

ACER Decision on the Methodology for Coordinated Redispatching and Countertrading for the Core CCR:
Annex II

**Evaluation of Responses to the Public Consultation on
the Methodology for Regional Operational Security Coordination
and
the Methodology for Coordinated Redispatching and Countertrading
for the Core CCR**

1 Introduction

On 19 December 2019, Core transmission system operators ('TSOs') submitted to Core regulatory authorities a proposal for a methodology for regional operational security coordination (hereafter 'ROSC Methodology'), in accordance with Article 76 of Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation (hereafter referred to as the 'SO Regulation'). On 5 June 2020, the Core regulatory authorities agreed to jointly request ACER to adopt a decision on the ROSC Methodology. ACER shall adopt a decision concerning the submitted terms and conditions or methodologies within six months in accordance with Article 6(10) of Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators ('Regulation (EU) 2019/942'). ACER became responsible to adopt a decision concerning the Proposal by the referral received on 5 June 2020 and must adopt a decision on the ROSC Methodology by 5 December 2020.

On 27 March 2020, the Core regulatory authorities informed ACER that they were not able to approve the methodology for coordinated redispatching and countertrading (hereafter 'RDCT Methodology') in accordance with Article 35 of Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the 'CACM Regulation'). Therefore, ACER also became competent to adopt a decision on the RDCT Methodology.

As the ROSC Methodology and RDCT Methodology need to be fully consistent with each other as they describe the same underlying process, ACER, in coordination with Core regulatory authorities and TSOs, aligned the timeline for the adoption of the RDCT Methodology with the timeline for the adoption of the ROSC Methodology.

In order to take an informed decision and in accordance with Article 14(6) of Regulation (EU) 2019/942, ACER launched a public consultation on 4 September 2020 inviting all interested stakeholders, including regulatory authorities, and TSOs to provide any comments on the ROSC Methodology. The closing date for comments was 21 September 2020.

The public consultation invited stakeholders to comment on the following aspects of the ROSC Methodology and RDCT Methodology:

- (i) Information on prices and costs provided by resource providers;
- (ii) Deviations between recommended, ordered and delivered volumes of redispatching and countertrading actions; and
- (iii) Other comments.

2 Responses

By the end of the consultation period, ACER received comments from 8 respondents.

This evaluation paper summarises all of the respondents' comments and how these were considered by ACER. The table below is organised according to the consultation questions and provides the respective views from the respondents, as well as a response from ACER clarifying how their comments were taken into account in the present Decision.

Respondents' views	ACER views
Question 1.1: Do you consider that Article 35(5) and (6) of the CACM Regulation allows resource providers to provide indicative prices/costs?	
7 respondents provided an answer to this question.	
<p>2 respondents agree. (HSE, BNetzA)</p> <p>1 respondent further elaborates that indicative prices can be used for the redispatch optimisation but that only incurred costs shall be the basis for cross-border billing and reimbursement process, putting an emphasis on principles of good accounting where there should be enough time to calculate transparently the redispatching costs. (BNetzA)</p> <p>1 respondent agrees in the sense that Article 35(5) and (6) of the CACM Regulation allows resource providers <u>to update their bids</u> for remedial actions as long as these bids have not been activated because of the time gap between bidding and activation and the negative effects on the parallel continuous intraday market. In addition, countertrading bids could be designed in a way that the bid remains firm during the coordination process. In that case, market participants proposing countertrading bids would endorse (and price) the risk related to this option. (EDF)</p>	<p>ACER agrees that Article 35(5) and (6) of the CACM Regulation does not explicitly prevent the use of indicative prices for the optimisation and the use of actually incurred costs shall be the basis for the settlement and cost sharing.</p> <p>While the other option, which is to oblige the providers to provide firm bids (prices or costs), could also be accommodated by the legal framework, the majority of TSOs had a clear preference to use indicative prices for coordination and the actual process and costs for settlement.</p>
<p>2 respondents disagree and further explain that the possible ACER interpretation of the legal basis, by opening up for indicative prices, could lead to unwanted behaviour of market participants and inefficient market results. In addition, it is highlighted that redispatch and countertrading have a big cost impact and should not be treated as having only positive technical effects on the system. (Norsk Hydro, IFIEC)</p>	<p>ACER notes that Article 35(5) and (6) of the CACM Regulation is not explicit on whether the prices of redispatching are based on indicative prices or realised prices. On the one hand, these two paragraphs require that these prices shall be provided to TSOs ex-ante (before they are committed) to enable the calculation of costs. On the other hand, these two paragraphs also state that the prices shall be based on (actual) prices of relevant markets or actually incurred costs. ACER therefore understands that Article 35(5) and (6) of the CACM Regulation allows both indicative prices and costs as well as actually incurred prices and costs to be used for coordination.</p>

Respondents' views	ACER views
<p>1 respondent would disagree based on legal reading but explains that in market-based redispatch schemes nothing prevents market participants from updating their bids before they are effectively activated (for various reasons linked to market dynamics, outages, etc.). On the other hand, in cost-based redispatch schemes the principle of financial neutrality of the resource provider has to be respected, which could be difficult without an option to update bid prices, because some costs are known only ex-post (e.g. fuel and activation costs). (EFET)</p> <p>1 respondent argues that bids of market participants are firm and not indicative, but that operators of flexible assets must have the possibility to update redispatching bids until they are effectively activated because of the time gap between bidding and activation and the negative effects on the parallel continuous intraday market. There are many reasons for such updates: outages, evolution of opportunity costs. In case of a cost-based congestion management the resource provider should remain financially neutral and should get remunerated for all its costs. (MPP)</p>	<p>Regarding the concerns of unwanted behaviour, ACER has put an obligation to TSOs to monitor the deviations between indicative and incurred costs and prices and report to Core regulatory authorities any case of systematic abuse of this optionality</p> <p>ACER does not see that market based redispatching inherently should allow the providers to update their bids before their activation – this would depend on the national rules. ACER notes that there is always a time gap between the bid gate closure time and availability of results. For example, in case of auctions for balancing capacity, TSOs require firm bids for balancing capacity which cannot be updated until the results of the auction are known. In both market-based and cost-based redispatching, the requirement to provide firm bids could also be achieved and this would require the providers to factor in their price/cost risk into the bid prices.</p> <p>ACER also notes that the majority of TSOs support that prices and costs can be amended before the activation as well as after activation, although in case of market-based redispatching the latter option would likely be unavailable. Further financial neutrality is a sound theoretical concept, but in practice, it requires extensive monitoring and enforcement since the optionality to change bids after they have been activated leaves a lot of room for potential abuses and maximisation of profit.</p>
<p>Question 1.2: Do you consider that providing indicative prices provides good incentives for economic efficiency and prevents possible manipulations?</p>	
<p>8 respondents provided an answer to this question.</p>	

Respondents' views	ACER views
<p>2 respondents answer that with mitigation measures the negative effects could be handled and reduced. (BNetzA, EDF)</p> <p>1 respondent further explains that a tolerance band for price deviations could be used to limit the effect of using indicative prices and inaccurate forecasts, together with intensive monitoring. (BNetzA)</p> <p>1 respondent further explains that the method for providing indicative prices shall differentiate between resource provider and TSO, where a resource provider shall be able to update his bid (due to outages, evolution of opportunity costs) and a TSO can provide indicative prices based on a transparent methodology to forecast remedial actions. (EDF)</p> <p>1 respondent argues that the issue is not present in the case of market-based redispatch <u>but agrees with ACER</u> for the cost-based redispatch schemes. In addition, the effects of TSO actions on the balancing markets need to be transparent, especially on what bids are used for (redispatching or balancing), and that balancing energy bids activated for congestion management purposes do not impact the imbalance price. (EFET)</p>	<p>ACER disagrees that such regime provides good incentives and prevents manipulations. The fact that incorrect prices and costs are used when deciding which redispatching actions are most efficient to solve the congestion may have a significant impact on economic efficiency. This also allows market participants to increase systematically the prices and costs after they learn that they are needed to solve the congestion.</p> <p>ACER did not introduce a tolerance band since introducing it would indeed prevent manipulations outside the tolerance band, but it would not address possible manipulations within the tolerance band. Instead, ACER decided to focus on monitoring of deviations (to identify any systematic increases) and to allow TSOs to reject that these deviations are subject to cost sharing.</p> <p>ACER disagrees that TSOs should be allowed to forecast the indicative prices and costs themselves, as this would further complicate the monitoring of possible abuses. TSOs should use only the information given by the providers.</p> <p>ACER only partly agrees. The time difference between the remedial action optimisation and activation of remedial actions will likely be significant and therefore even in market-based redispatch, the increase of bid prices just before the activation can no longer affect the decision on activation, which can prove a risk-free strategy. Therefore, ACER considers that market based redispatch also requires extensive monitoring of possible abuses.</p>
<p>4 respondents disagree. (HSE, Norsk Hydro, IFIEC, Terna)</p>	<p>ACER agrees that such regime does not provide good incentives and prevents manipulations.</p> <p>The first problem is that indicative prices and costs lead to suboptimal solution of remedial action optimisation, since the optimal activation of</p>

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<p>1 respondent argues that market prices from a well-functioning energy market are more suitable than indicative prices, which are not ideal for consumers. (HSE)</p> <p>1 respondent further argues that it might not always be possible at national level for market participants and TSOs to provide “secure” cost information. This would depend, for instance, on the timing of national ancillary services market sessions compared to the timing of RAO, the contractual agreements between TSOs and market operators etc. (Terna)</p> <p>1 respondent argues that there are no indicative prices (bid is firm when activated) and the only remaining indicative prices are those that are used by TSOs in the timeframe between the start of the coordination process and the actual activation. This incentive for TSOs to shift costs to other TSOs can be decreased by shortening as far as possible the coordination process and following a fully transparent methodology. This can be done with direct instructions from the RSCs instead of advices. (MPP)</p>	<p>remedial actions is done on wrong costs or prices. Second, the providers of redispatching and countertrading resources can consistently provide low indicative prices in order to be competitive in the remedial action optimisation, whereas after they have been activated, provide higher ex-post costs.</p> <p>However, Core TSOs informed ACER that given the limited competition in the remedial actions to solve specific congestion, it is less likely that ex-post changes in prices and costs would significantly alter the optimal solution. With regard to the possible abuse of this solution, ACER provided an option to all Core TSOs to reject the cost deviations for cost sharing if they suspect abusive behaviour on the side of the providers.</p> <p>ACER agrees, but also notes that national regimes and contractual arrangements can also be amended to fit the regional coordination processes. When it comes to obligations stemming from EU law, they have primacy over national arrangements</p> <p>ACER agrees that, in case the timing between optimisation and activation is short or instant, there is limited room for abuse in case of market-based redispatching. Yet, this is currently far from being the case. Therefore, at present, Core TSOs will need to monitor abusive behaviour and have the possibility to reject the cost deviations for cost sharing if they suspect abusive behaviour on the side of the providers. This possibility does not directly affect the relationship between TSO and provider, but may incentivise a TSO to make more affirmative actions nationally.</p>

Respondents' views	ACER views
Question 1.3: Who should bear the inherent risks related to differences between indicative and realised costs?	
8 respondents provided an answer to this question.	
<p>3 respondents answer that TSOs should bear the risk. (HSE, MPP, EFET)</p> <p>1 respondent clarifies further that in a market-based approach, a price difference between TSO notification to RSC and actual recommendation, the price deviations should be borne by the TSOs together. If the deviations happen after the RSC recommendation, the relevant TSO should bear the risk. In a cost-based approach, the TSO that makes the forecast should be fully responsible for the price difference. (MPP)</p> <p>1 respondent further argues that, in the case of market-based redispatch, a price update between the submission of the bids by the TSO to the RSC and the recommendation of the RSC to TSOs should be covered by all TSOs covered by this RSC (option 3). If the price update happens between the recommendation of the RSC to the TSO and the activation request of the TSO, then it is up to the local TSO to cover the cost difference because this specific TSO decided to wait before implementing the RSC's recommendation (option 2). In the case of cost-based redispatch, an alternative option (4) should apply: the price difference should be covered by the connecting TSO, which is the one responsible for the setup of the redispatch model.</p> <p>In the long-term, it is encouraged, that TSOs and NRAs in Member States using cost-based redispatch should harmonise their models.(EFET)</p>	<p>This solution was adopted by ACER.</p> <p>ACER has sympathy for this approach and agrees that it should ideally be designed in this way. However, ACER notes that currently the coordination process is very cumbersome and long lasting. Even after RSCs' recommendation there are regional and cross-regional steps to be taken before remedial actions can be activated. Nevertheless, ACER will incentivise TSOs to improve this coordination process after the implementation to enable such a solution. Regarding the cost-based redispatch, ACER understands that a TSO does not make any forecasts and that these costs are still determined by the providers.</p> <p>ACER also agrees that in the long-run, the redispatching regimes should be harmonised; both cost based as well as market based regimes will remain but should be harmonised.</p>
<p>2 respondents answer that resource providers should bear the risk, arguing that this would reduce incentives for resource providers to sub-optimize their bids which in turn should lead to improved efficiency and reduced risk of manipulation.</p>	<p>ACER in principle agrees that resource providers shall bear these risks and factor them into their bids. However, the majority of Core TSOs are willing to cover this risk themselves and most TSOs use cost-based redispatching. In such a case, ACER deems it acceptable to apply a solution where these</p>

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<p>In any case, deviations should not be passed on to consumers. (Norsk Hydro, IFIEC)</p>	<p>risks are borne by TSOs, subject to monitoring of potential manipulations and possibility to reject the sharing of such deviations.</p> <p>ACER notes that these deviations are inherent to the system and it is not possible to avoid completely the impact on consumers. Even if these risks are transferred to providers, they will be factored in as risk premiums that TSOs will have to pay for with redispatching actions.</p>
<p>1 respondent would split deviations into negative and positive, where for higher costs than the forecasted costs, the difference is borne by the TSO that activated the resource, which deviated from the anticipated price. At national level, any actual cost difference is borne and internalised by the providers of redispatching and countertrading action in case the offer is binding, otherwise the cost difference is borne by the TSO.</p> <p>On the other hand, if actual costs are lower than the forecasted costs, the difference (a revenue) is split among the impacted TSOs. (Terna)</p>	<p>ACER does see some merit to treat positive and negative deviations differently as the incentive behind them may be different (one cannot assume manipulations in case of negative deviations). However, the approach adopted by ACER incentivises TSOs to monitor deviations and in particular to monitor the positive deviations for potential abuses.</p>
<p>1 respondent argues that due to non-discrimination the risk should not be put on individual TSOs, and so treating them differently. The use of a tolerance band would reduce the risk for TSOs and it would still allow them to make arrangements with producers to hedge the price risk. (BNetzA)</p>	<p>ACER agrees and introduced that indicative prices can be used for the optimisation and that incurred costs (due to updates of bids) shall be the basis for the settlement and cost sharing among Core TSOs to spread the risk.</p> <p>ACER did not introduce a tolerance band since introducing it would indeed prevent manipulations outside the tolerance band, but it would not address possible manipulations within the tolerance band. Instead, ACER decided to focus on monitoring of deviations (to identify any systematic increases) and allow TSOs to reject that these deviations are subject to cost sharing.</p>
<p>2 respondents argue that the deviations should be reduced with the following suggested measures:</p> <ul style="list-style-type: none"> - Make sure that the coordination process triggers a balanced set of remedial actions, without the need to restore balance (at an unknown price 	<p>ACER does not understand this suggestion and perhaps more explanation would be welcome.</p>

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<p>at the time of decision) afterwards. This can only be done at RSC level.</p> <p>- Open systematically (and maybe through a centralized platform) the possibility for market participants to submit standard countertrading bids in each bidding zone to enrich the set of remedial actions under consideration. Those bids could be considered firm between the time of submission and the end of the coordination process (with a specified time). Activating bids would then force the respective market participants to manage the corresponding risks in the intraday markets before its gate closure.</p> <p>(EDF, MPP)</p>	<p>ACER first notes that the use of countertrading in regional coordination is not expected to be used widely, because redispatching actions have locational information and are therefore much more efficient in highly meshed AC networks like the Core CCR. Second, ACER comments the willingness for market participants to submit firm bids for countertrading actions and understands that in such cases market participants would be willing to accept such risk (i.e. the difference between the initial bid price and the price on the ID market at the time of activation).</p>
<p>Question 2.1: Do you agree that costs differences related to volume deviations between recommended and ordered volumes are shared only in case those deviations are agreed or confirmed by all Core TSOs?</p>	
<p>7 respondents provided an answer to this question.</p>	
<p>3 respondents agree with ACER. (MPP, EFET, EDF)</p> <p>1 respondent considers further that the risk of bids changing during the period between the end of the coordinated process and the effective activation should be borne by the activating TSO only. The RSC (and the shared costs) should only be subject to the risks regarding changes between the submission of bids by each individual TSO and the end of the coordination process. (EDF)</p>	<p>ACER agrees.</p>
<p>1 respondents disagree. (HSE)</p>	<p>ACER has clarified in the ROSC Methodology and RDCT Methodology that all deviations between recommended and ordered volumes of remedial actions are subject to coordination between TSOs and TSOs and RSCs. Therefore, the deviations can be shared with the cost sharing methodology. However, no TSOs can take the risk of an individual TSO for not following the recommended and agreed remedial actions.</p>

Respondents' views	ACER views
2 respondents are neutral. (Norsk Hydro, IFIEC)	
<p>1 respondent answers that positive and negative deviations shall be treated differently. Total cost differences related to volume deviations are borne by the TSOs responsible for the deviation itself if costs are higher, while the revenues are shared among the impacted TSOs if costs are lower.</p> <p>In any event, we consider that the deviations shall be accepted in advance by all the impacted TSOs, since those TSOs have the responsibility to assess the security of their grid with the new set of remedial actions. (Terna)</p>	<p>ACER notes that in case of volume deviations these should be treated equally for upward and downward deviations, because the ordered remedial actions will be converted into cross-border schedules and balancing obligations for TSOs. Therefore, even in case of negative deviations, which may look profitable for connecting TSOs, they will result in higher imbalance and will need to be compensated by balancing actions. For this reason, it is fair that negative volume deviations from agreed actions are also subject to cost sharing.</p> <p>ACER notes that these non-coordinated deviations may result from a TSO not ordering the agreed volume or the provider not delivering the ordered volume. In both cases, such deviations are not be subject to coordination.</p>
<p>Question 2.2: Do you agree that the settlement of costs differences related to volume deviations between ordered and activated volumes is not governed within the Core ROSC methodology and the Core RDCT methodology? If not, how would you propose to govern and define such settlement?</p>	
7 respondents provided an answer to this question.	
4 respondents agree it should be governed within the mentioned methodologies. (HSE, EDF, Terna, MPP)	<p>ACER disagrees. ACER included a provision stating that deviations of costs and/or revenues resulting from deviations between ordered and delivered volume of XRAs shall not be subject to cost sharing. The reasoning for including this provision is that these deviations are not subject to coordination and therefore the costs do not qualify for the cost sharing methodology. If a TSO at local level deviates from the ordered remedial actions, he has to bear the related risk and costs. In ACER's view, these deviations are subject to national redispatching regimes, which most likely involve imbalance settlement mechanism.</p>
2 respondents are neutral. (Norsk Hydro, IFIEC)	

Respondents' views	ACER views
<p>1 respondent answers it can remain at national level but advocates for harmonisation of redispatch models. (EFET)</p>	<p>ACER agrees that these costs shall remain with the TSO at national level. While harmonisation of local redispatch models is currently out of scope, ACER supports that in the long-run, these models will need to be harmonised. As a first step, ACER included a provision for TSOs to draft a description of each national model and share it with the TSOs, RSCs and regulatory authorities.</p>
<p>Question 3: Any other comments.</p>	
<p>7 respondents provided an answer to this question.</p>	
<p>2 respondents think it is urgent that an efficient process is put in place in all capacity calculation regions, and in particular in the Core region, where congestion management is based today on national processes that are discriminating foreign actions against national ones. (EDF, MPP)</p>	<p>ACER agrees that cross-border competitive redispatching and countertrading regimes are established. To this end, ACER changed the implementation timeline to introduce an earlier interim solution (30 months after approval) for the day-ahead coordination.</p>
<p>2 respondents believe it is important to find effective and efficient solutions for redispatch and countertrade as these costs are rapidly increasing and still trending upwards. If applicable regulation is not sufficient to achieve this target, it should duly and timely be amended with a clear focus on the overall system cost impact, which will finally be paid by consumers. (Norsk Hydro, IFIEC)</p>	<p>ACER agrees and views the existing methodology as a step towards this direction. ACER also shortened the implementation timeline to introduce an earlier interim solution (30 months after approval) for the day-ahead coordination. The ROSC Methodology and RDCT Methodology will supersede any national laws and lays down provisions for regional congestion management for the first time.</p>
<p>1 respondent is concerned with the timeline and IT tools, where they support a stepwise implementation without cost sharing for the interim solution to gain experience. They do not share the concerns that a coordination for RAs can only be achieved while full cost sharing is implemented. BNetzA stresses the point that the process cannot be less efficient than the current national process. (BNetzA)</p>	<p>ACER agrees with the stepwise implementation but argues that any coordination of remedial actions at regional level as mandated by these two methodologies needs to be complemented by a cost sharing methodology in place. ACER considers that it is impossible to expect that such coordination can be achieved without a cost sharing solution.</p>
<p>1 respondent explains that deviations for XRAs shall be coordinated between TSOs and with the RSC as well. In addition, deviations for non-</p>	<p>ACER specified that deviations for XRAs shall be subject to coordination, including the RSCs. Regarding deviations for non-costly remedial actions,</p>

Respondents' views	ACER views
<p>costly XRAs shall be addressed with specific provisions in the methodology. (Terna)</p>	<p>ACER understands the concerns, but addressing them would require extensive effort and time, which would likely delay the implementation of these two methodologies. For this reason, ACER proposes to first observe the severity of this problem and later to amend the methodologies when needed.</p>
<p>1 respondent favours market-based redispatch, which reduces incentives for TSOs to shift costs towards each other. The MPP would like to stress the unsatisfying perspective resulting from the derogations from applying the 70% rule based on the absence of the redispatching and countertrading (envisaged both for 2025), on the one hand, and of the foreseen delays for the flow-based implementation in the Core region and in the intraday recalculations, on the other hand. The MPP therefore calls for the elaboration of regulatory solutions featuring intermediary steps until 2025. (MPP)</p>	<p>ACER does not have a legal mandate to enforce market-based redispatching, since the Electricity Regulation allows both market based and cost based redispatch. Further ACER notes that regulators are generally careful about market-based redispatching because of high potential for manipulation and abuses.</p> <p>ACER shares the concerns on fulfilment of 70% rule and adjusted the implementation timeline of the ROSC Methodology and RDCT Methodology. An interim solution for remedial action optimisation shall be available 30 months after approval and this should remove all arguments for derogations claiming the need for coordinated redispatching and countertrading.</p>
<p>2 respondents argue that third countries should be included (e.g. Switzerland). In order to reflect the strong physical inter-linkage between Switzerland and Core Member States – in particular Austria, France and Germany – a close coordination of costly and non-costly remedial actions between Core TSOs and the Swiss TSO is recommended, based on existing experience. (MPP, EFET)</p>	<p>ACER cannot address non-EU parties with the ROSC Decision nor RDCT Decision, but specified in the methodologies that third-country TSOs can enter into agreements on secure system operation and apply the same methodologies.</p>

3 List of respondents

Organisation	Type
BNetzA - Bundesnetzagentur	Regulatory authority
EDF	Energy company
EFET - European Federation of Energy Traders	Association
HSE - Holding Slovenske elektrarne d. o. o.	Energy company
IFIEC Europe	Association
MPP Market Parties Platform	Association
Norsk Hydro	Association
Terna SpA	Transmission system operator