

## ACER Decision on the Amendments of the determination of CCRs: Annex II

### **Evaluation of responses to the public consultation on the amendments of the proposal for amendment on the determination of capacity calculation regions**

#### **1 Introduction**

On 23 May 2018, all transmission system operators ('TSOs') submitted a new proposal for amendment to all regulatory authorities in order to add the new bidding zone border DK1-NL and its corresponding TSOs to the Hansa capacity calculation region ('CCR'), add the TSOs National Grid IFA2 Limited and Eleclink Limited to the FR-GB bidding zone border in the Channel CCR and add the TSO Amprion to the BE-DE/LU bidding zone border in the Core CCR. On 2 October 2018, the Agency received a letter from all regulatory authorities requesting the Agency to adopt a decision on this 'second proposal for amendment' in accordance with Article 9(11) of the CACM Regulation.

The regulatory authorities informed the Agency that they could not agree on the allocation of the new bidding zone border between the bidding zones of Denmark and the Netherlands (i.e. the DK1-NL bidding zone border). One regulatory authority had a strong preference to allocate this bidding zone border to the Core CCR instead of the proposed Hansa CCR. On 19 December 2018, the Agency received another request from all regulatory authorities to update, in the course of the decision on the second proposal for amendment, the GRIT CCR in order to account for the bidding zone review performed by the Italian regulatory authority.

In order to take an informed decision, the Agency launched a public consultation on 28 January 2019 inviting all interested parties to express their views on potential amendments of the second proposal for amendment. The closing date for comments was 17 February 2019.

More specifically, the public consultation invited stakeholders to comment on the following aspects of the amendments to the CCR determination:

- (i) the proposed reassessment of the optimal bidding zone border allocation in the Hansa, Baltic and Channel CCR;
- (ii) the inclusion of amendments regarding the outcome of the Italian bidding zone review; and
- (iii) any further comments on the proposed CCR determination amendments.

## **2 Responses**

By the end of the consultation period, the Agency received responses from 10 participants.

This evaluation paper summarises all received comments and responses to them. The table below is organised according to the consultation questions and provides the respective views from the respondents, as well as a response from the Agency clarifying the extent to which their comments were taken into account.

Respondents' views	ACER views
<p><b>Question 1: Please provide comments concerning the proposed reassessment of the optimal bidding zone border allocation in the Hansa, Baltic and Channel CCR. (Article 6).</b></p>	
<p>10 respondents provided an answer to this question.</p>	
<p>5 respondents shared their preference to place the DK1-NL bidding zone border together with the bidding zone borders DK1-DE/LU and DE/LU-NL in the Core CCR.</p> <p>3 of those respondents addressed the special state of the DK1-NL bidding zone border as it connects two bidding zones in a synchronous AC network. The integration of these borders in the Core CCR would optimise cross-border exchanges and the settings of the HVDC link consistently with the overall situation in the CCR.</p> <p>3 of those respondents state that the bidding zone borders DK1-NL, DK1-DE/LU and DE/LU-NL are linked very closely together and occurrences in one will lead to substantial influences on the others. Dealing with this optimisation in two CCRs would lead to more uncertainties, to higher reliability margins and therefore more unscheduled flows while a coordinated approach for capacity calculation and re-dispatch would result in welfare gains.</p> <p>1 of those respondents is criticising the concept of advanced hybrid coupling and is therefore of the opinion that the buffer regions in the current CCR determination are prone to either discriminate trades within these regions or in the neighbouring regions and should therefore be merged with neighbouring CCRs.</p>	<p>The Agency agrees with the expectation that the bidding zone borders DK1-DE/LU, DE/LU-NL and NL-DK1 will significantly impact each other and should therefore assigned to the same CCR. This is based on the fact that these three borders represent a sort of triangle where cross-zonal exchanges on the NL-DK1 border may automatically create physical flows over the DK1-DE/LU, DE/LU-NL borders as they are connected via AC interconnectors. As the DE-LU/NL bidding zone border cannot be outside the Core CCR, the Agency understands that the optimal solution would be to assign all three borders into the Core CCR.</p> <p>The general design of advanced hybrid coupling is not in the scope of this Decision but is shortly addressed in the last response to this question below. While the Agency does support gradual merger of CCRs in the future, it deems it important to allow TSOs to exploit all feasible measures to improve the functioning of the internal electricity market in the most efficient way while following the requirements of Regulation (EC) 714/2009 and the CACM Regulation. Therefore, the Agency does not deem it necessary to abandon the buffer regions in the current CCR determination.</p>

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<p>1 respondent did not state a preferred location for the DK1-NL bidding zone border but highlighted that it is important to have the bidding zone borders DK1-NL and DK1-DE always in the same CCR since they have a big influence on each other.</p>	
<p>1 respondent recommends that the DK1-NL bidding zone border is kept in the Hansa CCR on the ground that this new bidding zone border will interact with other Hansa CCR borders, which are also placed between the Nordic and Core CCR.</p>	<p>The Agency questions the reasoning that the DK1-NL bidding zone border should be kept in the Hansa CCR due to interaction with other Hansa CCR borders. The Hansa CCR is placed between the Core and Nordic CCR. The bidding zone borders between these CCRs, hence the Hansa CCR's bidding zone borders, should affect their neighbouring CCRs cross-border flows as little as possible. As stated in the previous response, the Agency expects a lower negative impact on neighbouring CCRs if the bidding zone border DK1-NL and the bidding zone borders DK1-DE/LU and DE-NL (AC interconnectors), which form a sort of triangle, would be assigned to the Core CCR. Furthermore, the Agency notes that the TSOs' proposal did not provide a sufficient reasoning on why the assignment of the DK1-NL bidding zone border in the Hansa CCR would have a less negative impact.</p>
<p>3 respondents mentioned that assigning these borders to the Core CCR would lead to compliance with Regulation (EC) no 714/2009. 2 of those respondents quoted point 1.7 from Annex 1 of the Regulation (EC) 714/2009 on conditions for access to the network for cross-border exchanges in electricity, while the third of those respondents quoted point 3.1 from Annex 1 of the Regulation (EC) 714/2009 on coordinated congestion management if the commercial exchange between two countries affects the physical flows in a third country.</p>	<p>The Agency agrees that significant amounts of unscheduled allocated flows on a bidding zone border are not compliant with Regulation (EC) 714/2009. As described above, the Agency finds it very likely that placing the discussed bidding zone in the Core CCR would lead to a reduction of these unscheduled allocated flows. Nevertheless, the reallocation, including a possible implementation timeline, needs to be assessed to avoid an interference with critical ongoing projects to improve the functioning of the internal electricity market.</p>
<p>2 respondents appreciate to have 12 months of experience gained and real FB data to assess the configuration of the bidding zones in the concerned region. 1 of these respondents further states that the proposed Article 6 only mentions the day-</p>	<p>As described in Recital (51) of this Decision, the Agency does not agree that the proposed assessment requires 12 months of experience of day ahead flow based capacity calculation in the Core and Nordic CCRs. In the Agency's view, the assessment should be of qualitative nature and aim to analyse possible solutions to</p>

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<p>ahead timeframe and stresses that at the time of the proposed assessment the implementation of the intraday capacity calculation methodology ('CCM') will be running. The assessment should therefore be triggered after the intraday CCM implementation (i.e. 12 months after the implementation of intraday CCM)</p> <p>1 respondent believes that before restructuring CCRs, regional projects like day-ahead and intraday CCM including advanced hybrid coupling needs to be fully implemented. The 12 months deadline will not provide sufficient historic data for a valid analysis. The respondent further states that the implementation of advanced hybrid coupling (i.e. target model for Hansa borders) in the Core CCR is not expected before two years after the Core CCM implementation but should be reflected in the analysis.</p>	<p>avoid unscheduled allocated flows (i.e. advanced hybrid coupling or reallocation of borders). Additionally, the assessment should come up with an implementation timeline for the possible reallocation of bidding zone borders, taking into account the ongoing implementation processes. Therefore, the proposed assessment will take into account the mentioned methodologies and their implementation but does not require a quantitative data input from this constantly changing environment.</p> <p>In order to plan for these changes and to mitigate their impact on regional implementation projects and initiatives, the timing of these changes needs to be known well in advance. Furthermore, if the assessment shows that some solutions, such as advanced hybrid coupling, require specific amendments to the CACM Regulation, such a conclusion is also needed as soon as reasonably possible to be able to plan for the necessary amendments to the CACM Regulation.</p>
<p>1 respondent is of the opinion that unscheduled allocated flows caused by adjacent CCRs are not negligible and require to be solved urgently. Critical network elements in the Netherlands face a high risk of being pre-congested due to non-coordination of capacity calculation between the CCRs. This already causes a discriminatory prioritisation of the unscheduled allocated flows resulting from import flows from Norway and export flows to UK. Such unscheduled allocated flows will even increase after the go-live of the new DK1-NL and BE-UK transmission lines.</p>	<p>The Agency acknowledges the issue of unscheduled allocated flows caused by adjacent CCRs but does not have the underlying data on current unscheduled allocated flows on the respective bidding zone borders to judge on the urgency of this issue. The Agency deems it important that the urgency of this issue is assessed while keeping prioritised implementation projects in mind. Therefore, this Decision includes a provision of assessing the issue, possible solutions and their implementation within 18 months after its adaption.</p>

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<p>3 respondents oppose the proposed provision of having the DK1-NL and DK1-DE/LU bidding zone in the Core CCR as default rule. This contradicts the requirement of having an objective analysis. 1 respondent further states that it would be more logical to maintain the status quo until the analysis leads to an opposite result. One of those respondents hopes to receive clear justification of this default provision if it is kept.</p>	<p>The Agency does not share the opinion that this provision contradicts the outcome of the assessment. The qualitative assessment should neutrally assess the possible solutions for the bidding zone borders in the relevant area. As this assessment is only of qualitative nature and does not require data from operation, the default rule does not influence the assessment but presents the most likely favourable CCR determination, as justified in the first response to this question above and in Recital (43) of this Decision.</p>
<p>1 respondent is missing sufficient detail and a precise scope concerning the proposed analysis and cannot conclude if the analysis shall be qualitative or quantitative. The respondent is in strong favour of a quantitative approach and deems it important to define the exact scope of such an analysis. The respondent further stresses that not only the CACM topics should be taken into account but also SOGL and FCA issues based on the CCRs.</p>	<p>The Agency deems it sufficiently clear that its current Decision is aiming for a qualitative assessment. Given the constantly changing environment of the electricity market (CCM implementation, redispatching and countertrading methodology implementation, advanced hybrid coupling, eventually new interconnectors) a quantitative assessment would neither lead to sufficiently precise results now nor in the near future. As the discussed issue of unscheduled allocated flows is already occurring, the Agency deems it important to investigate the possible solutions rather soon while taking into account all the relevant regulations and methodologies when looking into possible implementation timelines.</p>
<p>1 respondent mentions that the Channel and Baltic CCRs has not been an open issue from the side of TSOs or NRAs and should therefore not be opened by the Agency</p>	<p>The Agency agrees that the inclusion of other CCRs was not discussed when the proposal was referred to the Agency. Nevertheless, while discussing the cause of the referral of this Decision to the Agency (i.e. unscheduled allocated flows), it became evident that this issue does not only exist for the DK1-NL bidding zone border but is a much wider problem. Therefore, the Agency deems it necessary to widen the scope of the assessment as explained in Recital (49) of this Decision.</p>

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<p>2 respondents are of the opinion that the approved Hansa CCM does not give priority access to flows on the Hansa interconnectors. On the contrary, there is a clear risk that internal congestions will be shifted to the Hansa borders as the Hansa capacities will be set at the lowest value as calculated by the advanced hybrid coupling of the Core and Nordic CCMs. 1 respondent further elaborates that the limitation of Hansa interconnectors due to congestions in the Core and Nordic region is not acceptable and goes against Regulation 714/2009.</p>	<p>The Hansa CCM is out of the scope of this decision. However, the Agency wants to clarify that the current discrimination due to unscheduled allocated flows occur because the possible solutions (i.e. optimal reallocating bidding zone borders or implementing advanced hybrid coupling) are not in place yet.</p> <p>The Agency does not see a discrimination caused by the application of the concept of advanced hybrid coupling. Instead of pre-occupying capacities on critical network elements on the bidding zone borders of adjacent CCRs, the application of advanced hybrid coupling should provide a market-based solution for equal treatment of flows resulting from the exchange between bidding zones within the CCR and flows from adjacent CCRs on the relevant critical network elements on bidding zone borders. This may result in a reduction of capacities of the Hansa CCR. However, this reduction would not be caused by discrimination of Hansa bidding zone borders but by the equal treatment of cross-border flows throughout different CCRs.</p> <p>The issue of internal congestions in a bidding zone pre-occupying capacities on cross-border critical network elements are not in the scope and cannot be addressed by the CCR determination. Such priority access of flows on cross-border critical network elements, caused by internal constraints to (i.e. loop flows), are equally discriminatory as a priority access of unscheduled allocated flows caused by flows from adjacent CCRs. A reduction of cross border capacities due to internal congestions in combination with applying advanced hybrid coupling would mean that cross-border flows from both CCRs are equally discriminated against the prioritised flows caused by the internal congestion.</p> <p>Following the above described issue, the Agency concludes that solving the problem of unscheduled allocated flows by the application of advanced hybrid coupling or the reallocating bidding zone borders will not solve but partially divide the issue of discrimination through internal congestions among the linked bidding zone borders. Nevertheless, both issues need to be addressed but can only be addressed separately.</p>
<p><b>Question 2: Please provide comments on the inclusion of amendments regarding the outcome of the Italian bidding zone review (Article 4).</b></p>	

Respondents' views	ACER views
3 respondents provided an answer to this question and agreed to the proposed process to include the amendments regarding the outcome of the Italian bidding zone review.	The Agency agrees.
<b>Question 3: Please provide any further comments on the proposed CCR determination amendments.</b>	
3 respondents provided further comments on the proposed CCR determination amendments.	
1 respondent notes that the proposed methodologies, in the Hansa, Baltic and Channel CCRs, follow different approaches, e.g. the Channel CCM is fundamentally different from the Hansa CCM. Instead of having a common approach, the CCMs rather continue existing practices, hindering the market integration driven by common European network codes.	The Agency agrees with the target of harmonising the CCMs, yet this issue is outside the scope of this decision. However, according to Article 21(4) of the CACM Regulation, all TSOs shall use a harmonised capacity calculation methodology for flow-based and the coordinated net transmission capacity approach by 31 December 2020. While the Agency recognises that this might be difficult to achieve given the current implementation status of CCMs, it deems it important to keep this requirement of harmonisation in mind as the target model for the near future.
<p>1 respondent expressed concerns that the inclusion of a request for amendment in a decision by the Agency is not compliant with the CACM Regulation and provides the following argumentation:</p> <p>According to Article 9(13) of the CACM Regulation, only NRAs and the responsible parties for developing a proposal (i.e. TSOs) are allowed to request an amendment of already approved terms and conditions or methodologies. Only the TSOs may and shall make the proposals for amendments of the CCR determination. Hence, the Agency does not have the right to oblige TSOs to amend the already approved CCR determination.</p> <p>Additionally, NRAs are responsible for the enforcement of terms and conditions or methodologies (TCMs). For this reason,</p>	<p>Article 9(13) of the CACM Regulation does indeed not explicitly refer to the Agency as being entitled to request an amendment. However, this is not relevant in the present case.</p> <p>In the Agency's view, the assignment of the DK1-NL bidding zone border to the Hansa CCR is currently reasonable in order to avoid negative effects on the ongoing implementation projects in other CCRs. Thus, the reason for assigning this bidding zone border to the Hansa CCR depends on the progress of those implementation projects and the negative effects on them. To the extent that those factors change with the completion of the implementation projects, this has also an impact on the reason for the current assignment. Consequently, the approval of the proposed assignment of the DK1-NL bidding zone border to the Hansa CCR has to take this conditionality into account, and can only be granted subject to the requirement of a reassessment of the determination of CCRs in order to confirm that the current assignment is still justified or, otherwise, to amend the determination of CCRs accordingly. To that end,</p>

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<p>the NRAs gain practical experience in the field of application and enforcement of the approved TCMs under the CACM Regulation. Consequently, NRAs may be in a better position to assess the need for an amendment.</p> <p>The Agency's competence to decide on the amendment of the CCR determination does not include the initiation of a future amendment of the approved TCMs, as done in Article on "Accommodating future developments" of the consulted decision draft.</p> <p>However, the Agency may oblige TSOs to analyse the most efficient allocation of the Hansa CCR bidding zone borders, as the implementation of the Core CCM might be a game changer in the near future.</p> <p>Therefore, we propose the following legally sound wording of Article 6:</p> <p>(1) ... all TSOs shall submit a document analysing the most efficient allocation of the Hansa, Channel and Baltic CCR bidding zone borders to all NRAs in order to allow all NRAs to decide upon whether or not they demand a proposal for amendment of the CCRs in accordance with Article 9(13) of the CACM Regulation.</p>	<p>the Agency followed the respondents' suggestion and made the assignment of the DK1-NL bidding zone border to the Hansa CCR subject to an analysis of the optimal determination of CCRs with regard to Hansa and Channel CCRs within 18 months after the entry into force of the present Decision.</p>
<p>1 respondent reminds that Baltic Cable AB is a (uncertified) TSO that is in the middle of the Hansa region, but has not been allowed to participate in the preparation of proposals for the different methodologies. Hence, recognition as part of the Hansa region and future direct involvement would be appreciated.</p>	<p>Baltic Cable AB will be assigned to the Hansa CCR (or any other appropriate CCR) once they meet the conditions to be certified as a TSO. Until that point, it is not possible formally to include it in the framework of the CCR determination. An informal involvement in the processes in the Hansa CCR is up to the listed Hansa CCR's TSOs.</p>

### 3 List of respondents

Organisation	Type
Bundesnetzagentur	NRA
Core TSOs	Transmission System Operators of the Core Region
EDF SA	Energy company
EFET - European Federation of Energy Traders	Association
Energie-Nederland	Energy company
Market Parties Platform (MPP)	Association
Nord Pool AS /European Market Coupling Operator AS	NEMO
Baltic Cable AB	TSO (not certified)
Authority for Consumers & Markets (ACM)	NRA
ENTSO-E	European Network of Transmission System Operators