

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

ON

**South West Europe TSO's proposals for the
methodology for Coordinated Redispatching and
Countertrading and for Redispatching and
Countertrading Cost Sharing in accordance with
Articles 35(1) and 74(1) of Commission Regulation
(EU) 2015/1222 of 24 July 2015 establishing a
guideline on capacity allocation and congestion
management**

September 2018

I. Introduction and legal context

Articles 35 and 74 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereinafter referred to as “CACM Regulation”) requires that no later than 16 months after the approval of the proposal of for capacity calculation regions (Article 15(1)), i.e. by March 2018, all TSOs in each capacity calculation region shall submit a proposal for the methodology for Coordinated Redispatching and Countertrading (hereinafter referred to as “RDCT methodology”) and for Redispatching and Countertrading Cost Sharing (hereinafter referred to as “Cost Sharing Proposal”).

Article 35 of CACM regulation, requires that RDCT methodology includes actions of cross-border relevance to allow TSOs in each capacity calculation region to effectively relieve congestions. To that end, each TSO may redispatch any available generation unit or load through appropriate mechanisms applicable in its control area. These mechanisms will be object of a future harmonization process. By January 2019 a report assessing this possibility will be issued by each TSO of each region.

Generation and loads shall provide to their relevant TSOs with the information required for calculating the costs for redispatching and countertrading, and final prices can be based on incurred costs or in relevant markets.

On the other hand, Article 74 of CACM regulation requires TSOs to develop a cost sharing methodology for redispatching and countertrading actions of cross-border relevance. Determining which costs using remedial actions, and more specifically redispatching and countertrading, are eligible for sharing between TSOs in each capacity calculation region, and how this costs will be shared, ensuring a fair cost distribution, incentivizing efficiency and allowing for an ex-post monitoring of the actual need and costs. This article also asks for a harmonization of the cost sharing methodologies between the different capacity calculation regions by December 2018.

In line with Article 20 of the CACM Regulation, South-west Europe (SWE) TSOs launched a public consultation from 24 January to 25 February 2018, on their proposals for RDCT methodology and Cost Sharing.

The RDCT methodology and Cost Sharing proposals developed by the SWE TSOs, were received by the last SWE Regularity Authority on the 16 March 2018, respecting the above mentioned deadline of 17 March 2018.

This document elaborates an agreement of the SWE Regulatory Authorities on the SWE TSOs proposal for RDCT methodology and for Cost Sharing Proposal, in accordance with Article 35(1) and 74(1) of CACM Regulation. This agreement of the SWE Regulatory Authorities provides 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 CACM Regulation.

This agreement is intended to constitute the basis on which SWE Regulatory Authorities will request an amendment to the RDCT methodology and Cost Sharing proposal pursuant

to Article 9(10) of Regulation 2015/1222.

II. The SWE TSOs' Proposal

The SWE TSOs proposal package dated March 2018 contains four documents:

- a) The proposal for the methodology for Coordinated Redispatching and Countertrading ("RDCT methodology") in accordance with Article 35 of CACM regulation
- b) An explanatory note on the RDCT methodology which incorporates further and more in-depth explanations.
- c) The proposal for Redispatching and Countertrading Cost Sharing ("Cost Sharing Proposal") in accordance with Article 74 of CACM regulation
- d) An explanatory note on the Cost Sharing Proposal

III. SWE Regulatory Authorities' position

After a thorough analysis of the submitted methodologies, SWE Regulatory Authorities have identified several points where some changes or further improvement are required.

Therefore SWE Regulatory Authorities 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.

The details of the request for amendments is explained in the following section.

1. On the scope of the methodology and amendment of this proposal: Art 1 and Art 16 of RDCT methodology and Art 1 of Cost Sharing Proposal

As stated in both methodologies, the submitted proposal is focused only on the Coordinated Countertrading process.

The explanatory note bases this decision on the fact that coordinated redispatching has never been performed within SWE region, while coordinated countertrading is already available and is also a more flexible and efficient action. NRAs still have doubts on how efficiency can be ensured if only countertrading actions are performed by TSOs.

The level of commitment provided by article 16(2) for the future inclusion of coordinated redispatching methodology seems too low. This only refers to the possibility of amendment that CACM regulation already provides. In this respect, SWE NRAs ask SWE

TSOs to delete all the provisions of the Article 16, which is not necessary and redundant with the provisions of the Article 9(12) of CACM Regulation.

SWE NRAs, expect that, at least, the methodology commits for a deadline to provide a study to incorporate the coordinated redispatching.

2. On the definition, roles and coordination of Requesting TSO, Assisting TSO and RSC: Art 2(2), Art 9(8), Art 12(2) of RDCT methodology

The definition of Requesting TSO needs to be more elaborated. According to the definition given in Art 2(2)(b), Requesting TSO refers to the TSO initiating the countertrading process. On the other hand, Art 12(2) links Requesting TSO to the one who detects the congestion in its own grid model, which could be understood as the TSO whose control area includes the congested critical network element.

It seems that the definition of assisting TSO needs also to be improved, as Requesting TSO also would fit the conditions requested to be assisting TSO.

The Art 9(8) also mentions the RSC Coordination deadline, which appears to be determinant in the launch of the Fast activation process, as described in Art 12. SWE NRAs ask SWE TSOs to define the RSC Coordination deadline in this methodology, in order to have a full picture of the timeline that shall be respected by all parties from the identification to the activation of the countertrading action.

3. On the coordinated countertrading operational procedures: Art 3(2), Art 6(5), Art 7(3), Art 10(3) and Art 10(7) of RDCT methodology

SWE NRAs understand that the procedural details may be included in a separate document or in an annex to this methodology, but TSOs should clearly describe, preferably within the methodology, the high-level content of the elements they intend to include in these procedures.

These include resources and their prices, markets or mechanisms to be used for countertrading actions, interaction with other resources or the possibility of using RR platform following Art 29.3 of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (EBGL).

4. On the coordination and roles between RSC and each TSO: Art 4, Art 8 and Art 9 of RDCT methodology

Art 4(1) seems to state that coordination through the RSC is not the general rule (*“in this RDCT Methodology Proposal, this coordination when relevant is reinforced [...]”*), while SWE NRAs consider this should be the general way to proceed. As SWE TSOs explained in the explanatory note, the RSC is the better placed to perform the security analysis and optimize the costly and non-costly remedial actions in accordance with Commission

Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereinafter referred to as “SO Regulation”).

Furthermore, TSOs should clarify in the RDCT methodology the roles and responsibilities of RSC at each step of RDCT process described in Art 4(2):

- Timing for RSC to perform security analysis and to propose remedial actions
- Remedial actions that RSC can propose
- Alternatives after one TSO rejects the remedial actions proposed by RSC
- Clarification on the need for RSC verification when a TSO detects a congestion that was not detected by the RSC
- Consequences of a TSO proposing a remedial action that was not considered by the RSC

SWE NRAs would also like clarifications on the procedures to be applied in case:

- A countertrading action has proved to have a negative impact on other CCRs. Article 9(5) and 9(6) explain that the TSOs impacted from SWE countertrading actions shall be informed and that their feedbacks shall be collected. Does it mean that they can reject the countertrading action from SWE CCR?

- The remedial actions from other CCRs have a negative impact on SWE CCRs. Article 4(4) says that the SWE RSC shall assess the impact of the countertrading action on other CCR: does it mean that the SWE RSC can reject any countertrading of other CCRs having a negative impact on SWE region?

Finally, concerning the coordination provisions in Art 8(4), it is also not clear the criteria for selecting the Requesting TSO when the RSC is the one detecting the congestion

5. On the timeframes for countertrading: Art 5 of RDCT methodology

Art 5(1) states that countertrading can be activated after the detection of a physical congestion (in a critical network element) and after publication of available volumes as specified in Article 7. It seems this should be reworded to state ‘after the publication of volumes and prices as specified in Article 6 and 7’.

6. On the volumes and price information exchange: Art 6 and Art 7 of RDCT methodology

It is not clear how relevant is the data shared between TSOs and the RSC on volumes and prices. For example Art 6(3) consider the shared volume as not binding, while point 5(2) of the explanatory note states that quantities in the GSK will be considered binding for TSOs until they update them.

The Methodology should be a little bit more elaborated about how estimated prices are

assessed. According to the explanatory note, they will be made available in advanced by generation unit and loads.

TSOs should provide more information about:

- actual firmness deadlines for prices and volumes (for instance, Art 6(1) states “*each of the participating TSOs shall inform [...], in each direction after the publication of the results [...]*”: when is the volume published concretely? “After” is quite a vague notion),
- The notion of “imbalancing costs”, mentioned in Article 7(2)
- rules for selecting RDCT actions,
- tools for evaluating the accuracy of the estimations.

7. On the activation process: Art 10 of RDCT methodology

This article should better define the timing for the activation as treated in point 3 of explanatory note, where time for activation is defined between 60 minutes to 15 minutes before real time.

SWE TSOs should clarify the purpose of Art 10(5) about netting between CT volumes and scheduled exchange programs. Additionally they should also indicate timing for this matching.

SWE NRAs wonder why the cancellation or reduction processes considered in point 5(5) of the explanatory note are not treated in the official methodology.

SWE NRAs also ask SWE TSOs to be more precise with the terminologies they use, for a sake of consistency with other methodologies. For instance, “grid models” in Art 10(4) shall be replaced by “individual grid models”.

8. On the cost calculation: Art 11 of RDCT methodology and Art 4 and Art 7 of Cost Sharing methodology

According to Art 11(1) of RDCT methodology and Art 4 of Cost Sharing proposal, incurred costs shall be taken into account, including balancing costs where relevant. SWE Regulatory Authorities consider that TSOs must provide a further explanation of this provision, in particular, how they expect to include these balancing costs and what does the “imbalancing” costs as mentioned in the Art 5 of the Cost Sharing methodology concretely refer to.

It is also unclear if only the upward/downward energy will be considered when evaluating the total costs, or if other fixed cost components will be included.

TSOs should also explain what kind of costs will be considered and which ones will be included in the socialization principle provided in Art 7 of Cost Sharing methodology.

In line with point 5.3 of the explanatory note, the total cost of the countertrading will be

determined whether by the weighted average price of the activated offers or by the imbalance cost. SWE NRAs wonder if this latter imbalance cost could be indeed a positive income for the downward action in the ‘importing’ bidding zone.

9. On the fast activation process: Art 12 of RDCT methodology and Art 4 of Cost Sharing methodology

SWE NRAs would like to have the confirmation that the Art 4 of the cost sharing proposal on “real time operation” refers to the “fast activation process” defined in the Art 12 of the RDCT methodology. Should this be the case, an alignment of the wording would be beneficial for the overall comprehension of both proposals.

SWE NRAs wonder if the socialization principle is appropriate in cases when all coordinated (CGM-based) security analysis performed by the RSC and TSOs have found nothing, but in real time operation, a TSO finds a congestion (Art 4). Some explanations are expected from SWE NRAs on the reasons to consider why costs after a partial coordination should be socialized the same way as the one resulting from a full coordination process.

In addition, SWE NRAs wonder what is the purpose of the information provided by the requesting TSO to the RSC after the fast activation process, required in Art 12(5)

10. On the cost sharing arrangements of Art 8 of Cost Sharing Proposal

Art 8 of the cost sharing proposal establishes a 50%-50% sharing rule for the eligible costs for countertrading measures activated in both borders ES-PT and ES-FR. SWE NRAs still have concerns about the fact that this rule, which is intended to be applied in all cases, can provide the right incentive to treat the causes of the congestion: forecast accuracy, network investments, etc

TSOs base this decision of choosing the socialization principle on the difficulty in finding the exact cause for uncertainties in capacity calculation deriving from forecasting deviations. SWE NRAs would expect some additional elements to explain why the SWE TSOs disregarded other possible options for cost sharing, such as polluter-pay principle, the requester-pay principle or a combination of both principles.

SWE NRAs expect also some commitment from TSOs side for future improvements in this part of the methodology.

11. On the links between RDCT methodology and System Operations methodologies dealing with operational security analysis and coordination: Art 3(3) of RDCT methodology

Beyond all the changes requested so far, SWE NRAs also consider that RDCT and Cost Sharing proposals are tightly interlinked with and/or dependent upon other methodologies to be developed under SO Regulation, whose approvals are still pending. Notably, this is

the case for the methodology for coordinating operational security analysis, under article 75 of SO Regulation and the proposal for regional operational security coordination under Article 76 of SO Regulation.

SWE TSOs will have to make their best efforts to ensure consistency between SO methodologies (for operational security analysis and coordination) and RDCT methodology. Otherwise, further amendments will be needed to ensure that RDCT is adapted or complements properly to SO methodologies.

IV. Actions / conclusion

Based on the above rationale, SWE Regulatory Authorities agree to request an amendment to the SWE RDCT methodology and the Cost Sharing Proposal.