

ACER Decision on the HCZCA methodology: Annex II

ACER Decision on the methodology for the regional sizing of reserve: Annex II

ACER Decision on the methodology for the regional procurement of balancing capacity: Annex II

For information only

Evaluation of responses to the public consultation on the harmonised cross-zonal capacity allocation methodology, the methodology for the regional sizing of reserve and the methodology for the regional procurement of balancing capacity

1 Introduction

On 16 December 2022, all TSOs submitted to ACER the ‘All TSOs proposal to harmonise the methodology for the allocation processes of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves per timeframe in accordance with Article 38(3) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing’ (the ‘HCZCAM Proposal’).

On 17 March 2023, ENTSO-E submitted the ‘Proposal for the Regional Coordination Centres’ task ‘regional sizing of reserve capacity’ in accordance with Article 37(1)(j) of the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity’ (the ‘Sizing Proposal’) and the ‘Proposal for the Regional Coordination Centres’ task ‘regional procurement of balancing capacity’ in accordance with Article 37(1)(k) of the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity’ (the ‘Procurement Proposal’) to ACER for approval.

In order to take informed decisions, ACER launched a public consultation on 13 April 2023 inviting all interested stakeholders to provide comments on the three Proposals. The closing date of the public consultation was 15 May 2023.

ACER invited stakeholders to comment on the submitted proposals and ACER's views on specific parts of the proposals. ACER's questions under section 1 (e.g. Question 1.X) relate to the HCZCAM Proposal, questions under section 2 (e.g. Question 2.X) relate to the Sizing Proposal and questions under section 3 (e.g. Question 3.X) relate to the Procurement Proposal.

2 Responses and ACER's assessment of the responses

By the end of the consultation period, ACER received comments from 11 respondents.

This evaluation paper summarises all respondents' comments and provides ACER's view on those comments.

Respondents' views

ACER views

Question 1.1: Please provide your comments on the HCZCAM Proposal's provisions regarding the co-optimised allocation process.

11 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; IFIEC; NEMO Committee; RWE; Statkraft; Südvolt) provided an answer to this question.

8 respondents (CEZ; Edison; EnBW; ENGIE; Eurelectric; NEMO Committee; RWE; Statkraft) explicitly share their concerns about the impact of the co-optimised allocation process on the performance of the SDAC algorithm.

One respondent (NEMO Committee) highlights that the co-optimised allocation of cross zonal capacity would imply significant changes to the price coupling algorithm and the related SDAC processes and emphasises that the stability and efficiency of the SDAC operation and evolution should not be jeopardised.

6 respondents (CEZ; EFET; EnBW; ENGIE; Eurelectric; Statkraft) share their preference not to implement the co-optimised allocation process. More specifically:

- Two of these respondents (CEZ; Eurelectric) propose to delete the co-optimised allocation process in the HCZCAM Proposal.
- Two of these respondents (EFET; EnBW) understand that the HCZCAM is required by the EB Regulation but invites TSOs and NRAs to refrain from setting up balancing capacity cooperations, based on co-optimisation. The respondents further share their understanding that currently R&D resources are not available and propose to put the implementation of co-optimisation on hold for now.

One respondent (CEZ) states that further R&D work is needed before moving ahead with the implementation of the co-optimised allocation process.

Two respondents (ENTSO-E; NEMO Committee) share that the co-optimisation related requirements for the algorithm methodology should be updated following the pending R&D. The respondents further share their preference to involve market

ACER shares the concerns of respondents regarding the limitation in performance of the SDAC algorithm and agrees that the effective operation of SDAC should not be jeopardised. However, the co-optimised allocation process is required to be implemented in accordance with the EB Regulation and is expected to result in significant welfare gains. ACER is of the opinion that NEMOs are responsible to further work on improving the performance capabilities of the SDAC algorithm, ensure that all the legally required functions of the SDAC algorithm are implemented and consider an adequate timeline for the implementation of these legal requirements without jeopardising the effective operation of the SDAC algorithm.

ACER considers a deletion in the HCZCAM or a non-implementation of the co-optimised allocation process not compliant with Articles 38(3), 40(1) and 5(5) of the EB Regulation.

ACER agrees that NEMOs should conduct further R&D before implementing the co-optimised allocation process and invites NEMOs and TSOs to involve market participants for the relevant aspects of this work. ACER understands that the implementation of legally required provisions needs to be pursued and does therefore not agree with the NEMOs and

Respondents' views

participants in the R&D work and explain that no R&D resources are planned to be spent on co-optimisation before the end of 2025.

One respondent (NEMO Committee) disagrees with ACER's expectation that an updated set of requirements for the price coupling algorithm together with an implementation impact assessment would allow them to consider the co-optimisation process and a related implementation timeline in an amendment of the algorithm methodology.

Three respondents (EFET; ENGIE; IFIEC) generally share their opposition to cross-zonal capacity allocation processes for the exchange of balancing capacity or sharing of reserves.

- One of these respondents (EFET) shares its concern that any allocation or reservation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves limits the market participants' possibility to adjust their positions across borders in the most economically efficient manner (especially when it comes to the intraday market), and to contribute to the overall system balance.
- One of these respondents (IFIEC) further explains that cross-zonal capacity should be given to the markets as early as possible, starting in the forward markets and stresses that a cost-benefit analysis should be conducted.

One respondent (RWE) asks for a consideration of the negative impacts from increasing complexity for TSOs and market participants and remains critical vis-a-vis cross-zonal capacity allocation processes for the exchange of balancing capacity or sharing of reserves as long as this is not considered in a cost-benefit analysis.

One respondent (NEMO Committee) shares its concerns that allocation of cross-zonal capacity for balancing capacity may not result in a use of the allocated cross-zonal capacity which would therefore be inefficient.

One respondent (NEMO Committee) shares its support for the market-based allocation process to avoid negative impacts on the functioning of SDAC.

ACER views

TSOs' decision to put the R&D for the co-optimised allocation process on hold.

ACER understands that the co-optimised allocation process can only be implemented following the update of requirement for the price coupling algorithm and their subsequent consideration in the algorithm methodology. Considering the requirements in the co-optimised methodology and the HCZCAM and the process foreseen under Article 37 of the CACM Regulation, TSOs and NEMOs are therefore responsible that the co-optimised allocation process is properly addressed in the algorithm methodology. ACER is concerned that the TSOs' and NEMOs decision not to pursue R&D for co-optimisation may result in a failure by NEMOs to submit an adequate and complete algorithm amendment proposal as required by ACER's request for amendment submitted on 25/11/2022.

ACER would like to clarify that the cross-zonal allocation processes allocate the relevant cross-zonal capacity to the market where it is most beneficial, considering the information available at the time of allocation. Therefore, such allocation is by default beneficial and efficient. ACER trusts in market participants abilities to adapt to changing market elements and understands that expected benefits generated on a daily basis by cross-zonal capacity allocation processes will outweigh the costs for market participants to adapt to such process.

Since co-optimisation is not subject to inefficiencies due to inaccurate forecasts, co-optimisation is by default the more efficient solution. Especially with multilateral linking, co-optimisation is expected to deliver the most beneficial market

Respondents' views

One respondent (RWE) shares its concerns about currently unknown possibilities for BSPs to optimise their assets with bid linkages which may entail possibly significant organisational changes for market participants. The respondent further states that the efficiency of the co-optimisation process depends on the design of the linking options.

Two respondents (CEZ, Statkraft) state that co-optimisation with multilateral linking should be the long-term target once negative impacts (e.g. SDAC performance issues) are not an issue.

One respondent (EnBW) shares its view on the benefits of subsequent operation of balancing capacity market and day-ahead energy markets, since BSPs can consider the outcome of preceding markets for their bids.

Two respondents (CEZ; Eurelectric) share their objection to any prolongation of the time needed for calculation or results publication of the SDAC algorithm.

One respondent (Eurelectric) provides redaction comments in case the co-optimisation is kept in the text:

- Article 7.2.a: can you confirm that the “opposite direction” mentioned in the last sentence refers to BC bids and DAM bids being in opposite directions?
- Article 7.2.e: Delete the mention to the social welfare, which is not defined. The objective function is already detailed in article 11.

ACER views

outcome and adaptation of bids, as often applied in subsequent markets, would not be necessary. Therefore, ACER considers co-optimisation and multilateral linking as the target solution. Since ACER understands that the SDAC algorithm faces performance constraints, which may currently not allow to operate a co-optimised allocation process, ACER deems it important for TSOs and NEMOs to proceed with R&D activities for co-optimisation and SDAC performance improvements to allow for an implementation of the co-optimised allocation process within a reasonable timeline. Especially until the co-optimised allocation process is available, ACER invites TSOs to apply the market-based allocation process.

The SDAC algorithm calculation time and time for the publication of SDAC results is not in the scope of the HCZCAM.

With its revisions ACER deleted this provision.

With its revisions ACER deleted this provision.

Question 1.2.1: Do you agree with the intended revisions by ACER concerning the pricing principle?

10 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; IFIEC; Statkraft; Südvolt) provided an answer to this question.

8 respondents (CEZ; Edison; EFET; EnBW; ENGIE; Eurelectric; IFIEC; Statkraft) agree with ACER's intended revisions to delete the provisions allowing the pay-as-bid pricing principle.

Respondents' views	ACER views
Two respondents (ENTSO-E; Südvolt) disagree with ACER's intended revisions.	
Question 1.2.2: Please provide your comments concerning the pricing principle.	
8 respondents (Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; Statkraft; Südvolt) provided comments concerning the pricing principle.	
<p>6 respondents (Edison; EFET; EnBW; ENGIE; Eurelectric; Statkraft) further share their preference for the pay-as-cleared pricing principle and further provided the following additional comments:</p> <ul style="list-style-type: none"> - One respondent (Edison) shares its view that the application of a pay-as-cleared pricing mechanism is more efficient and facilitates price discovery; - One respondent (ENGIE) explicitly highlights that different pricing principles would not allow for equal treatment in accordance with Article 41(4) of the EB Regulation while another respondent (Eurelectric) highlights that an economic surplus calculation would be challenging with a pay-as-bid pricing principle (i.e. lack of visible BSP surplus). - Two respondents (EFET; EnBW) ask for generally applying the pay-as cleared pricing principle regardless of a participation in a cross-zonal capacity allocation process; - Two respondents (Eurelectric; Statkraft) call for a harmonised approach between the market-based and the co-optimised process; <p>Two respondents (ENTSO-E; Südvolt) advocate for keeping the option for the pay-as-bid market for the market-based allocation process and shared the following further comments:</p> <ul style="list-style-type: none"> - Two respondents (ENTSO-E; Südvolt) share concerns about the efficiency of the pay-as-cleared pricing principle in a market structure with limited competition and liquidity. One respondent (ENTSO-E) further explains that this 	<p>ACER shares these respondents' views regarding the benefits of marginal pricing (i.e. pay-as-cleared). ACER also agrees with the difficulties of calculating an economic surplus under a pay-as-bid pricing principle and the related impossibility to ensure equal treatment when using different pricing principles.</p> <p>While ACER generally agrees with the advantages of marginal pricing, the application of pay-as cleared for the procurement of balancing capacity where no cross-zonal capacity allocation process is used is not in the scope of the HCZCAM.</p> <p>ACER agrees that both processes are subject to the same requirement and should therefore be considered in a harmonised way.</p> <p>ACER does not share the view of these respondents and is of the opinion that markets with limited competition and liquidity are subject to inefficiencies regardless of the applied pricing principle. Further ACER does not share the view regarding the discrimination of smaller BSPs in a marginal pricing</p>

Respondents' views

may be the case with a limited number of TSOs in balancing capacity cooperations and could lead to inefficiencies through increased effects of market power and discrimination of smaller BSPs who do not have resources as big BSPs. The risk of such inefficiencies can be an obstacle to further integration of markets, which can also be observed based on the published accession roadmaps of TSOs joining the balancing energy platforms PICASSO and MARI with almost all TSOs postponing their accessions to the latest possible point in time.

- One respondent (Südvolt) explains that depending on, for example, meteorological circumstances, balancing capacity markets may be less liquid and could lead to high marginal prices and that marginal pricing (i.e. pay-as-cleared) would have a negative impact on social welfare in such illiquid situations. The respondent expects these situations to occur more often when

ACER views

environment. On the contrary, ACER considers that a market with marginal pricing is more attractive for smaller BSPs who do not have the resources to forecast prices and bid accordingly. According to the relative literature, small bidders are disadvantaged under pay-as-bid, since their profitability depends heavily also on successful forecasting.¹ There are large economies of scale in the efforts to gather the requisite information and make such forecasts on a continuing, hour-by-hour and day-by-day basis. The small firm would have to mount essentially the same kind of effort as a large one, at a much higher cost per unit of output. Since a market with marginal pricing would in any case remunerate also such smaller BSPs adequately, these markets with pay-as cleared are more attractive for smaller BSPs, which would consequently improve market liquidity and decrease market concentration. Furthermore, ACER understands that some TSOs' delay to access the European platforms for the exchange of balancing energy is linked to a number of different reasons – which are related also to technical issues – while the on-going analysis by the TSOs, regarding the functioning of the platforms, aims to address any issues related to the rules included in the implementation frameworks of the platforms.

As explained in the previous paragraph, ACER disagrees with the views that the problem of illiquid markets can be addressed with the pay-as-bid pricing principle and believes that a pay-

¹ <http://www.cramton.umd.edu/papers2000-2004/kahn-cramton-porter-tabors-uniform-or-pay-as-bid-pricing-ej.pdf>

Respondents' views

increasing the share of renewables. (*This respondent shared the same comments also in other questions. Since ACER understands that its input mainly relates to the topic of the pricing principle, in this document the comment is not repeated under other questions*)

- One respondent (ENTSO-E) claims that the equal treatment of cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves vs. cross-zonal capacity allocated for the exchange of energy can only be ensured if the assumptions underlying the efficiency of the pay-as-cleared principle are fulfilled in both markets.
- One respondent (ENTSO-E) states that due to indivisible (non-convex) costs and complex bidding structure in many capacity markets, eliminating other options than marginal pricing will give limited possibility to change and create an efficient market design, without changing the bidding structure.
- One respondent (ENTSO-E) states that there is no provision for pricing of balancing capacity in the EB Regulation.

ACER views

as cleared pricing principle would in the long term be better suited to improve the situation of insufficient liquidity.

ACER does not agree that equal treatment for the allocation of cross-zonal capacity depends on the liquidity of the underlying markets. However, equal treatment cannot be assured when using different pricing principles in the different underlying markets. Therefore, ACER understands that the pay-as-bid may not be used in cross-zonal capacity allocation processes. When TSOs start integrating balancing capacity markets by using these processes, market participants need to adapt to such a change if they want to offer balancing capacity.

While there is no such explicit pricing principle requirement in the EB Regulation, the requirement for equal treatment in accordance with Article 41(4) of the EB Regulation, does not allow for pay-as-bid in the market-based allocation process.

Question 1.2.3: Do you agree to the intended revisions by ACER concerning the 'inverted market-based' process?

9 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; Statkraft; Südvolt) provided an answer to this question.

8 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; Statkraft) agree with ACER's intended revisions to delete the provisions regarding the inverted market-based process.

One respondent (Südvolt) disagrees with ACER's intended revisions.

Question 1.2.4: Please provide your comments concerning the 'inverted market-based' process.

7 respondents (Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; Statkraft) provided comments concerning the inverted market-based process.

Respondents' views	ACER views
<p>7 respondents (Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; Statkraft) further shared their agreement to delete all provisions concerning the inverted market-based process. Some of these provide the following further comments:</p> <ul style="list-style-type: none"> - Four respondents (Edison; ENGIE; Eurelectric; Statnet) refer to their shared views concerning the co-optimised allocation process and one of these respondents (ENGIE) questions whether ACER's argument that 'there is currently no concrete intention to apply such process' also applies to the co-optimisation process. - One respondent (ENTSO-E) highlights that the parts concerning the inverted market-based approach are already very limited in the HCZCAM proposal and in the explanatory note to it. - One respondent (Eurelectric) does not see any advantages in having an inverted market-based allocation process and explains that such process may result in significant costs from applying risk premiums. 	<p>ACER agrees and revised the HCZCAM Proposal accordingly.</p> <p>ACER understands that there is more concrete interest to apply the co-optimised allocation process in Nordic CCR, once available. Anyhow, the main difference of the validity of the argument of no intended application is the optional nature of market-based allocation process compared to the requirement for the co-optimised allocation process in accordance with Article 38(3), 40(1) and 41(1) of the EB Regulation.</p> <p>ACER agrees.</p> <p>ACER shares the respondents view on the limited expected benefits of such a process.</p>

Question 1.2.5: Do you agree to the intended revisions by ACER concerning provisions on limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves?

<p>10 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; RWE; Statkraft; Südvolt) provided an answer to this question.</p> <p>9 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; RWE; Statkraft) agree with ACER's intended revisions concerning provisions on limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.</p> <p>One respondent (Südvolt) disagrees with ACER's intended revisions.</p>	
---	--

Question 1.2.6: Please provide your comments concerning provisions on limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.

Respondents' views	ACER views
<p>10 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; IFIEC; RWE; Statkraft) provided comments concerning provisions on limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.</p>	
<p>6 respondents (CEZ; EFET; EnBW; ENGIE; Eurelectric; Statkraft) explicitly state that any adjustment of the limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves should be subject to regulatory approval.</p> <p>Two respondents (EFET; EnBW) propose to define a strict upper limit of 10% for the market-based approach.</p> <p>One respondent (RWE) welcomes the application of such limit and advocates for introducing a strict upper limit.</p> <p>One respondent (ENTSO-E) explains that, in accordance with Article 41(2) of the EB Regulation, other limits than the 10% can be applied.</p> <p>One respondent (ENTSO-E) stresses that there are cases where there is a justified need for higher regional volume limitations.</p> <p>Three respondents (CEZ; ENGIE; Eurelectric) are not in favour of the possibility to raise the limit from 10 to 20% and further explain that such situation is expected to occur in stressed system circumstances when the cross-zonal capacity is especially important for the SDAC.</p> <p>Three respondents (CEZ; ENGIE; Eurelectric) share that the limit should only be increased in case of unsatisfied TSO demand.</p>	<p>ACER agrees and revised the HCZCAM Proposal accordingly.</p> <p>ACER would like to clarify that, in accordance with the second sub-paragraph of Article 41(2) of the EB Regulation, a limit higher than the default of 10% is allowed for the proposed market-based allocation process. However, ACER understands that Article 41(2) of the EB Regulation should be read in connection with Article 39(6) of the EB Regulation, which requires that an increase of the default limit is subject to a review of the efficiency of the forecast. ACER agrees that there may be cases with a justified need for higher regional volume limitations. Therefore, ACER revised the HCZCAM Proposal to have the default limit for the market-based allocation process in accordance with Article 41(2) of the EB Regulation while allowing for other maximum volume limits if these are justified and approved in a proposal pursuant to Article 38(1) of the EB Regulation. ACER understands that especially in times of stressed system circumstances it is important for TSOs to procure balancing capacity to ensure operational security. While ACER understands that insufficient balancing capacity bids would endanger security of supply and such situation with insufficient bids would therefore by default not lead to a case of insufficient forecast accuracy in accordance with Article 39(6) of the EB</p>

Respondents' views	ACER views
<p>Four respondents (CEZ; EFET; ENGIE; Eurelectric) propose to activate fallback procedures before increasing a maximum limit to address unsatisfied TSO demand.</p>	<p>Regulation, an efficient forecast may also allow a higher limit in other cases.</p> <p>Considering the limited time available for operating a cross-zonal capacity allocation process, ACER is of the opinion that it would be difficult to foresee the time needed for a full process of fallback procedures during the cross-zonal capacity allocation process. Therefore, ACER did not follow the proposal of respondents to apply fallback procedures before increasing a maximum limit.</p>
<p>One respondent (Edison) states that lowering the maximum volume limit could represent an effective way to reduce the negative impacts on the day ahead markets caused by the relevant forecast error which may affect the market-based methodology.</p> <p>Two respondents (EFET; EnBW) highlight that in addition to the consideration of the current forecast error in the CZCA methodology to temporarily restrict the capacity allocation in case of poor forecasting accuracy, a general limit should be in place to safeguard cross-border trading of day-ahead energy.</p> <p>One respondent (Edison) believes that establishing harmonized rules to define the maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves is an important step in strengthening the robustness of the methodology HCZCA.</p>	<p>ACER agrees that the maximum limit should be considered for limiting the negative impact from inefficient forecasts and understands that this is also following the spirit of the requirement pursuant to Article 39(6) of the EB Regulation. As described in Recital (80) of the Decision, ACER considers such limit of special importance in the absence of a harmonised forecast error consideration.</p> <p>While ACER agrees to apply harmonised principles for defining a maximum limit, as mentioned above, ACER also sees the need to address regional specificities which may require different maximum volume limits.</p>
<p>Two respondents (CEZ; IFIEC) share that they are generally not in favour of allocating any cross-zonal capacity to the exchange of balancing capacity or sharing of reserves. A similar position was also shared by other respondents (EFET; ENGIE) in their response to Q1.1 and is in some cases repeated by respondents under other questions but not separately addressed under the questions hereafter.</p>	<p>ACER expects significant welfare gains from allocating cross-zonal capacity to the exchange of balancing capacity or sharing of reserves and does therefore not share the preference of these respondents.</p>

Question 1.2.7: Do you agree to the concerns shared by ACER concerning forecasting and the forecast error consideration?

Respondents' views	ACER views
<p>9 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; Statkraft; Südvolt) provided an answer to this question.</p> <p>8 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; Statkraft) share ACER's concerns related to forecasting and the forecast error consideration.</p> <p>1 respondent (Südvolt) does not share ACER's concerns.</p>	
<p>Question 1.2.8: Please provide your comments concerning the process for forecasting the market value of cross-zonal capacity for the exchange of energy.</p>	
<p>9 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; IFIEC; Statkraft) provided comments concerning the process for forecasting the market value of cross-zonal capacity for the exchange of energy.</p>	
<p>Three respondents (EFET; EnBW; ENGIE) state that the forecasting methodology is insufficiently detailed and are concerned that this key part of the market-based allocation process is undeveloped.</p> <p>One respondent (Statkraft) supports the need to further assess the forecast efficiency of the proposed method and improve and harmonise the forecast error consideration.</p> <p>Two respondents (ENGIE; Eurelectric) consider it unclear how the cross-zonal capacity allocation optimisation function could allocate cross-zonal capacity without having a flow-based process.</p> <p>One respondent (Eurelectric) considers the frequency of the application of the forecast unclear. It is implied in Article 17(1) of the HCZCAM Proposal that the forecast process runs every day, but it should be explicitly required.</p> <p>5 respondents (CEZ; Edison; ENGIE; Eurelectric; Statkraft) propose to include the details of the forecasting methodology in the HCZCAM. Four of these respondents (CEZ; ENGIE; Eurelectric; Statkraft) further state that development of a forecast</p>	<p>ACER agrees that Article 17 of the HCZCAM Proposal does not describe the process for determining the forecasted market value of cross-zonal capacity for the exchange of energy in a sufficiently clear manner and that further assessments of the possible forecast efficiency is needed. Hence, ACER revised the HCZCAM Proposal to improve the clarity in this regard and required an assessment of the expected forecast efficiency.</p> <p>ACER would like to clarify that, both the market-based and the co-optimised allocation process should allocate flow-based cross-zonal capacity based on flow-based parameters. This was also clarified with ACER's revisions. Since the forecasted market value of cross-zonal capacity for the exchange of energy is determined during the daily market-based allocation process it can only be done on a daily basis.</p> <p>As mentioned above, ACER improved the description of the forecasting process. When doing so, ACER also differentiates more clearly between the determination of forecasted market</p>

Respondents' views	ACER views
<p>methodology should be subject to a market consultation, if not directly included in the HCZCAM.</p>	
<p>One respondent (Eurelectric) proposes to consider price indices that are available on forward markets for the relevant delivery period.</p>	<p>value of cross-zonal capacity for the exchange of energy and determination of forecasted day-ahead energy bids, which is a required input for the determination of forecasted market value of cross-zonal capacity for the exchange of energy. While the determination of forecasted market value of cross-zonal capacity for the exchange of energy is defined in the HCZCAM, the details on how to forecast day-ahead energy bids is subject to the individual balancing capacity platform. This provides each balancing capacity platform the possibility to define the most efficient method for forecasting day-ahead energy bids for the relevant region. With its revisions, ACER added a requirement for the publication of this method. ACER did not add any further external procedural requirement for defining or improving such method to allow for efficient developments of the method to achieve a more accurate forecast.</p>
<p>One respondent (Eurelectric) states that any simplistic approach, e.g., considering that “the same day in the previous week/month/year” is a relevant reference, should be excluded.</p> <p>One respondent (Eurelectric) states that thorough statistical analysis based on historical data should be performed to identify the explanatory variables which best account for the observed price differentials. Besides, TSOs should find a way to include in their forecast price impacting features that can hardly be captured in historical data, such as grid element or production unit outages.</p>	<p>ACER understands that such approach in accordance with Article 39(5)(b) of the EB Regulation may not allow market participants to easily reproduce the forecast.</p>
<p>Two respondents (EFET; ENGIE) state that market participants should be able to assess and reproduce the forecast.</p> <p>One respondent (ENGIE) considers the forecasting of the SDAC outcome as challenging and are concerned that forecast inaccuracies may especially occur in exceptional and tense market situations when cross-zonal capacity is especially valuable for SDAC. This poses a risk of adverse impact on the SDAC. Therefore, the respondent proposes to apply, especially at the beginning, a cautionary approach to the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.</p> <p>Two respondents (EFET; EnBW) state that inefficient forecasts should not lead to market restrictions.</p> <p>One respondent (ENTSO-E) states that with the currently limited experience with forecasting, a final assessment of forecasting and impact of forecast errors is not possible and foresees forecasting improvements and harmonisation after gaining</p>	<p>ACER shares the concerns related to the lack of experience and assessment of the forecast efficiency and the negative impacts of inefficient forecasts. Considering this, ACER revised the HCZCAM Proposal as described in Recitals (79) and (80) of the HCZCAM Decision. More specifically, ACER foresees that a proposal for the harmonised forecast error consideration should be submitted after gaining operation experience and that an assessment of the expected forecast efficiency should be submitted together with a proposal for application pursuant to Article 38(1) of the EB Regulation. Such application proposal should also include an accordingly</p>

Respondents' views	ACER views
<p>operational experience. The respondent further states that also potential welfare gains should be taken into account in further considerations.</p>	<p>adequate limit for the maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves to protect the SDAC against inefficient forecast. ACER also agrees that also the potential welfare gains should be considered when restricting the market-based allocation process with such maximum volume limit.</p>
<p>Two respondents (EFET; ENGIE) state that NEMOs could provide insight on the forecasting process and NEMOs' expertise could be used to improve forecasts and assess (systematic) forecast errors.</p>	<p>ACER invites the relevant TSOs and entity which will be responsible for the forecast to liaise with NEMOs if these can provide insights, which could help improving the forecast accuracy.</p>
<p>One respondent (Eurelectric) shares concerns related to provisions for the governance of the forecasting process in the market-based approach.</p>	<p>ACER shares the respondent's concerns related to the governance of the market-based allocation process and revised the HCZCAM Proposal by requiring an amendment proposal of the HCZCAM to add the missing provisions on governance.</p>
<p>Question 1.2.9: Please provide your comments concerning forecast error or forecast error consideration for the market-based allocation process.</p>	
<p>9 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; IFIEC; Statkraft) provided comments concerning forecast error or forecast error consideration for the market-based allocation process.</p>	
<p>Four respondents (Edison; EFET; EnBW; ENTSO-E) address the need for adequate measurement of the forecast error when applying the market-based allocation process.</p>	<p>ACER agrees and revised the HCZCAM Proposal accordingly.</p>
<p>5 respondents (CEZ; EFET; EnBW; Eurelectric; Statkraft) share interest in a mark-up approach for the forecast error consideration. These respondents provide the following further comments:</p> <ul style="list-style-type: none"> - Two respondents (EFET; EnBW) share a preference for the mark-up approach in case of extreme price differences between the balancing capacity and day-ahead energy markets. 	<p>ACER agrees with the respondents' views regarding the benefits of a mark-up approach and also agrees that such approach may require a more complex consideration</p>

Respondents' views	ACER views
<ul style="list-style-type: none"> - One respondents (Eurelectric) states that a mark-up approach seems more appropriate, even though it will require some expertise to calculate an adequate mark-up. - Two respondents (Eurelectric; Statkraft) state that the mark-up approach should be further studied by TSOs. - One respondent (Eurelectric) questions the frequency of the forecast error calculation. - Two respondents (CEZ; Eurelectric) consider the HCZCAM Proposal and the possible concepts for a forecast error consideration as not sufficiently clear and can therefore not provide a further and clear position regarding this topic. <p>One respondent (Eurelectric) questions whether Article 17(8) of the HCZCAM Proposal suggests that the cross-zonal procurement of balancing capacity could start without the application TSOs and the relevant RCCs having agreed on something as straightforward and crucial as the forecast validation process. In the opinion of the respondent, an agreement between application TSOs and each RCC is a prerequisite of the methodology application.</p>	<p>compared to an approach which limits the maximum volume of cross-zonal capacity.</p> <p>ACER agrees that the relevant approaches should be further studied by TSOs and added such requirement with its revisions to the HCZCAM proposal.</p> <p>As clarified with ACER's revisions to the HCZCAM Proposal, the forecast error should be calculated on a daily basis.</p> <p>ACER agrees that these parts of the HCZCAM Proposal are not sufficiently clear and therefore revised the HCZCAM Proposal accordingly. While the forecast error determination is specified, the forecast error consideration should be specified after an assessment by TSOs and included in the HCZCAM following an amendment proposal by TSOs.</p> <p>ACER agrees that the market-based allocation process can only be operational once all relevant functions under a balancing capacity platform are ready. This includes any relevant agreements between TSOs and RCCs.</p>
Question 1.3: Please provide any other comments related to specific provisions of the HCZCAM Proposal.	
10 respondents (CEZ; Edison; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; IFIEC; NEMO Committee; Südvolt) provided further comments concerning specific provisions of the HCZCAM Proposal.	
Three respondents (CEZ; ENGIE; Eurelectric) shared concerns regarding the deadlines to inform market participants. More specifically, the respondents consider it too short to have a 3 month deadline for notifying market participants before the application of a cross-zonal capacity allocation process and a 3 month deadline for having a publication of an approved application proposal before an application. They also consider it too short	ACER would like to clarify that the deadlines proposed by TSOs are in accordance with the requirements of Article 12(3)(j) and (k) of the EB Regulation and the requirement of Article 150 of the SO Regulation and even provide stricter publication requirements than foreseen by these Regulations.

Respondents' views

to have a 1 month deadline for publishing the description of the requirements of any algorithm developed and amendments to it referred to in Article 58 of the EB Regulation. To allow market participants to correctly assess and anticipate such changes, market participants should ideally be informed 12 months in advance, and at a minimum 6 months.

Three respondents (CEZ; ENGIE; Eurelectric) state that the publication of information covered by Article 24(3) of the HCZCAM Proposal should not be allowed a maximum deadline of one week. Such information should be disseminated at the latest 24 hours after the use of the allocated cross-zonal capacity.

Three respondents (CEZ; ENGIE; Eurelectric) shared concerns regarding the concept of substitution of reserves. More specifically, these respondents see a contradiction between the requirement which does not allow TSOs to put a price on their demand and the definition of the 'TSO BC volume sensitive demand' in the HCZCAM Proposal. It is not clear to these respondents how a TSO can express its volume sensitive demand in order to perform cost minimisation without pricing its demand. These respondents further share that they do not agree with the TSOs pricing of their balancing capacity demand and propose to delete any provisions which would allow this.

Two respondents (CEZ; Eurelectric) state that the term 'multilateral linking', as used in Article 4(14) of the HCZCAM Proposal should be defined. It is relevant to guarantee the types of links which will be available for BSPs. Moreover, it would be beneficial, if the objective is indeed to reflect the technical constraints of the BSPs, to also allow linking between bids of a same product but in opposite directions (upward and downward bids) for the same MTU and for the same quality product but between consecutive MTUs.

Two respondents (CEZ; Eurelectric) claim that BSPs need more than one hour between the notification of their accepted balancing capacity bids and the gate closure time of the SDAC (need to re-run the dispatch of their assets to reflect the balancing capacity commitment). A period of at least two hours will be needed – as is the usual case today.

ACER views

ACER does consider it neither necessary nor efficient to have even stricter deadlines, which would extend the minimum possible implementation deadline for an application proposal pursuant to Article 38(1) of the EB Regulation and possibly reduce the efficiency of the developments of relevant processes.

ACER understands that this provision fulfils the requirement pursuant to Article 12(3)(i) of the EB Regulation but understands this information should usually be provided much earlier as the provision requires the publication of information 'without undue delay'.

While ACER understands that the substitution of reserves has a price component, ACER understands this process rather as a process of linking the TSO demand for standard balancing capacity products. ACER deleted the 'TSO BC volume sensitive demand' definition and further clarified the possibilities for a sensitivity of the TSO demand with its revisions to the HCZCA Proposal.

With its revisions ACER deleted the undefined term, which is not necessary considering the general description of the requirement. The HCZCAM does not forbid linking between bids of the same product, which may be offered by TSOs.

While ACER invites TSOs to provide as much time as possible to BSPs between the notification of their accepted balancing capacity bids and the gate closure time of the SDAC, ACER understands that, considering the timing of other linked processes (e.g. capacity calculation), the time available for the market-based allocation process is limited and may not allow

Respondents' views

One respondent (Edison) shares its preference for the market-based allocation process, since it allows for full visibility of the amount of cross-zonal capacity, which would be available for the day-ahead energy market and its sequential setup is better reflecting the current market design in several member states.

Two respondents (EFET; EnBW) strongly recommend to maintain the possibility of sequential bidding in balancing capacity markets, which allows BRPs and BSPs to re-optimize their bids for subsequent auctions.

Two respondents (ENGIE; Eurelectric) are concerned about not having a volume limitation with LFC Blocks as defined under Article 16(1)(b) of the HCZCAM Proposal and ask to delete this provision.

One respondent (ENGIE) notes that Article 2(2)(c) and Article 7(2)(i) of the HCZCAM Proposal state that the cross-zonal capacity allocation optimisation function (CZCAOF) determines the price and volumes of the balancing capacity procurement and that TSOs shall procure ‘without any discrepancies to the outputs of the CZCAOF’. In this light, it is not clear to the respondent what the objective of the Capacity Procurement Function (CPF) is (i.e. Is there still some room for discretionary actions by the TSO for deviation between the outcome of the CZCAOF and the selection of the balancing capacity bids, or does the CPF simply transmit the results of the CZCAOF to the (selected) BSPs – and is thus rather a local communication platform?)

One respondent (Eurelectric) notes that the step of the designation of the entities responsible for the operation of a balancing capacity platform and the related forecast process is missing from Article 25 of the HCZCAM Proposal.

ACER views

such two hours deadline. Therefore, ACER did not follow these respondents' proposal.

Since the co-optimised allocation process is following transparent rules for the allocation of the available cross-zonal capacity, ACER is not sharing the respondents concern regarding transparency. ACER considers the co-optimised allocation, where cross-zonal capacity is allocated without efficiency losses through possible forecast inaccuracies, as the most efficient approach regardless of the current market-design in some member states. Especially with sufficient linking possibilities, ACER considers subsequent markets as not necessary.

As described under Recital (65) of the HCZCAM Decision ACER shares this concern and revised the HCZCAM Proposal accordingly.

ACER would like to clarify that the CPF needs to respect the results of the CZCAOF and therefore shares the respondents understanding that the CPF would mainly be a platform to notify BSPs about their selected bids.

ACER agrees with the respondents' view on missing governance provisions. With its revisions ACER requires the TSOs to complement the HCZCAM with the missing provisions on the governance of the market-based allocation process.

Respondents' views	ACER views
<p>One respondent (Eurelectric) states that the information under Article 24(1) of the HCZCAM Proposal should be published on the transparency ENTSO-E website to centralise all data in one place.</p>	<p>ACER agrees and added the relevant provision with its revisions to the HCZCAM Proposal.</p>
<p>One respondent (Eurelectric) questions what are the foreseen situations of deviations addressed under Articles 7(2)(m) and 13(4) of the HCZCAM Proposal where allocated cross-zonal capacity is not needed.</p>	<p>ACER shares the respondents' concerns and sees these provisions in contradiction with the requirements of Article 7(2)(i) of the HCZCAM Proposal and therefore deleted these provisions with its revisions.</p>
<p>One respondent (Eurelectric) claims that Article 4(11) of the HCZCAM Proposal is difficult to understand.</p>	<p>The provision Article 4(11) of the HCZCAM Proposal allows for netting of cross-zonal capacity, since TSOs usually do not activate positive and negative FRR at the same time. ACER revised this provision.</p>
<p>One respondent (Eurelectric) questions why the delay of 15 minutes is required in Article 7(1)(c) of the HCZCAM Proposal for the publication of balancing capacity market results with the co-optimised allocation process is not also considered for the market-based allocation process under Article 13(1)(b) and (c) of the HCZCAM Proposal.</p>	<p>ACER understands the deadline for the co-optimised allocation process relates to the SDAC results while there is no other results in case of the market-based allocation process.</p>
<p>One respondent (Eurelectric) questions why Article 13(2)(e)(vi) of the HCZCAM Proposal allows TSOs to discriminate exchanges between TSOs.</p>	<p>ACER shares the respondents' concern and revised the HCZCAM Proposal as mentioned in Recital (64) of the HCZCAM Decision.</p>
<p>One respondent (Eurelectric) provided input for improving the structure and wording of Article 14 of the HCZCAM Proposal.</p>	<p>ACER revised the HCZCAM Proposal accordingly.</p>
<p>One respondent (Eurelectric) claims that situations with a 'volume shortage', as addressed under Article 18(4)(b) of the HCZCAM Proposal is too vague and should be further defined.</p>	<p>ACER understands that a volume shortage in such situation can only refer to a situation of insufficient BSP bids for covering a TSO demand.</p>
<p>One respondent (Eurelectric) notes that the provision under Article 22(3) of the HCZCAM Proposal is not justified in the explanatory document and the redaction is unclear and therefore questions its purpose.</p>	<p>ACER would like to clarify that this provision addresses situations of missing money in the TSOs' remuneration of LTTRs.</p>
<p>One respondent (Eurelectric) highlights the contradiction between Article 13(2)(d) and Article 15(1)(a) of the HCZCAM Proposal.</p>	<p>ACER agrees and revised the HCZCAM Proposal accordingly.</p>
<p>One respondent (NEMO Committee) shared its full support of the all TSOs response and repeats the input of ENTSO-E to question 1.1.</p>	<p>ACER acknowledges this support and considered this in its summary of the responses to question 1.1 above.</p>

Respondents' views	ACER views
<p>One respondent (ENTSO-E) highlights its support for having the market-based allocation process in the HCZCAM and explains the related benefits.</p> <p>One respondent (ENTSO-E) states that the requirement of developing the market-based CZCAOF software should remain with all application TSOs and the operation of the CZCAOF should remain with all application TSOs of a balancing platform.</p> <p>One respondent (ENTSO-E) addresses the role of the RCC in the HCZCAM where the RCC should validate the forecast, determine the forecast error and may provide non-binding recommendations for improvement of the forecast process. The respondent clarifies that the legal requirement on RCC tasks does not go beyond facilitation/support of the procurement of balancing capacity and that the RCCs' role for market-based allocation sufficiently meets this legally required RCC facilitation/support.</p>	<p>ACER agrees that an application of the market-based allocation process could result in significant welfare benefits and invites TSOs to enter into such applications.</p> <p>ACER foresees these responsibilities in its HCZCAM Decision.</p> <p>ACER understands the proposed role of the RCC. While the legal requirements do not clearly specify the scope of the RCCs' role in facilitating the regional procurement of balancing capacity, as described in Recitals (103) to (105) of the HCZCAM Decision, ACER is of the opinion that a more extensive role of the RCC in the market-based allocation process would likely result in efficiency gains and should therefore be considered.</p>
Question 2.1: Please provide your comments related to the determination of minimum reserve capacity at SOR level.	
<p>6 respondents (EFET; EnBW; ENGIE; Eurelectric; IFIEC; Statkraft) provided comments concerning the determination of minimum reserve capacity at SOR level.</p>	
<p>Two respondents (EFET; EnBW) welcome the RCC's safe-guarding role when monitoring the required reserve capacity at SOR level to identify an insufficient total volume, but consider that the opposite indication of too much reserve capacity at the SOR level, however, contradicts each individual TSO's responsibility, and therefore propose to delete Article 6(b) of the Sizing Proposal.</p>	<p>ACER considers that the individual TSO's responsibility is not endangered by the RCC task described in Article 6 of the Sizing Proposal and ACER's revisions to it, since the RCC issues only a recommendation and does not force the outcome of the calculation to the dimensioning each TSO has to perform.</p>
<p>Three respondents (ENGIE; Eurelectric; Statkraft) suggest that when TSOs choose to deviate from the RCC recommendation, not only the other TSOs of the SOR should be informed, but also the NRAs of the SOR. Given the potential impact on system security, strict and correct oversight of TSO actions and decisions by NRAs should be possible.</p>	<p>ACER agrees that the actions of one TSO should be known to the NRAs of the SOR, however it considers that this is fulfilled through the reporting obligations under Article 46 of the Electricity Regulation, where justification for not following the RCC recommendation is also foreseen.</p>

Respondents' views

One respondent (IFIEC Europe) considers it not clear from the Sizing Proposal and the Procurement Proposal how the automatic access to neighbouring flexibility is taken into account in order to avoid unduly and unnecessarily increasing the overall system costs. The respondent considers it also unclear how the two proposals relate to each other: while the Sizing Proposal refers to bilateral reserve sharing agreements, the Procurement Proposal refers to the assessment of the availability of non-contracted bids, i.e. bids that are not submitted by the BSP to fulfil a balancing capacity obligation. As contracted and non-contracted bids will be equally accessible via the balancing platforms, IFIEC sees no reason why they should not be considered in the same way by the RCCs. According to IFIEC, the existence of reserve sharing agreements seems irrelevant in the context of the European platforms for the exchange of balancing energy and should not be a prerequisite for a TSO to consider in its dimensioning bids in excess of other TSOs' demand regardless of the fact they are contracted or not, and this to avoid an undue and unnecessary increase of the overall system costs.

ACER views

Informing NRAs of the whole SOR during the operation would not bring significant benefits, since regulatory decisions are not taken with such short-term notice.

ACER agrees that the aim of these methodologies and the facilitation of regional tasks through RCCs is to improve the efficiency of the processes, and take the most out of the integration of the balancing markets, reducing the costs for the procured services. ACER also understands that the TSOs still individually hold the responsibility of assessing the dimensioning needs at LFC block level, and procuring the respective balancing capacity, and therefore need to decide whether they want to rely on sharing of reserves to decrease their dimension needs. While sharing agreements are required by the SO Regulation, the more we move to an integrated European balancing context the more the opportunities for TSOs to rely on bids available through the European balancing platforms, without the practical need of explicit agreements. Acknowledging the respondent's view, to address the potential barrier of sharing agreements to assess of the potential of sharing of reserves via balancing capacity platforms, ACER recommends all TSOs on balancing energy platforms to enter into sharing agreements at least as control capability providing TSOs in Recital (49) of the Procurement Decision. Regarding the relation between the two methodologies and the different consideration between non-contracted and contracted platform bids, ACER would like to clarify that while interdependencies between the Sizing and the Procurement Proposal exist, the assessment of non-contracted platform bids is a different assessment than the one for the dimension needs in the SOR. However, this does

Respondents' views	ACER views
	not mean that non-contracted platform bids and contracted platform bids cannot be equally relevant for the sharing of reserves.
Question 2.2: Please provide your comments related to the short-term assessment of availability of sharing amounts.	
7 respondents (CEZ; EFET; EnBW; ENGIE; Eurelectric; IFIEC; Statkraft) provided comments concerning the short-term assessment of availability of sharing amounts.	
<p>6 respondents (CEZ; EFET; EnBW; ENGIE; Eurelectric; Statkraft) note that the actual methodology to assess the availability of sufficient reserve capacity or cross-zonal capacity is missing, and suggest that further elaboration of how such an assessment will be performed should be part of the proposal.</p> <ul style="list-style-type: none"> - 5 respondents (EFET; EnBW; ENGIE; Eurelectric; Statkraft) also note the link of the methodology with the available cross-zonal capacity resulting from the day-ahead capacity calculation, which would have to be replaced in the future by the available cross-zonal capacity from closer to real-time calculations. - Two respondents (Eurelectric; Statkraft) believe that a link between the Sizing Proposal and the Procurement Proposal should be made. - One respondent (Eurelectric) notes the unclarity of Article 5(6) of the Sizing Proposal regarding the TSOs with multiple sharing agreements. 	ACER agrees that there is room for further clarifying aspects of the Sizing Proposal, however, it also understands that there is no previous experience in performing this task, and that, first, effort should be put on implementing the Sizing Proposal, and then to further improve and harmonise certain aspects of it. Therefore, ACER introduced in Article 6 of the Sizing Proposal further requirements on monitoring the performance and the accuracy of the implemented methodology, and in Article 7 of the Sizing Proposal a clear timeline for the re-evaluation of the methodology and the proposal of improvements to it. This includes (but is not limited to) improvements related to the assessment of the available cross-zonal capacity, the cases of TSOs with multiple sharing agreements, as well as the potential interaction with other methodologies.
Question 2.3: Please provide any other comments related to specific provisions of the Sizing Proposal.	
8 respondents (CEZ; EFET; EnBW; ENGIE; ENTSO-E; Eurelectric; IFIEC; Südvolt) provided further comments concerning specific provisions of the Sizing Proposal.	

Respondents' views	ACER views
<p>Two respondents (CEZ; Eurelectric) urge the TSOs to take into account existing implementation projects (not only regarding balancing, but also more general market integration) when designing specific timeline. Ongoing projects should have a clear priority, and the aim should be not to overburden market participants with several workstreams running in parallel.</p>	<p>ACER agrees that the implementation timeline should take into account the on-going developments and be assessed in the context of the overall project prioritisation. Therefore, the three years proposed are considered adequate for the implementation of the revised Sizing Proposal.</p>
<p>Two respondents (EFET; EnBW) note that the sharing of reserves between TSOs is contradicting each individual TSO's LFC block responsibility, and state that the SOR dimensioning cannot be performed irrespective of the SOR size.</p>	<p>ACER agrees that the SOR size should be taken into account in assessing the minimum amount of reserves at SO level, and this is why there are different cases for the calculation of the sizing incident, depending on the SOR structure. However, ACER does not consider that the sharing of reserves between TSOs is contradicting each individual TSO's LFC block responsibility, since it is up to each TSO to conclude a sharing agreement.</p>
<p>Two respondents (ENGIE; Eurelectric) suggest that it should not be optional to nominate one RCC for coordination purposes in case a TSO is active in one or more SORs with more than one RCC. Such coordination is crucial to correctly perform the functions of this methodology and exactly the added value of the RCC involvement. The 'may nominate' should therefore be replaced by 'shall nominate'.</p>	<p>ACER agrees with the comment and has amended the Sizing Proposal accordingly.</p>
<p>One respondent (Eurelectric) notes that the proposed subtasks of the Sizing Proposal do not duly take into account point 7 of Annex I of Regulation (EU) 2019/943: "The determination of the amount of balancing capacity shall (...) take into account possible substitutions between different types of reserve capacity with the aim to minimise the costs of procurement".</p>	<p>As explained in Recital (38) of the Sizing Decision, Article 5 of the Sizing Proposal describes the process for the short-term assessment of the availability of the sharing amounts, allowing the TSOs to rely on sharing of reserves, thus supporting them in concluding sharing agreements. Through these agreements, the TSOs with expensive local reserve capacity are able to substitute these with cheaper reserve capacity available cross-border, minimising their costs related to the procurement of</p>

Respondents' views	ACER views
	<p>balancing capacity. Hence, possible substitutions between different types of reserve capacity with the aim to minimise the costs of procurement are taken into account implicitly in Article 5 of the Sizing Proposal.</p>
<p>Question 3.1: Please provide your comments related to the assessment of non-contracted platform bids.</p>	
<p>7 respondents (CEZ; EFET; EnBW; ENGIE; Eurelectric; IFIEC; Statkraft) provided comments concerning the assessment of non-contracted platform bids.</p>	
<p>5 respondents (CEZ; EFET; EnBW; Eurelectric; Statkraft) strongly discourage the consideration of non-contracted platform bids for the fulfilment of a TSO's required reserve capacity from the dimensioning process. Four of these respondents (CEZ; EFET; EnBW; Eurelectric) consider that relying on the potential availability of non-contracted platform bids is not compatible with secure system operation. These four respondents are of the opinion that consideration of non-contracted platform bids is inappropriate on a regional level already and even harder to maintain in combination with the potential availability of cross-zonal capacity and should therefore not be fostered by RCC support.</p>	<p>ACER disagrees with these respondents, since the RCCs' assessment of non-contracted platform bids should support TSOs in assessing their need for the procurement of balancing capacity, which is also required by the Electricity Regulation. ACER expects the RCCs' calculation to be sufficiently reliable (using the defined reliability thresholds) to address concerns regarding operational security while allowing to reduce the TSOs' costs for the procurement of balancing capacity.</p>
<p>5 respondents (CEZ; EFET; EnBW; ENGIE; Eurelectric) have doubts that the methodology described in Article 7 of the Procurement Proposal will provide sufficiently reliable forecasts for the availability of non-contracted platform bids since it is not clear that probability density functions looking back 60 days will sufficiently capture shifts in underlying fundamentals.</p>	<p>ACER shares the respondents' concerns. Therefore, ACER requires TSOs with its revisions to the Procurement Proposal to assess and specify the reliability thresholds used for the process of assessing the availability of non-contracted platform bids before an application of the methodology.</p>
<p>6 respondents (CEZ; EFET; EnBW; ENGIE; Eurelectric; Statkraft) urge further reflection on which methodology will best capture future availability of non-contracted platform bids, and at least a test beforehand whether the methodology is sufficiently robust.</p>	
<p>One respondent (CEZ) explains that the timing of this calculation at the day-ahead horizon should be clarified in the Procurement Proposal, even if it is only with a range.</p>	<p>The timing is defined under Article 4(5) of the Procurement Proposal.</p>

Respondents' views	ACER views
<p>It is yet unclear to the respondent whether the RCCs will be able to do the calculation before aFRR DA auctions (09:00 in some countries).</p>	<p>ACER agrees that individual BSPs decide to put non-contracted bids on the balancing platforms. While such decision will remain with each BSP, the RCC shall assess the expected volume available from these free bids.</p>
<p>Two respondents (EFET; EnBW) state that the availability of non-contracted bids is and must remain subject to individual BSPs commercial decisions and that the forecasted amount of non-contracted bids must not impose an implicit obligation for submitting free bids.</p>	<p>The consideration of non-contracted platform bids is subject to each TSO's decision. However, as described in Recital (55) of ACER's Procurement Decision, TSOs should assess and aim for harmonisation of the consideration of adequate reliability thresholds.</p>
<p>Two respondents (Eurelectric; Statkraft) state that the link between the SO Regulation and its rules on reserves' dimensioning could be better explained in the Procurement Proposal. One of these respondents (Eurelectric) further mentions that the SO Regulation already allows TSOs to account for expected non-contracted energy bids in their dimensioning, questions if there is a harmonisation on of how the TSOs use the expected platform (cross-border) bids until 2026 and states that such harmonised rules should be determined first.</p>	<p>ACER revised the process for the RCCs' assessment of non-contracted platform bids. With the revised process, the RCC should receive the relevant information of TSOs on how they consider the local use of non-contracted platform bids including their reliability considered in their decision. This information should be adequately considered by the RCCs in their assessment.</p>
<p>One respondent (Eurelectric) mentions that the proposition stipulates that the RCCs take margins with regards to the estimated volume of non-contracted energy bids, before notifying it to the TSOs. However, it does not mention an additional margin taken by TSOs before reducing their need to procure reserve capacity. It is true that it is out of the scope of the RCC tasks, but changes in the availability status of capacity or energy bids between day-ahead and the balancing timeframe should be accounted for to ensure the system security.</p>	<p>ACER agrees that the actions of one TSO should be known to the NRAs of the SOR, however it considers that this is fulfilled through the reporting obligations under Article 46 of the Electricity Regulation, where justification for not following the RCC recommendation is also foreseen. Informing NRAs of the whole SOR during the operation would not bring significant benefits, since regulatory decisions are not taken with such short-term notice.</p>
<p>One respondent (Eurelectric) proposes that, in Article 4(7) of the Procurement Proposal, where TSOs choose to deviate from the RCC recommendation, not only the other TSOs of the SOR should be informed, but also the NRAs of the SOR.</p>	

Respondents' views	ACER views
As addressed under question 2.1 above, one respondent (IFIEC) comments on the relation between the Sizing Proposal and the Procurement Proposal and questions the relevance of differentiating between contracted and non-contracted platform bids.	See ACER's response the respondent's comment under question 2.1 above.
Question 3.2: Please provide your comments related to role foreseen for RCCs by the Procurement Proposal and the HCZCAM Proposal to support the procurement of balancing capacity.	
6 respondents (CEZ; EFET; EnBW; Eurelectric; IFIEC; Statkraft) provided comments concerning the short-term assessment of availability of sharing amounts.	
Four respondent (CEZ; EFET; EnBW; Eurelectric) questions whether the Procurement Proposal implies that no exchange of balancing capacity between TSOs, resulting from the HCZCAM, is to exist before 2026 (according to the foreseen timeline) and how the existing balancing capacity cooperation (e.g. Alpaca and its foreseen extension in 2024) will be treated in this regard.	No, Article 8(2) of the Procurement Proposal and the HCZCAM Proposal requires an implementation by 2 years (i.e. 2025) for the harmonised market-based allocation process. Until then, a balancing cooperation may rely on a regional market-based allocation process or a probabilistic approach pursuant to Article 33(6) of the EB Regulation.
Two respondents (CEZ; Statkraft) propose to delete references to the inverted market-based process and the co-optimised allocation process as suggested in their comments to questions 1.1 and 1.2.4.	ACER deleted the reference to the inverted market-based process but kept references to related to the co-optimised allocation process in consistency with the HCZCAM.
Question 3.3: Please provide any other comments related to specific provisions of the Procurement Proposal.	
6 respondents (CEZ; EFET; EnBW; ENTSO-E; Eurelectric; Südvolt) provided further comments concerning specific provisions of the Procurement Proposal.	
Two respondents (EFET; EnBW) state that the priority for TSOs and NRAs should be market-based procurement, as required by Article 6(8) of the Electricity Regulation, which is currently not the case in many parts of Europe.	ACER agrees that priority regarding the procurement of balancing capacity in some Member States is to first establish market-based procurement. However, once the Procurement Proposal is implemented all TSOs involved in the processes subject to the Procurement Proposal will need to have market-based procurement.

Respondents' views	ACER views
<p>Three respondents (EFET; EnBW; Eurelectric) urge the TSOs and ACER to take into account existing implementation projects, that go beyond the balancing timeframe, when designing specific timelines.</p>	<p>ACER agrees that the implementation timeline should take into account the on-going developments and be assessed in the context of the overall project prioritisation. Therefore, the 2.5 and 2 years proposed, are considered adequate for the implementation of the revised Procurement Proposal.</p>
<p>One respondent (Eurelectric) considers it not clear why the assessment of non-contracted platform bids is in the Procurement Proposal rather than in the Sizing Proposal. The respondent especially sees synergies with the short-term assessment of availability of sharing amounts.</p>	<p>ACER clarifies that the assessment of non-contracted platform bids should be included in the Procurement Proposal as required by the Electricity Regulation. While interdependencies with the Sizing Proposal exist, the assessment of non-contracted platform bids relates to the possibility to procure less balancing capacity for addressing the need to procure balancing capacity while the dimensioning process in the Sizing Proposal relates to the reduction of reserve requirement by sharing reserves.</p>
<p>One respondent (Eurelectric) understands that Article 7(1) of the Procurement Proposal does not really fit under the title "Monitoring and reporting" as it refers to the data collected by the RCCs to execute their tasks.</p>	<p>ACER understands that this provision addresses the monitoring of the efficiency of the assessment of non-contracted platform bids.</p>
<p>One respondent (Eurelectric) questions whether it is correct to understand that the deadlines under Article 8(1) of the Procurement Proposal, which are the starting point of the 30 months period, are the ones defined in EB Regulation, without taking the derogations into account.</p>	<p>ACER revised this paragraph of the Procurement Proposal and defined as the starting point of this deadline the approval of the Procurement Decision.</p>
<p>One respondent (Eurelectric) mentions that Article 4(7) of the Procurement Proposal provides that, if a TSO does not take the RCC recommendation into account, it should inform the RCC as well as other TSOs. The respondent states that market participants would also like some visibility on this matter, at least with a reporting TSO by TSO in the national Balancing reports and notes that the monitoring by RCCs, which was present in Article 7(2) of a previous version of the Procurement Proposal, have disappeared. The respondent further explains that the same applies to Article 4(6) of the Procurement Proposal, where TSOs may "adapt the final balancing capacity</p>	<p>To improve the transparency on the potential and use of non-contracted platform bids, ACER required the publication of a quarterly report in its revisions to the Procurement Proposal.</p>

Respondents' views	ACER views
<p>procurement volume" based on RCCs calculations and states that should be ensured that this information is timely communicated to market parties, before the GOT of relevant BCC, so they may take it duly into account.</p> <p>One respondent (Eurelectric) would appreciate to be regularly informed about the progress of the implementation of these new RCC tasks – via EBSG, MESC or other relevant channels.</p>	<p>ACER invites ENTSO-E and RCCs to provide regular updates on the implementation to market participants.</p>
Question 4: Do you have any other relevant comments?	
<p>Three respondents (ENTSO-E; Eurelectric; Südvolt) provided further comments.</p>	
<p>One of the respondents (Eurelectric) provided relevant input to this question which was not already sufficiently addressed above. The respondent would have appreciated to have a longer consultation period (at least 6 weeks rather than 4) for these 3 consultations happening at the same time.</p>	<p>ACER acknowledges that the time available for this consultation may have been challenging for some respondents and slightly extended the time available for providing input upon the request of respondents. However, the time available for these decisions was limited and did not allow for a longer public consultation period. Nevertheless, ACER will keep aiming to provide sufficient time for any future public consultation.</p>

3 List of respondents

Organisation	Type
CEZ, a.s.	Energy company
Edison	Energy company
EFET- European Federation of Energy Traders	Association
EnBW Energie Baden-Württemberg AG	Energy company
ENGIE	Energy company
ENTSO-E	European Network of Transmission System Operators
Eurelectric	Association
IFIEC Europe	Association
NEMO Committee	All NEMOs' Association
RWE Supply & Trading GmbH	Energy company
Statkraft Energi as	Energy company
Südvolt GmbH	Energy company