

ACER Decision on the methodology for a co-optimised allocation process of cross-zonal capacity: Annex II

## **Evaluation of responses to the public consultation on the methodology for a co-optimised allocation process of cross-zonal capacity in accordance with Article 40(1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (the ‘EB Regulation’)**

### **1 Introduction**

On 17 December 2019, all TSOs submitted to ACER a proposal for a methodology for a co-optimised allocation process of cross-zonal capacity, in accordance with Article 40(1) of the EB Regulation (hereafter referred to as the ‘Proposal’).

ACER shall take a decision on the Proposal within six months of submission in accordance with Article 6(10) of the 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’).

In order to take an informed decision and in accordance with Article 14(6) of the Regulation (EU) 2019/942, ACER launched a public consultation on 19 February 2020 inviting all interested stakeholders, including ENTSO for Electricity, Regulatory Authorities, and Transmission System Operators to provide any comments on the Proposal. The closing date for comments was 10 March 2020.

More specifically, the public consultation invited stakeholders to comment on the following aspects of the Proposal:

- (i) Implementation timeline;
- (ii) Cost compensation cap concerning firmness remuneration for TSOs;
- (iii) Elastic demand and possible substitutions between different types of reserve capacity; and
- (iv) Other comments.

### **2 Responses**

By the end of the consultation period, ACER received comments from 15 respondents.

This evaluation paper summarises all received comments by respondents and ACER's views on them. The table below is organised according to the consultation questions and provides the respective views from the respondents, as well as a response from ACER clarifying the extent to which their comments were taken into account in the ACER Decision on the methodology for a co-optimised allocation process of cross-zonal capacity. Some of the respondents' comments were re-positioned to the respective question addressing the mentioned issue.

Respondents' views	ACER views
<b>Question 1.1: Please share your view concerning the proposed implementation process.</b>	
12 respondents provided an answer to these questions.	
Four respondents state that the consequences in case of "negative outcome" are not sufficiently clear and should be described in the methodology. (EDF, EURELECTRIC, IFIEC Europe).	ACER agrees that the process is not sufficiently described in the Proposal. As explained in Recital (29) of this Decision, none of the listed conditions should lead to a negative outcome in the scope of the methodology for co-optimised cross-zonal capacity allocation. Therefore, the condition on a positive implementation impact assessment was deleted and no further description of a process in case of a negative outcome is needed.
<p>10 stakeholders mention their general concerns on the impact of co-optimised cross-zonal capacity allocation on the SDAC algorithm. (CEZ, EDF, EFET, EPEX SPOT, EUROLECTRIC, IFIEC Europe, NEMO Committee, UFE, Tiwag, ENBW)</p> <p>Three of these respondents specifically mention the already critical state of the algorithm and further upcoming challenges which need to be met (e.g. 15 minutes resolution in SDAC) (EURELECTRIC, Tiwag, ENBW)</p> <p>One of these respondents further states that we should focus on implementation of ongoing developments, and all of the above-mentioned elements should be taken into account in the Implementation Impact Assessment, which could even lead to reconsideration of use of co-optimisation at all. (EURELECTRIC)</p> <p>One respondent considers that it should be ensured that the proposed methodology does not jeopardize the stability and efficiency of the SDAC operation and evolution (NEMO Committee).</p>	<p>ACER shares the concerns on the possible impact co-optimised cross-zonal capacity allocation might have on the price coupling algorithm. Even though co-optimised cross-zonal capacity allocation is a legal requirement of the EB Regulation, the implementation of the co-optimised cross-zonal capacity allocation process currently does not have a legal deadline. ACER agrees that co-optimised cross-zonal capacity allocation shall not jeopardize the stability of the SDAC operation and its efficient evolution, which includes the introduction of other prioritised legal requirements in the price coupling algorithm.</p> <p>However, ACER wants to remind stakeholders that the actual implementation of the co-optimised allocation process is not proposed by this methodology but within the algorithm methodology. When submitting an amended proposal for the algorithm methodology, NEMOs will have to propose an implementation timeline for the co-optimised cross-zonal capacity allocation process that does not jeopardize the functioning of SDAC.</p>

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<p>One respondent proposes to include effects on algorithm performance and efficiency of SDAC in the implementation impact assessment (EFET).</p>	<p>As explained in chapter 6.2.1.2 of this Decision, NEMOs are best placed to perform an assessment of the impact of the co-optimised cross-zonal capacity allocation process on the price coupling algorithm. Since this is a TSOs' methodology, it should not legally require such an assessment. While the proposed deadline for the implementation of this methodology (by the TSOs' submission of requirements) remains unchanged in Annex I, ACER extended the deadline for publishing the results of the implementation impact assessment, since NEMOs communicated their willingness to contribute to this TSOs' process.</p>
<p>Five respondents stated that the assessment should not lead to any limitations such as reductions in the variety of energy products or bidding flexibility offered for the SDAC to accommodate the algorithmic complexity of co-optimised cross-zonal capacity allocation (EDF, EURELECTRIC, UFE, CEZ, Tiwag, ENBW).</p>	<p>While ACER acknowledges that other legal requirements for the price coupling algorithm have priority over the implementation of the co-optimised cross-zonal capacity allocation process, any possible limitations of existing functionalities of the price coupling algorithm are not in the scope of this Decision.</p>
<p>Two respondents object any prolongation of time, needed for calculation or results publication. (EURELECTRIC, CEZ)</p>	<p>The deadline for the publication of SDAC results is not in the scope of this methodology.</p>
<p>9 stakeholders support the TSOs' proposal to conduct an impact assessment and that the submission of the requirement following the co-optimisation methodology is conditional to a positive outcome of the proposed impact assessment. (CEZ, EPEX SPOT, EFET, ENBW, EURELECTRIC, NEMO Committee, TIWAG, Illwerke, UFE).            Four of these respondents further specified that in case of a negative impact assessment the process should be reconsidered or eventually discarded (CEZ, EPEX SPOT, EURELECTRIC, NEMO Committee).            One respondent states that such a negative outcome should not stop indefinitely the process but rather be reconsidered at a later stage (UFE).</p>	<p>ACER acknowledges that an implementation impact assessment should form the basis for the further proceedings on the matter. As explained in Recitals (29) and (30) of this Decision, none of the listed conditions should lead to a negative outcome in the scope of the methodology for co-optimised cross-zonal capacity allocation, while implementation of this methodology is required by the EB Regulation.            Therefore, ACER deleted the provision of a conditionality for sending new requirements for the price coupling algorithm while the implementation impact assessment should be the basis for the definition of these requirements and be an important additional input for NEMOs when proposing a timeline for the implementation of these requirements.</p>

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<p>Three stakeholders fail to see the point in performing an impact assessment, if a negative outcome does not lead to a negative decision (EFET, ENBW, TIWAG)</p> <p>Another respondent does not see the point in having an implementation impact assessment if it does not take into account future implementation steps (Illwerke).</p>	<p>ACER does not agree to the stakeholder's view that such impact assessment is irrelevant if no implementation decision is linked to it. The implementation impact assessment is still deemed a necessary preparatory task to be able to submit precise requirements to the price coupling algorithm and an important input for NEMOs for proposing an adequate implementation timeline. Therefore, it will be taken into account for the future implementation steps but will not result in the condition for implementing the methodology for co-optimised cross-zonal allocation.</p>
<p>One stakeholder stated that co-optimisation should be confronted with the transition costs linked to the SDAC evolution (EPEX SPOT).</p>	<p>ACER agrees that these costs should be assessed as stated in Article 13 (2)(h) of the Proposal.</p>
<p>Four stakeholders emphasised that the impact assessment should also assess impacts on other market parties than TSOs and NEMOs (CEZ, EFET, TIWAG, ENBW). One respondent further elaborates that the impact assessment must take account of efficiencies / inefficiencies for market participants and generators and address impact on free trade on day-ahead and intraday market (CEZ).</p>	<p>ACER agrees that it is important to take into account all affected parties when deciding on the application of the co-optimised cross-zonal capacity allocation process. Keeping also this aspect in mind, the result of co-optimised cross-zonal capacity allocation should be the overall welfare gains when allocating cross-zonal capacities. While the impact on individual market participants should also be taken into account when deciding on the application of the co-optimised cross-zonal capacity allocation process in a region pursuant to Article 38(1)(a) of the EB Regulation, the implementation impact assessment of this methodology for co-optimised cross-zonal capacity allocation should rather prepare for the submission of TSOs' requirements and the subsequent planning of NEMOs' implementation timeline.</p>
<p>One stakeholder (ENTSO-E) considers a study by means of the implementation impact assessment as a pre-condition for the requested submission of algorithm requirements to NEMOs and ACER in order not to jeopardise in any way the performance and quality of the SDAC, and considers that the assessment itself cannot be positive or negative</p>	<p>ACER agrees.</p>

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since the assessment is only the required input to make a decision on what requirements to send to NEMOs.	
One respondent highlights that the requirement on all TSOs to perform an impact assessment should not introduce an implicit obligation on all TSOs to establish balancing capacity co-operations (EFET).	ACER agrees that the methodology for co-optimised cross-zonal capacity allocation should not oblige TSOs to submit a proposal pursuant to Article 33(1) of the EB Regulation. However, ACER does not see any such provision in Annex I and the described requirements to perform an implementation impact assessment.
One respondent regrets that the elements comprised in the implementation impact assessment list are not tackled and developed within this methodology as this gives, for the time being, no view on how fundamental requirements raised during the ENTSO-E consultation can be reached (flow-based compatibility, Algorithm's performances and linking of balancing capacity and energy bids) (EURELECTRIC).	ACER agrees that transparency on the functionality of co-optimised cross-zonal capacity allocation is of high importance and regrets that some aspects were not sufficiently described by TSOs. However, while ACER does not have any concerns on the general flow-based compatibility of co-optimised cross-zonal capacity allocation, the price coupling performances and linking of bids cannot be fully assessed by TSOs at this stage. These two issues should be further assessed by NEMOs before proposing an implementation timeline.
Two respondents state that they generally consent with performing an implementation impact assessment. (EURELECTRIC, NEMO Committee).	ACER agrees.
One stakeholder commented on the statement from ACER that "the outcome of an impact assessment under such terms is bound to be negative, due to ongoing challenges for the SDAC algorithm at the time when TSOs will conduct the impact assessment" seems to ignore that such analysis should be based not on the current properties of the SDAC algorithm, but rather on a prospective evaluation of what the SDAC algorithm will be in the future (NEMO Committee).	ACER acknowledges this explanation but does not agree that the Proposal provides sufficient clarity in this aspect. To establish this clarity in Annex I and for the reasons described in chapter 6.2.1.2 of this Decision, ACER deleted the described conditionality.
One stakeholder (ENTSO-E) considers that if ACER would like TSOs not to have a role in the decision-making of the implementation of co-	While ACER acknowledges the difficulties concerning the governance of the market coupling operator function and the TSOs involvement in this

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<p>optimisation, ACER should clearly express what will be the decision-making process and governance during the implementation of the co-optimised cross-zonal capacity allocation. The same stakeholder would like to know ACER's view on the roles of TSOs, NEMOs, NRAs and ACER after TSOs' submission of the algorithm requirements to NEMOs and ACER, including, for example: what is the role of TSOs after submission of algorithm requirements, to whom will NEMOs submit an offer/estimation of costs and who shall evaluate whether such costs are acceptable and give the investment green light, what will be the role of ACER or NRAs in such approval and in ensuring cost recovery to NEMOs, should regulatory oversight be done by ACER or NRAs, and if by both, with which role each, etc.</p>	<p>process, these issues cannot be addressed in the scope of this Decision or the methodology for co-optimised cross-zonal capacity allocation given the existing setup.</p> <p>Even though it is not in the scope of this Decision but needs to be approved by national regulatory authorities, ACER pointed out that the relevant regulatory authorities already communicated that the costs for co-optimised cross-zonal capacity allocation in the price coupling algorithm should be considered TSOs common costs and therefore follow the currently existing procedures for cost recovery.</p>
<p><b>Question 1.2: Please share your view concerning the proposed implementation timeline of 12+12 months for submitting new requirements for the SDAC algorithm.</b></p>	
<p>10 respondents provided an answer to this question.</p>	
<p>5 respondents deem the proposed implementation timeline of 12+12 months as not a sufficiently long enough period (UFE, EURELECTRIC, TIWAG, CEZ, EDF). Four of these stakeholders emphasised that we are in the middle of several implementation processes (aFRR and mFRR platforms, change to 15 minutes imbalance settlement period in many countries, implementation of IDAs and shorter products in DA and ID energy markets), and that they do not believe this timeline is sufficiently long or feasible (EURELECTRIC, TIWAG, CEZ, EDF).</p> <p>Another respondent (ENTSO-E) highlighted that when discussing the implementation timeline on Euphemia, ACER should take into consideration parallel implementation actions (e.g. 15 minutes).</p>	<p>ACER reminds respondents that this TSOs' methodology for co-optimised allocation is not setting the implementation timeline for the implementation of the co-optimised allocation process but solely when the requirements for this process shall be submitted to NEMOs. Therefore, ACER does not share the concerns of the respondents regarding a not sufficiently long enough period.</p> <p>When NEMOs propose an implementation timeline for the co-optimised cross-zonal capacity allocation process, they should propose a timeline for implementation, which does not jeopardize the functioning of SDAC.</p>

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<p>3 respondents state that the implementation of the co-optimised allocation process should not be rushed to avoid negative impacts on the existing SDAC. (ENBW, EPEX SPOT, Tiwag)</p>	<p>ACER agrees but does not see any potential negative impacts on the existing SDAC by the implementation of this methodology (submission of requirements).</p>
<p>One respondent welcomes the introduction of an implementation timeline in the final proposal of the TSOs (EFET).</p>	<p>ACER agrees.</p>
<p>8 respondents noted that it is important that also other parties besides TSOs are involved in the implementation impact assessment during the implementation process of this methodology. (CEZ, EDF, EURELECTRIC, EFET, EPEX SPOT, ENBW, ENTSO-E, UFE)</p> <p>4 of these respondents emphasised the importance of the NEMOs' involvement on the impact assessment as well as on the establishment of the set of requirements for the algorithm (EURELECTRIC, EFET, EPEX SPOT, ENTSO-E).</p> <p>5 of these respondents stated that also market parties and relevant stakeholders should be consulted during the implementation impact assessment process and on the results of the impact assessment. (EDF, UFE, ENBW, EURELECTRIC, CEZ)</p>	<p>ACER shares the respondents' views and sees a benefit for TSOs to involve all affected parties when conducting the implementation impact assessment. Therefore, ACER invites TSOs to actively involve and consult with different stakeholders for the relevant issues.</p> <p>To allow for an effective NEMOs contribution to this TSOs' process, ACER extended the deadline for publishing the results of the implementation impact assessment.</p>
<p>One stakeholder explicitly stated that the proposed implementation timeline makes only sense in case of a positive outcome (Illwerke).</p>	<p>ACER reminds the respondent that the Proposal already only allows for this timeline in case of a positive outcome. The discussion regarding the conditionality is addressed under the question 1.1 above.</p>
<p>Two respondents generally agree with the proposed timeline (ENTSO-E, ENBW) of which one (ENTSO-E) further notes that some further conceptual and procedural-related questions have to be answered before the implementation of co-optimisation.</p>	<p>ACER largely agrees and kept the initial implementation time and only amended the foreseen timing of the intermediate step for publishing the implementation impact assessment, as described in Recital (32) of this Decision. Eventual clarifications or discussions in the scope of the implementation impact assessment on conceptual and procedural-related questions are welcome.</p>

Respondents' views	ACER views
<b>Q2: Please share your view concerning the proposed cost compensation cap for firmness remuneration between TSOs.</b>	
8 respondents provided an answer to this question.	
Three stakeholders generally agreed to the need for further clarification concerning the proposed cost compensation cap (Illwerke, CEZ, EURELECTRIC).	ACER agrees.
Two respondents stated that this is a pure TSO-TSO process and should not interfere with the market (EFET, EURELECTRIC). One of these respondents further stated that the process should not give the wrong incentives to TSOs (EURELECTRIC).	ACER agrees.
One stakeholder emphasised that any compensation should at maximum cover real costs and in any case not allow any party to draw any advantage from this compensation (IFIIEC).	ACER agrees.
Two respondents mentioned regulatory oversight for a cost compensation cap, which should be ensured (EFET, ENTSO-E). One stakeholder (ENTSO-E) further highlighted that if all TSOs agree on developing a framework for the inclusion of cost compensation caps within and outside balancing capacity cooperation after appropriate investigations of the possible consequences of such framework, all TSOs would agree with ACER and all RAs on the correct way of ensuring regulatory oversight.	ACER deleted the provision of such a cost compensation cap, as described in Recitals (45) to (47) of this Decision. Therefore, the otherwise required regulatory oversight is redundant.
One stakeholder asked for clarification if contracted balancing capacity will not be subject to curtailment even though cross-zonal capacity is curtailed (EFET).	ACER confirms that this is the case, as stated in Article 10(3) of the Proposal.
One respondent argues that the introduction of such a cap serves the avoidance of risks for TSOs within and outside a balancing capacity cooperation and that the general possibility of risk management among	While ACER acknowledges the TSOs' preference for sharing risk among TSOs, it does not share the same view than TSOs with regard to illiquid balancing markets. Co-optimised cross-zonal capacity allocation should

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<p>TSOs. Such cap should also avoid wrong incentives for TSOs with illiquid balancing markets, since full cost recovery in case of cross-zonal capacity curtailment and high costs for replacement procurement in the illiquid market does not incentivise TSOs to take action for improving the local balancing capacity market situation. (ENTSO-E)</p>	<p>also be a market-based tool to widen the scope of national electricity balancing markets by providing access to adjacent markets and therefore foster liquidity. While operational security always needs to be ensured by each TSO, co-optimised cross-zonal capacity allocation should improve the overall efficiency of all participating balancing capacity markets. If firmness cannot be provided, the cost of remuneration should be borne by the TSO responsible for the curtailing of cross-zonal capacities. Such principle should incentivise TSOs to use the most efficient means to fulfil their duties, while avoiding curtailment and ensuring firmness as far as possible.</p>
<p>One stakeholder clarified that the legal basis for introducing cost compensation caps is covered by Article 3(1)(e) of the EB Regulation which states that this EB Regulation aims at ‘ensuring that the procurement of balancing services is fair [...]’. To be fair, third party TSOs should not bear higher risks due to other TSOs establishing balancing capacity cooperation to reduce their own costs for procuring balancing capacity. (ENTSO-E)</p>	<p>ACER does not agree that Article 3(1)(e) of the EB Regulation provides a sufficient legal basis to introduce a cost compensation cap for firmness remuneration between TSOs. While the argument of what is ‘fair’ in such situation and whether curtailment of cross-zonal capacity should be seen as part of the procurement of balancing services could be debated, following the response above, such cap would not support the objectives pursuant Article 3(1)(a), (b), (c) and (d) of the EB Regulation.</p>
<p>Four stakeholders stated that balancing service providers should also be compensated (without compensation cap) for the loss of opportunity of being activated and remunerated for the associated energy. Such situation can occur in case the contracting TSO activates the energy bid of a local BSP rather than the one of a foreign BSP ranking better in the merit order, because of the cross-zonal capacity curtailment (EURELECTRIC, CEZ, EFET, EDF).</p>	<p>ACER acknowledges that such situation might occur in case of curtailment of cross-zonal capacities. However, ACER deems the need and feasibility of setting up a process for such compensation as questionable. Therefore, ACER accepts that the assessment of such a risk might need to be taken into account when BSPs submit their bid prices to the relevant market.</p>
<p><b>Q3: Please share your view on applying a price sensitive demand for possible substitutions between different types of balancing capacity.</b></p>	
<p>8 respondents provided an answer to this question.</p>	

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<p>Two respondents raised the issue that it is unclear how products can be substituted if they have different quality parameters (EURELECTRIC, CEZ);</p>	<p>ACER agrees that there is not sufficient clarity in the TSOs proposal on how any substitution related to the described price sensitive demand would be performed.</p> <p>In general, possible options for substitutions could be either another standard balancing capacity product with a higher quality (e.g. cheaper leftover bid for aFRR than the available mFRR bids) or a specific balancing capacity product, which can fulfil the requirements of the demanded standard capacity product. As described in Recitals (56) to (59) of this Decision, all of these possible options for substitutions would have significant disadvantages if such substitutions would be allowed in the co-optimised allocation process. Therefore, ACER decided to delete the provision of applying a price sensitive demand for possible substitutions between different types of balancing capacity.</p>
<p>Five respondents oppose the principle of elastic demand or the possibility for price sensitive demands (CEZ, EFET, ENBW, EURELECTRIC, Illwerke).</p> <p>One of these respondents further stated that TSOs should define their demand based on system needs rather than prices. Having a price sensitive demand would allow TSOs to set the settlement price and impose price caps on the market (EFET).</p> <p>Another respondent elaborates that the aim to minimise the costs of procurement of balancing capacity should not create price caps. Linking standard products in the co-optimisation with locally procured specific products would not create a 'level playing field' and allows implicit price caps by the linked, locally procured specific product.            (EURELECTRIC)</p>	<p>ACER generally agrees to the statements of these respondents concerning potential issues when applying a price sensitive demand for possible substitutions between different types of balancing capacity.</p>

Respondents' views	ACER views
<p>Another of these respondents emphasised that such sensitive demand would create market disruption and uncertainties that lead to inefficiencies (Illwerke).</p>	
<p>Two stakeholders emphasised that procurement of balancing capacity from standard products in a co-optimised allocation is a one-shot auction and that there is no further opportunity to procure the required balancing capacity for the TSO, apart from relying upon specific products or additional means, both of which should be discouraged (EFET, ENBW).</p>	<p>ACER agrees that the parallel procurement of specific products beside the co-optimisation process should not be incentivised. To avoid such an effect through a possibility of having locally provided specific products as a substitute in the co-optimisation process (as described in Recital (58) of the Decision), ACER decided to delete the provision of applying a price sensitive demand for possible substitutions between different types of balancing capacity.</p>
<p>One stakeholder highlighted that the options for minimising procurement costs should be explored, and stated that, considering the uncertainty regarding possible drawbacks, the effects should be closely monitored (IFIEC).</p>	<p>ACER agrees. To explore the potential reduction of procurement costs including related possible drawbacks through applying a price sensitive demand for possible substitutions between different types of balancing capacity, ACER investigated in this possibility and potential designs of such provision including consultations with TSOs and the regulatory authorities. Due to uncertainties on the linked risks and benefits of such price sensitive demand for possible substitutions between different types of balancing capacity products, as well as the lack of available details on how such a feature would be designed, ACER deleted this provision of a price sensitive demand for possible substitutions between different types of balancing capacity. Once TSOs are able to provide sufficient clarity concerning the resolution of the issues addressed in this Decision and the benefits of such provision, they may request an amendment to the methodology for co-optimised allocation of cross-zonal capacities.</p>
<p>One stakeholder supported the implementation of a price sensitive demand (ENTSO-E) by stating that all TSOs are still convinced that a price sensitive demand for balancing capacity procurement is the functional tool to enable cost-optimised procurement of balancing</p>	<p>Following the arguments presented in Recitals (56) to (58) of this Decision, ACER doubts the overall benefits of having a price sensitive demand for possible substitutions between different types of balancing capacity and decided to delete such provision due to the related</p>

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<p>capacity with optimisation between the different products in a cross-border setting. The proposed alternative approach with a max price would not add the value of a price sensitive demand, which would enable cost-optimised procurement among different products as it is foreseen in Regulation (EU) 2019/943.</p>	<p>drawbacks. As stated under the tasks of a regional coordination centre in Annex I of Regulation (EU) 2019/943 '<i>the procurement of balancing capacity shall take into account possible substitutions between different types of reserve capacity with the aim to minimise the costs of procurement</i>', ACER invites TSOs to take such possibilities into account, while considering the impact of such measure on the objectives pursuant to Article 3 of the EB Regulation. Hence, once TSOs are able to provide sufficient clarity concerning the resolution of the issues addressed in this Decision and the benefits of such provision, they may request an amendment to the methodology for co-optimised allocation of cross-zonal capacities.</p>
<p>One respondent stated that an all-TSO harmonised fixed price cap (as an alternative to the price sensitive demand) would lead to the possibility that one TSO could end up procuring nothing (ENTSO-E).</p>	<p>ACER agrees that a fixed price cap could lead to issues, depending on the level of such cap. Anyhow, ACER did not see the necessity of introducing any price caps for the procurement of balancing capacity when exchanging balancing capacity or sharing reserves.</p>
<p>One respondent (NEMO Committee) emphasized general concerns related to the impact on the price coupling algorithm and its performance through the introduction of the co-optimised allocation process.</p>	<p>As stated in the answers to Q1, ACER shares this concern. A price sensitive demand for possible substitutions between different types of balancing capacity in the co-optimisation allocation process would likely result in an increased burden on the performance of the price coupling algorithm. Given the questionable benefits of this price sensitivity as well as the other drawbacks when using such functionality, ACER decided to delete the provision of applying a price sensitive demand for possible substitutions between different types of balancing capacity.</p>
<p>One stakeholder (NEMO Committee) highlighted that all NEMOs believe that if the co-optimization principles have to be implemented, it should be done by maximizing its efficiency and stated that the introduction of the concept of elastic demand for balancing capacity is fundamental in order to achieve the integration of the balancing markets</p>	<p>ACER disagrees to the need of the concept of elastic demand for the integration of the balancing markets. As described in the answers above and the Decision, the benefits of applying a price sensitive demand for possible substitutions between different types of balancing capacity are questionable. Especially in case of possible substitutions trough other</p>

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<p>and promoting the possibilities for the exchanges of balancing services while using market-based mechanisms.</p>	<p>standard balancing capacity products, which are within the scope of the co-optimised allocation process, ACER does not see any benefit in having a linkage between those products on the TSOs' demand side. Once linkage of bids between different products within the co-optimised allocation process is introduced, the positive effects of substitutions between the involved products can be achieved through the linked bids on the market participants (i.e. BSPs) side while avoiding related issues (as mentioned in Recital (57) of the Decision) if such linkage would be introduced for the TSOs demand.</p>
<p>One respondent comments that in Article 8(4) of the Proposal it is not clear why a TSO demand for more capacity than the one submitted locally should be automatically price-sensitive. If it is to avoid the risk of "free riding" by some TSOs, we oppose this concept, as we consider that the exchange of balancing capacity (if a BCC is indeed setup by the TSOs) is precisely a means of fulfilling the demand of a TSO even if there is not enough offer in its zone; besides, applying such a provision would lead to a situation where the TSO with insufficient offer in its zone would not cover its reserve requirement as dimensioned pursuant to the SOGL. Therefore, arbitrarily reducing the TSO's demand should not be considered as an option. (EFET)</p>	<p>ACER amended the respective paragraph and deleted the provision of a price sensitive demand for such cases. If a local TSO's demand cannot be met (and therefore a price in this local market cannot be formed) in the scope of the co-optimised allocation process, a fall-back procedure should be initiated. Such fall-back procedure should be described under the scope of the methodology pursuant to Article 33(1) of the EB Regulation.</p>
<p><b>Q4: Any other comments.</b></p>	
<p>13 respondents provided an answer to this question.          Below all the responses were summarised which were not in the scope of the questions above.</p>	
<p>Three respondents state that while the EB Regulation requires TSOs to submit a methodology for co-optimised allocation, it does not imply that</p>	<p>ACER does not agree. The requirements of Article 40 of the EB Regulation need to be implemented in a methodology. According to Article 5(5) of the same Regulation, this methodology needs to be</p>

Respondents' views	ACER views
the co-optimised allocation process has to be implemented. (Tiwag, ENBW, CEZ)	implemented. To accommodate the possible application of the co-optimised allocation process pursuant to Article 38 of the EB Regulation, the co-optimised allocation process must be implemented.
Two respondents see an inefficient use of transmission capacities potentially available if these are allocated to balancing. (CEZ, NEMO Committee) One respondent further sees a resulting welfare loss for the final consumer and raises the question, who will compensate market participants for lost opportunity if the capacity allocated for balancing is not used in the end. (CEZ)	ACER does not agree that co-optimised allocation will create inefficiency or welfare losses. On the contrary, co-optimised allocation will create welfare by most efficiently allocating cross-zonal capacity. While there is a chance of capacity allocated for the exchange of balancing capacities or sharing of reserves not being used in the sub-sequent balancing energy market, the same may apply to cross-zonal capacity allocated for the exchange of energy depending on the outcome of the sub-sequent SIDC. While ACER aims for having cross-zonal capacity available for electricity markets, it does not follow the argumentation that market participants need to be compensated for lost opportunity due to a limited availability of cross-zonal capacity at a bidding zone border.
One respondent states that co-optimised allocation risks moving part of bids from day-ahead and intraday market to balancing market, which is in contradiction to goals stated in Regulation (EU) 2019/943 i.e. that market participants should have all the opportunities possible to balance their position as close to real time as possible. (CEZ)	ACER does not agree that co-optimised allocation would prevent market participants from balancing their positions close to real time. Nevertheless, the possibility of major distortions of the SIDC should be taken into account when deciding on the application of co-optimised allocation and the introduction of possible limits of maximum volume, which can be allocated for the exchange of balancing capacity or sharing of reserves within the co-optimised allocation process.
Three stakeholders explicitly opposed any reservation of cross-zonal capacity for balancing. (CEZ, EPEX SPOT, NEMO Committee) Two of these respondents further stated that cross-zonal capacity reservation for balancing exchanges would go against Regulation (EU) 2019/943, which requires TSOs to make the maximum level of capacity of the interconnections and the transmission networks affected by cross-border capacity available to market participants complying with the	ACER wants to emphasise that the co-optimised allocation process will not simply reserve cross-zonal capacity but allocate it to optimise the total economic surplus of SDAC and through the exchange of balancing capacity or sharing of reserves. ACER does not agree with this reading of Regulation (EU) 2019/943, since the cross-zonal capacity shall be made available to market

Respondents' views	ACER views
safety standards of secure network operation. (EPEX SPOT, NEMO Committee)	participants, which is not necessarily restricted to the SDAC and SIDC market.
One respondent addresses the possibility to apply the co-optimised allocation process in intraday auctions, which would allow exchanging balancing capacity on a secondary market pursuant to Article 34 of the EB Regulation. (EDF)	ACER invites NEMOs and TSOs to consider such possibilities in the future.
One respondent supports use of market-based mechanisms to ensure the most efficient allocation of cross-zonal capacity in the day-ahead, intraday and balancing timeframes and to meet energy security goals. (EPEX SPOT)	While ACER deems that, once fully implemented, the co-optimised allocation process would be the most efficient process of the three listed alternatives in the EB Regulation, either of the three alternative processes in the EB Regulation can be implemented. The choice of implementing any or none of these lies with the relevant TSOs and regulatory authorities.
Two stakeholders emphasised the need to ensure adequacy between the co-optimisation process and the flow-based calculation used in some CCRs. The description of the co-optimisation process in the Proposal implicitly assumes that the energy allocation in the SDAC is ATC based. Flow-based relies on energy flows and not capacity bids that might potentially not be activated which is incompatible with the flow-based used in some CCRs. (EDF, UFE)	ACER agrees that the Proposal is missing some elements to address a flow-based environment and therefore added some considerations for a flow-based environment in Annex I.  ACER does not share the view that co-optimised allocation is incompatible with a flow-based calculation process. Since energy flows will potentially not occur if cross-zonal capacity is allocated for the exchange of balancing capacity or sharing of reserves, such allocation should not result in negative PTDFs.
Three stakeholders commented on the possible limits on maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves in Article 6 of the Proposal. (EDF, NEMO Committee, UFE)  One stakeholder mentioned the need for lifting any unjustified or undefined limitations of maximum allocated cross-zonal capacity for the exchange of balancing capacity or the sharing of reserves. (UFE)	ACER agrees that there should not be any unjustified or undefined limitations on the maximum allocated cross-zonal capacity for the exchange of balancing capacity or the sharing of reserves when applying the co-optimised allocation process.

Respondents' views	ACER views
<p>One respondent does not understand the need for additional limits to the maximum allocated cross-zonal capacity for the exchange of balancing capacity or the sharing of reserves that might be imposed by the TSOs and NRAs. For the co-optimisation process, there is no maximum value foreseen in EBGL for the share of cross-zonal capacity that can be allocated for balancing capacity. To reach maximal efficiency the process should optimise the allocation without limitations. Therefore, a rationale for such limits should be provided and if additional limits should be imposed by TSOs and NRAs, these should be well defined, disclosed and justified in order to provide full transparency on the process. (EDF)</p> <p>One respondent is concerned that not having any limitations on the maximum volume of cross-zonal capacity to be allocated for the exchange of balancing capacity or sharing of reserves, allows TSOs total freedom to restrict all the capacity available for SDAC. (NEMO Committee)</p>	<p>Given the efficiency of the co-optimisation allocation process, dependent on real bids for energy and balancing capacity, ACER in principle agrees that there is no strict need for additional limits. However, for cases where no limit would interfere with the functioning of SDAC or SIDC, the possibility for additional limits should be allowed to follow the objective pursuant Article 3(1)(d) of the EB Regulation.</p> <p>ACER does not agree that TSOs will have freedom to restrict cross-zonal capacity available for the SDAC, since the allocation will be based on market inputs and not on the direct decision of TSOs.</p>
<p>9 respondents provided a comment related to the possibility of linking bids and described the market participants' difficulties in choosing between parallel markets without the possibility of linking bids. (CEZ, EDF, ENWB, EURELECTRIC, MVM Partner, NEMO Committee, Tiwag, UFE, UPM)</p> <p>Two respondents shared major concerns regarding the price coupling algorithm's ability to cope with the increased complexity through linking of bids (ENBW, Tiwag)</p> <p>Four stakeholders stated that the need for linking bids on both SDAC energy and balancing capacity markets is to avoid inefficiencies through being not able to participate in parallel markets (CZE, EDF, EURELECTRIC, UFE). Three stakeholder further highlighted its</p>	<p>ACER acknowledges the importance of linking bids for market participants, which would allow market participants to place bids in the parallel markets in the most efficient way.</p> <p>ACER also shares the concerns regarding the price-coupling algorithm's ability to cope with the increased complexity through linking of bids. Since the linking of bids is not a legal requirement as a part of the co-optimised allocation process it was not introduced as a fixed requirement in this methodology to allow sufficient flexibility for implementing the co-optimised allocation process while taking into account the benefits of linking of bids.</p> <p>While ACER acknowledges the importance of linking bids for market participants and the potential benefits, it is not of the opinion that the</p>

Respondents' views	ACER views
<p>concerns over the energy markets in case the linking of the bids among balancing capacity and day-ahead market is not safeguarded and stated that without the possibility of linking bids, the main added value of co-optimised allocation would be lost through unavoidable uncertainties and associated risk premiums (CEZ, EDF, EURELECTRIC).</p> <p>One respondent questions whether no possibility of linking bids would lead to a suboptimal allocation of capacity. (MVM Partner)</p> <p>Two respondents shared concerns that submitting several bids for different balancing capacity products and the energy market would be highly complex for market participants (EDF, ENBW)</p>	<p>added value of co-optimised allocation would mainly be lost through unavoidable uncertainties and associated risk premiums.</p> <p>The possibility of linking of bids, including potential benefits and drawbacks, will be further investigated and discussed in the context of the implementation impact assessment (Article 13(2)(f) of Annex I) and the following implementation proposal by NEMOs.</p> <p>ACER acknowledges the concern about increasing the complexity but is confident in the competence of market participants to be able to cope with parallel markets when optimising their portfolio.</p>
<p>One respondent comments that to obtain the cross-zonal capacity allocated for balancing capacity exchange, the MCO function has to solve the whole optimisation problem, so it is already able to give the accepted capacity bids in each bidding zone. Therefore, the respondent fails to understand the rationale of the additional step performed by the TSOs and states that governance issues between the MCO function and TSOs should not lead to extra unnecessary steps in a process that is already very challenging in terms of timings and complexity. Such additional step, where capacity is allocated by the TSOs independently from energy, is clearly incompatible with the possibility to link energy and capacity bids, which is of utmost importance for us, as emphasised above. (EFET)</p>	<p>ACER agrees that two separate steps for the co-optimised allocation process and the procurement of balancing capacity are not necessary from a technical point of view. However, the rules and processes for the exchange and procurement of balancing capacity are not directly in the scope of this methodology but described in the methodology in accordance with Article 33(1) of the EB Regulation. As described in Recital (50) of this decision, also in a possible two-step approach there should be no deviations between the outcome of the optimisation of co-optimised allocation process and a possible second step for the procurement. The rules and processes for the exchange and procurement of balancing capacity described in the methodology in accordance with Article 33(1) of the EB Regulation should assure that unnecessary delays of the process and complexity will be avoided and also take into account the possibility to link energy and capacity bids.</p>
<p>Two respondents argued that the gate closure time for SDAC and a balancing capacity market should not be the same and would prefer the two markets to be consecutive which would allow more efficient bidding. (CEZ, UPM)</p>	<p>ACER reminds market participants that the co-optimised allocation process should optimise the allocation of cross-zonal capacities to SDAC or balancing capacity markets based on actual bids and the maximisation of economic surplus. This process is not possible with consecutive</p>

Respondents' views	ACER views
<p>One of these respondents prefers a SDAC gate-closure time before the gate-closure time of balancing capacity markets, since without the knowledge of day-ahead market results, flexible assets will not be offered to the balancing capacity market as e.g. the available bid amount for downward capacity is not known (UPM). The other respondent prefers the gate-closure time from balancing markets to be before the gate-closure time of SDAC (CEZ).</p> <p>One of these respondents (UPM) provides additional statements concerning the gate-closure time:</p> <p>Keeping GCTs of DA market and balancing markets separate would also ensure that the same capacity is not by accident offered to both markets (which could lead problems with REMIT);</p> <p>Gate closure time in balancing markets should be as close the real-time delivery of electricity as possible. This would encourage market participants to bid all flexible capacity to the market based on the best available information;</p> <p>Gate opening time should be the same for cross-zonal trading and trading within a bidding zone to ensure liquidity.</p>	<p>markets. Therefore, consecutive markets could not generate welfare from the allocation of cross-zonal capacity between timeframes as efficiently as it is done by the co-optimised allocation process.</p> <p>However, ACER acknowledges market participants wish to be able to optimise their portfolio separately in the two markets, which could be provided through a linking of bids (see discussion addressed above).</p> <p>ACER believes that market participants are able to set up processes to cope with the market design in place and comply with the related REMIT obligations.</p> <p>Setting the gate-closure time for balancing capacity markets closer to real time is not in the scope of this decision.</p> <p>In an auction setup, as used for the co-optimised allocation process, different gate opening times should not impact liquidity as long as sufficient time is provided to market participants for placing their bids.</p>
<p>One respondent flags that Article 5 of the Proposal creates obligations for the "market coupling operator" which is understood to be the NEMOs carrying out the MCO function. Such obligations do not have a legal basis in Regulation (EU) 2019/943 or in any other EU Regulations. Therefore, such new obligations on NEMOs should not be approved by ACER. (NASDAQ)</p>	<p>Since this is a TSOs' methodology, ACER generally agrees and deleted any references creating obligations on NEMOs in the co-optimised allocation methodology. The amendments related to this comment can be found in Recital (66) of this Decision.</p>
<p>The Proposal goes against the principle contained in Regulation (EU) 2019/943 to maximize the cross-border capacity that should be made available to the market. It is difficult to reconcile the proposal with the</p>	<p>ACER does not agree, since, when applying co-optimised allocation, cross-zonal capacity is not withdrawn from the market but allocated between the SDAC energy market and the balancing capacity market</p>

Respondents' views	ACER views
<p>integrated day-ahead market which has just recently opened up for more competition between NEMOs as the Proposal allows for cross-border capacity being used for balancing markets instead of the day-ahead market. (NASDAQ)</p>	<p>depending on the optimisation of the total economic surplus in both markets. Given the existence of this legal requirement since the EB Regulation entered into force in 2017, sufficient time until final implementation of this process and the general market based principles behind this concept, ACER does not share the concerns of reconciliation.</p>
<p>Lastly, we think it inappropriate that a NEMO should be expected to develop the market coupling algorithm for the purpose of the balancing market in which it has no rights or obligations. NEMOs have neither commercial interest nor executive control in the balancing market. (NASDAQ)</p>	<p>The monopolistic MCO function activity of establishing and operating the price coupling algorithm comes with certain legal requirements, co-optimised allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves being one of them. Since this is under the scope of the monopolistic MCO function activities of all NEMOs the commercial interest of the competitive part of NEMOs is not of direct concern when introducing this element in the price coupling algorithm. As already agreed by regulatory authorities, the costs for establishing this function should be considered as all TSOs costs.</p>
<p>One respondent stated that all NEMOs should be involved in the next steps regarding this methodology. For the workshop on the 26th Feb stakeholders were invited with a very short notice that resulted that the NEMOs representation was not adequate, as most of the NEMO experts dedicated to algorithm were already allocated to another workshop on the same date. (NEMO Committee)</p>	<p>ACER will try to send out invitations to its future workshops as early as possible. Since ACER acknowledges the impact this TSOs' methodology has on NEMOs, an additional call with all NEMOs was organised to present a later draft of the methodology and discuss it with NEMOs.</p>
<p>One respondent states that it should be clear that the cross-zonal capacity on a bidding zone border that has not been allocated to energy bids in DA (which results in a price coupling on that BZB) nor to balancing capacity (because the TSOs' needs are fulfilled), has to be released to the ID market. (EFET)</p>	<p>While ACER generally agrees, the release of cross-zonal capacities after the SDAC is not in the scope of this methodology.</p>
<p>One respondent questions if the proposed co-optimisation process been designed only for a TSO-TSO model or if it would also be compatible also with a TSO-BSP model, as allowed by Art. 35 of EBGL? (EFET)</p>	<p>ACER is of the opinion that the TSO-TSO model is the target model for exchange or sharing of reserves. Therefore, it is adequate to design the co-optimisation process with the TSO-TSO model in mind. On the other</p>

Respondents' views	ACER views
	hand, ACER currently does not think it would not work under a TSO-BSP model, if the regulatory authority approves the TSO-BSP model in accordance with Article 35 of the EB Regulation.
Two respondents ask for clarification on what is meant by integrated product in Article 3(2) of the Proposal. (EFET, EURELECTRIC). One of these respondents would further welcome an explanation on how to combine a co-optimised allocation process with the derogation to procure upward and downward jointly and without derogation. (EFET)	ACER deleted this paragraph since only standard balancing capacity products are applicable in the co-optimised allocation process.
One respondent refers to Article 3(3) of the Proposal when asking for clarification on how to combine SDAC for 24h with a minimum contracting of balancing capacity bids and states that the contracting period must be identical for the SDAC and for the capacity procurement, i.e. 24h. (EFET)	The contracting period rather refers to the possible length (blocks) of offered balancing capacity than the general timeframe. ACER does not see a problem with that concept but clarified the wording of the Proposal.
Two respondents ask for clarification on what is meant by “for the same activation time” in Article 3(6) of the Proposal. If cross-zonal capacity is not used for the product it was reserved for, then there is no other choice than a release of this cross-zonal capacity for exchange of balancing with shorter activation times. In general, mechanism of releasing unused cross-border capacity allocated for balancing is unclear.(EURELECTRIC, EFET)	ACER agrees and amended the Proposal. In general the mechanism of releasing unused cross-border capacity allocated for balancing is not in the scope of this methodology but addressed in the methodologies pursuant the Articles 19 to 21 of the EB Regulation.
Four respondents stated that the period of one month (even if this is a minimum), defined under Article 4, is too short for market participants to adapt to the new market environment. The respondents further stated that it would be useful to also make the link with Article 33(1) and 38(1) of EB Regulation, given the overlap of those Articles with the content of the Article 4 of the Proposal. (CEZ, EURELECTRIC, EFET, EDF)	ACER acknowledges the preference of market participants to have more time to adapt to an introduction of the co-optimised allocation process. ACER also agrees that a link to the relevant Articles of the EB Regulation would be useful in this context. While such link is established in Article 14(5) of the Proposal, Article 12(3) of the EB Regulation would allow TSOs to keep such short deadline. Therefore, ACER asked TSOs to extend this deadline above the legal requirements and TSOs agreed to

Respondents' views	ACER views
<p>Three of these respondents further recommend a period of at least 6 months (CEZ, EDF, EURELECTRIC), while one recommend a period of at least 3 months (EFET).</p>	<p>give market participant prior notice of at least 3 months. ACER amended the respective paragraphs.</p>
<p>Three respondents stated that the need for the late deadline for publishing information in Article 14(3) of the Proposal is not given. (CEZ, EFET, EURELECTRIC)</p>	<p>ACER agrees that there should be no need for such delays and asked TSOs to confirm this. TSOs did not agree to such amendment since, according to Article 12 of the EB Regulation, this is the official deadline and it would not be adequate to be more restrictive at least until the co-optimisation allocation process is defined in detail. Therefore, ACER was not able to restrict this provision in this methodology.</p>
<p>Three respondents commented that the deadline for publishing information in Article 14(4) of the Proposal does not prevent TSOs from earlier publishing. (CEZ, EFET, EURELECTRIC)</p>	<p>ACER agrees and asked TSOs to shorten this deadline, if possible. TSOs did not agree to an amendment since, according to Article 12 of the EB Regulation, this is the official deadline and it would not be adequate to be more restrictive at least until the co-optimisation allocation process is defined in detail. Therefore, ACER was not able to restrict this provision in this methodology.</p>
<p>Three respondents stated that a delay of maximum one hour for the notification of selected upward/downward balancing capacity bids to market participants, as stated in Article 5(1)(c) and 14(2) of the Proposal, does not seem necessary. (CEZ, EFET, EURELECTRIC)</p>	<p>ACER agrees and asked TSOs to agree to an amendment of this provision for a delay. TSOs remained with the position of 'as soon as possible but no later than one hour', since, according to Article 17 of the Commission Regulation (EU) No 543/2013, one hour is the official deadline and it would not be adequate to be more restrictive at least until the co-optimisation allocation process is defined in detail. TSOs further stated that it is not against giving more time to stakeholders if this is deemed feasible in the future, which in any case would be allowed by the wording used in the Proposal. Therefore, ACER was not able to restrict this provision in this methodology.</p>
<p>One respondent states that in Article 5(2)(c), it is not clear why a conversion of the balancing capacity bids is required. (EFET)</p>	<p>The conversion in this context should be interpreted as converting single bids to a curve by aggregation.</p>

Respondents' views	ACER views
<p>One respondent states to Article 5(2)(d) of the Proposal that if there are minimum local reserve requirements and/or additional thresholds per product and per direction, we think they should be harmonised at the level of the balancing capacity cooperation to ensure a level-playing field to avoid competition distortions across bidding zones. (EFET)</p>	<p>These are technical requirements, which need to be defined in accordance with the SO Regulation. Defining such requirements or thresholds is however not in the scope of this methodology.</p>
<p>Two respondents ask for clarification in Article 5(2)(e) on who sends what to whom. The role and responsibilities should be clearly defined, properly applied and harmonized throughout the proposal. (EFET, EURELECTRIC)</p>	<p>The roles are clearly defined when following the reference mentioned in this sub-paragraph.</p>
<p>One respondent questions what “capacity management module” is considered in Article (5)(2)(i) of the Proposal (EURELECTRIC)</p>	<p>ACER amended the wording of the respective sub-paragraph by referring directly to the platforms for the exchange of balancing energy pursuant to Articles 19 to 21 of the EB Regulation, as described in Recital (69) of this Decision.</p>
<p>One respondent would welcome clarification on the time schedules for the process of releasing unused cross-zonal capacity for the exchange of balancing energy with shorter activation times in order to ensure feasibility, as mentioned under Article 10(2) of the Proposal. (EFET)</p>	<p>ACER amended the text of this paragraph. In general, the mechanism of releasing unused cross-border capacity allocated for balancing is not in the scope of this methodology but addressed in the methodologies pursuant the Articles 19 to 21 of the EB Regulation.</p>
<p>Two respondents (EFET, EURELECTRIC) suggested to add two items to the list of topics to be covered in the implementation impact assessment in Article 13(2) of the Proposal:</p> <ul style="list-style-type: none"> <li>• the impact of elastic demand on the creation of price cap in the balancing capacity market; and</li> <li>• the overall impact on the efficiency of the day-ahead and intraday trading, including on efficient utilization of resources.</li> </ul>	<p>As mentioned in the responses to question 3 above, ACER decided to limit significantly demand elasticity, which will also avoid the possibility of introducing price caps through an elastic demand. While ACER agrees that the overall impact on the efficiency of the day-ahead and intraday trading, including on efficient utilization of resources should be monitored and assessed, it is doubtful if TSOs would be able to perform such an assessment in sufficient detail at the time of the implementation impact assessment. ACER is of the opinion that such assessment can be much better provided by NEMOs concerning the impacts related to the performance of the price coupling algorithm and when deciding on the application of the co-optimised application process pursuant to Article</p>

Respondents' views	ACER views
	38(1) of the EB Regulation concerning additional, more specific and regional impacts when it comes to any further impacts which were not already assessed. Finally, ACER wants to emphasise that the objective of co-optimised cross-zonal capacity allocation should be the overall welfare gains when allocating cross-zonal capacities, which should lead to an overall increase of efficient allocation of cross-zonal capacity to both, the energy and balancing capacity market.
Three respondents stated that in Article 13(2)(d) it is not clear why the compatibility with the continuous trading matching algorithm should be assessed. (EDF, EFET, EURELECTRIC)	ACER agrees that the continuous trading matching algorithm methodology should not be impacted by co-optimised cross-zonal allocation. However, the methodology for the price coupling algorithm and the continuous trading matching algorithm pursuant to Article 37 of the CACM Regulation is one methodology covering both algorithms and is therefore mentioned in its complete form.
Two respondents stated that it is not clear what the “two-steps approach” refers to in Article 13(2)(d) of the Proposal. (EURELECTRIC, EFET)	TSOs stated that this should describe the separate steps of allocation between energy and balancing capacity and balancing capacity procurement. ACER amended the paragraph for clarification.
One respondent flagged that under Article 14(5) of the Proposal, it is unclear which "approved methodologies" are referred to.(EFET)	ACER amended the Proposal to clarify that it should be the methodology pursuant to Article 38(1) of the EB Regulation.
Three respondents provided additional remarks related to change of wording, grammar improvements and to generally increase the quality and clarity of the Proposal. (EURELECTRIC, IFIEC, EFET)	ACER improved wording to increase the overall clarity, and addressed the mentioned grammar mistakes.
One respondent states that the co-optimised allocation of cross-zonal capacity in the Proposal would imply significant changes to the price coupling algorithm and the related SDAC processes. (NEMO Committee)	ACER acknowledges that when the co-optimised cross-zonal capacity allocation process will be integrated in the price coupling algorithm, changes to the price coupling algorithm may be needed.
One respondent generally remarks that NEMOs would have to play an active role in the implementation of this Proposal, given its likely impact	ACER agrees to the important role of NEMOs when implementing the co-optimised cross-zonal capacity allocation process. However, this all

Respondents' views	ACER views
<p>on the market coupling processes. This role should be clearly described, and reflect NEMOs' responsibilities for developing and maintaining the algorithms, systems and procedures for SDAC and SIDC where cross-zonal capacity is allocated simultaneously for different bidding zones as part of the Market Coupling Operator function. (EPEX SPOT)</p>	<p>TSOs' Proposal only describes the general requirements for the co-optimised cross-zonal capacity allocation process and the role of TSOs when initiating the implementation of the co-optimised cross-zonal capacity allocation. Therefore, this Proposal is implemented by the TSOs' submission of new requirements to the price coupling algorithm operated by NEMOs. The subsequent all NEMOs' amendment proposal for the price coupling algorithm methodology should then explicitly address the role of NEMOs for the implementation and operation of the co-optimised cross-zonal capacity allocation process. However, as agreed by all involved parties and as stated in Article 13(1) of the Proposal, the cooperation with NEMOs in the TSOs' implementation impact assessment is highly appreciated.</p>
<p>Three respondents share their preference for the co-optimised allocation process among the three possible processes for allocating cross-zonal capacities for the exchange of balancing capacity or sharing of reserves in accordance with the EB Regulation, because of the pure market-based nature of this approach. (EDF, IFIEC Europe, UFE)</p>	<p>ACER shares the view of respondents that co-optimised cross-zonal capacity allocation is the most efficient tool of the foreseen possibilities for allocating cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.</p>

### 3 List of respondents

Organisation	Type
UFE	Union of the French Electricity Industry
EURELECTRIC	Association
EFET	European Federation of Energy Traders
TIWAG-Tiroler Wasserkraft AG	Energy company
NEMO Committee	All NEMOs' Association
ENBW Energie Baden-Württemberg AG	Energy company
Nasdaq Oslo ASA	NEMO
Illwerke vkw AG	Energy company
CEZ	Energy company
IFIEC Europe	Association
UPM Energy	Energy company
EPEX SPOT	NEMO
EDF	Energy company
MVM Partner Ltd.	Energy company
ENTSO-E	European Network of Transmission System Operators