

**REQUEST FOR AMENDMENT BY THE SOUTH-WEST
EUROPE REGULATORY AUTHORITIES AGREED AT
THE SOUTH-WEST EUROPE ENERGY REGULATORS'
REGIONAL FORUM**

ON

**South West Europe TSOs proposal of common
capacity calculation methodology for the day-ahead
and intraday market timeframe in accordance with
Article 21 of
Commission Regulation (EU) 2015/1222 of 24 July
2015 establishing a guideline on capacity allocation
and congestion management**

13 July 2018

I. Introduction and legal context

This document elaborates an agreement of the South-west Europe (SWE) Regulatory Authorities on the SWE TSOs proposal of common capacity calculation methodology for the day-ahead and intraday market timeframe in accordance with Article 21 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management

This agreement of the SWE Regulatory Authorities shall provide evidence that a decision does not need at this stage to be adopted by the Agency for Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of the Regulation 2015/1222. This agreement is intended to constitute the basis on which SWE Regulatory Authorities will request an amendment to the SWE Common Capacity Calculation methodology (CCCM) proposal pursuant to Article 9(12) of Regulation 2015/1222.

The Commission Regulation (EU) 2015/1222 aims to the coordination and harmonisation of capacity calculation and allocation in the day-ahead and intraday cross-border markets. This regulation requests a coordinated capacity calculation methodology, at least at regional level, for the day-ahead and intraday market timeframes, to ensure an optimal and reliable capacity available to the market.

Article 20 of CACM Regulation requires that no later than 10 months after the approval of the proposal of for a capacity calculation region (Article 15(1)), all TSOs in each capacity calculation region shall submit a proposal for a common coordinated capacity calculation methodology.

The above mentioned article, also requires a flow-based capacity calculation methodology in each capacity calculation region, unless the regional TSO are able to demonstrate that the application of flow-based approach would not yet be more efficient compared to the coordinated net transmission capacity approach assuming the same level of operational security in the region.

According to Article 21 of CACM Regulation, the CCCM should define methodologies for the inputs, calculation approach and validation requirements, intraday capacity calculation frequency, giving reasons for the chosen frequency, and fallback procedures.

Methodologies for the inputs will comprehend determination of reliability margins, operational security limits on critical elements, relevant contingencies, and allocation constraints that may be applied, determination of generation shift keys and determination of remedial actions that can be considered to allow for the optimal value of capacity. These inputs calculations should be harmonized between CCR the most possible.

Capacity calculation approach should include a mathematical description of the calculation; rules for determining power flows on critical elements taking into account previously allocated cross-zonal capacity and adjustment after remedial actions, and for net transfer capacity approach: calculation of available margins in critical network elements, and rules for sharing power flow capabilities among different bidding zone borders. In addition, rules to avoid discrimination between internal and cross-zonal exchanges. Harmonization of the calculation process is required by December 2020, to that end all TSOs shall submit to all regulatory authorities a proposal for a transition towards a CCCM harmonization, 12 months after two capacity calculation regions have implemented CCCM.

Detailed request for all these methodologies are included in Articles 22 to 27 of CACM Regulation.

In line with Article 20 of the CACM Regulation, all SWE TSOs launched a public consultation from June 15th to July 20th of 2017 on their proposal for a common capacity calculation methodology for the day-ahead and intraday market timeframe.

The CCCM proposal developed by the SWE TSOs, dated on 15 September 2017, was received by the last SWE NRA on the 15 September 2017.

This first proposal was subject to a request for amendment on 14 March 2018 by the SWE NRAs according to Article 9(10) of the Regulation 2015/1222.

An amended version was submitted to NRAs on 16 May 2018, and is now subject of a second request for amendment.

II. The SWE TSOs' Proposal

The SWE TSOs proposal package dated May 2018 contains three documents:

- a) The "All SWE TSOs' proposal of common capacity calculation methodology for the day-ahead and intraday market timeframe" in accordance with Article 21 of Commission Regulation (EU) 2015/1222 of 24 July establishing a guideline on capacity allocation and congestion management, for consultation.
The CCCM proposal elaborates the methodologies required by article 21 of Regulation (EU) 2015/1222
- b) An explanatory note on common capacity calculation methodology for the day-ahead and intraday market timeframe, for information. The explanatory note incorporates further and more in-depth explanations of the calculation methodologies.
- c) A study that justifies why a Coordinated NTC methodology for the SWE CCR may provide the same efficiency than a flow base approach. The study aims to demonstrate the lack of influence of the two borders, by two ways:
 - In eight scenarios, it shows that elements that limit the capacity in one border is not influenced by the exchanges on the other border
 - The shape of the flow base domain is near to be rectangular, which means that both borders have no mutual dependency.

III. SWE Regulatory Authorities' position

It is the view of all Regulatory Authorities that the amended proposal of common capacity calculation methodology for the day-ahead and intraday market has been improved broadly in several aspects requested by the regulatory authorities: interaction between CCRs, calculation of reliability margins, limiting parameters, selection process of critical network elements (CNE), frequency of the revision of the CNE list and remedial action list, criteria for selection of costly remedial actions, methodology for the validation process, clarifications on common grid model to be used, a more detailed description of the remedial action optimization process to be used for capacity calculation, frequency of the intraday capacity recalculations, rationale behind interim values for reliability margins and a more elaborated implementation plan.

The SWE Regulatory Authorities consider that some specific parts may be object of a further improvement, and therefore request SWE TSOs to amend the proposal pursuant Article 9(12) of the Regulation 2015/1222. The details of the request for amendment are explained in this section.

1. On the study for assessing a lower percentile of RM after one year of data and three month to compute these data (Art 6.6)

According to the submitted methodology, a study will be provided to the relevant regulatory authorities after one year of data and three month to compute these data.

SWE NRAs consider that TSOs should explicit that the deadline for the submission of this study is Q4 2019. In particular, it should be specified the deadline is after one year of the external parallel run and real time operations, extended by three additional months for computing the data.

2. On the study for assessing a higher sensitivity threshold for selecting the list of critical network elements (Art 7.9)

The methodology submitted disposes that TSOs should monitor critical network elements (CNE) with a sensitivity to cross-zonal power exchanges higher than 5%. And provides in its article 7.9 that after one year of data and three months to compute these data SWE TSOs will submit a study assessing whether a higher sensitivity threshold could be taken in to account

SWE NRAs consider that TSOs should explicit that the deadline for the submission of this study is Q4 2019. In particular it should be specified the deadline is after one year of the external parallel run and real time operations, extended by three additional months for computing the data.

3. On the definition of the generation shift keys to be used by REE and REN (Art 8)

Points 3 and 4 of article 8 of the proposed methodology defines a merit order list for REE and REN with some differences between both areas. While the GSK defined for REN do include loads allowed to participate in balancing areas, the GSK for REE doesn't. On the other way around, the GSK defined for REE includes all available generation, while the GSK defined for REN seems to exclude generation not enabled to participate in balancing markets.

SWE NRAs are of the opinion that GSKs should reflect all generation units and not only the ones able to participate to balancing markets. SWE NRAs therefore ask TSOs to put the following definitions for GSKs applied by REE and REN:

“3. REE shall define generation and load shift keys based on a merit order list, reflecting the best forecast of market behavior for each market time unit with all available loads that are enable to participate in balancing markets and all available generation”

“4. REN shall define generation and load shift keys based on a merit order list, reflecting the best forecast of market behavior for each market time unit with all available loads that are enable to participate in balancing markets and all available generation”

4. On the methodology to identify costly remedial actions to be taken into account in the capacity calculation process (Article 9)

Point 11 of Article 9, allows for a revision and improvement of the methodology defined in article 9 to identify costly remedial actions. For sake of clarity, it should be mention that such revision could only be done through an official request for a change of the capacity calculation methodology as defined in article 9(13) of regulation (EU) 2015/1222, which entails a submission of the new proposal to the SWE NRAs.

Additionally, point 10.b should be also reviewed or reworded in order to make it clearer. SWE NRAs indeed find the sentence “if the benefit is higher than the cost” unclear as it could refer to the whole approach of including costly remedial actions within the capacity calculation. SWE NRAs understand and request instead that this sentence refers clearly to the specific units whose inclusion in the CC -and subsequent commitment if made necessary- will bring benefits in terms of global welfare surpassing their commitment costs.

5. On the cross-zonal capacity validation methodology (Article 10)

TSOs mention in paragraph 5 that a “significant forecast change” could be a reason to reduce the capacity at the validation step. SWE NRAs underline that forecast changes are covered by the reliability margin up to the selected level of confidence. SWE NRAs do not understand why forecasts would change between the start of the capacity calculation and its end at a level that would justify a reduction during the validation step. SWE NRAs ask TSOs to consider removing this reason for the reduction of the capacity or to justify its need. Such justification should for example precise how TSOs weight the opportunity to use this reason of a significant forecast change against the value of the reliability margin.

SWE NRAs remind SWE TSOs that any reduction of the cross-border capacity shall only be performed in last resort, in case there is a threat to system operational security. Other situations should be dealt with in real time using remedial actions.

Finally, SWE NRAs expect that the quarterly report on the reductions of capacity will clearly display the statistics of capacities offered to the market, the reductions, the limiting elements and the cause of limitation (flow, voltage, voltage phase angle, etc.).

6. On the description of the intraday capacity calculation methodology (Article 12)

Article 12 dealing with intraday capacity calculation should incorporate the same level of detail as provided in Article 11 about day-ahead capacity calculation. In particular equivalent points to 11.8, 11.13 and 11.14 are missing.

7. On the implementation timelines established in article 14 for implementing the RM methodology.

SWE NRAs ask SWE TSOs to suppress paragraph 4 of Article 14: “The deadlines defined in Article 14.2, Article 14.3, can be modified on request from all TSOs of SWE Region to all NRAs of SWE Region, where testing period does not meet necessary conditions for implementation”.

This paragraph is not needed and can be misleading with regards to the compliance of such modification with the procedures foreseen by CACM.

8. On the implementation timelines for the transitory period established in article 15.

SWE NRAs ask SWE TSOs to suppress the sentence “The deadlines defined in Article 15.2, Article 15.3, can be modified on request from all TSOs of SWE Region to all NRAs of SWE Region, where testing period does not meet necessary conditions for implementation” from paragraph 4 of article 15. This sentence is not needed and can be misleading with regards to the compliance of such modification with the procedures foreseen by CACM.

Additionally it seems like point 15(1)(e) should be removed as it is not valid anymore.

Finally, as the first intraday capacity calculation is foreseen to be implemented rather late in the future (S2 2020 without the RM methodology and S1 2021 with the RM methodology), SWE NRAs ask SWE TSOs to consider to implement an intermediary solution where TSOs would provide the ID market with a capacity that exceeds the leftovers from the DA market. Such extra capacity would be provided when TSOs deem it feasible taking into account the market and forecast developments. Such provisions should not lead to delays of the project and TSOs should instead assess if they can take advantage of existing developments (or minor rearrangements of these developments) to achieve it.

IV. Actions / conclusion

Based on the above rationale, SWE Regulatory Authorities agree to request an amendment to the SWE CCCM Proposal