clarifications on how the Savoy-Piedmont HVDC interconnector will be managed (i.e. with virtual zones like ALEGrO?).

It is not fully clear to us why the merger between the Core and Italy North CCRs will only concern day-ahead methodologies. Additional details on this point would be welcome, including projections when a full merger of the two CCRs for both day-ahead and intraday – and even forward – related methodologies will be feasible. It will also be necessary to think about how to organise stakeholder engagement between day-ahead and intraday subjects in a two-speed CCR merger context.

solutions for coordination with Switzerland with the newly established CCR Central Europe. This will, among other, include the concept on how to handle a potential Swiss limiting elements towards a newly created CCR and vice-versa.

- To be evaluated and considered in the drafting of the CC methodology of the new Central Europe CCR.
- Based on the RfA TSOs acted accordingly. For the time being the DA process will be implemented in the new CCR and the other relevant processes (such as ROSC, ID...) shall follow. Due to the ongoing processes in the existing CCRs it was decided to follow a stepwise approach.

A new regional governance will be initiated for the development of the new Central Europe DA CC, which will be a major project with many challenges. As a consequence, all NRAs and TSOs will have to discuss reprioritisation of activities in the Core and Italy North CCRs, as well as across CCRs. It is essential that this project does not endanger progress on other ongoing implementation work at regional or European levels (i.e. ROSC, export corner, continuous explicit ID allocation at CH-IT border).

Hence, the timeline of the merger needs to be set according to the new projects prioritisation framework agreed between ACER, market participants, TSOs and NEMOs at the MESC meeting of 18 October 2023. We therefore request that the deadline currently proposed in the methodology amendment be replaced by a neutral placeholder referring to this process.

- Based on the RfA TSOs acted accordingly. For the time being the DA process will be implemented in the new CCR and the other relevant processes (such as ROSC, ID...) shall follow. Due to the ongoing processes in the existing CCRs it was decided to follow a stepwise approach.