

ACER



European Union Agency for the Cooperation
of Energy Regulators



Results of ACER's 70% target report - 2020 S1

Webinar, 21 January 2021

- The Q&A session will take place **at the end of the Webinar**
- However, **participants are welcome to ask their questions at any time** during the Webinar
- Participants stay muted, questions have to be written in the **chatbox**
- When asking a question, please kindly:
 - Be as concise as possible
 - Feel free to state if your question is directly addressed to one of the speakers

Introduction: Context, key findings of the ACER 70% target report

DC borders: Key findings

AC borders: Key findings

Derogations/Action plans-Overview and main conclusions

Future 70% reports: Aspects that require attention

Introduction

- **Calculation and allocation of cross-zonal capacities** - crucial for Internal Electricity Market.
- Much **progress in capacity allocation** (i.e. how to allocate the capacity available for trade).
- But, **slow progress in capacity calculation** (i.e. how much capacity is *made available* for trade).
- EU law - Clean Energy Package (2019):
 - identifies the **lack of cross-zonal capacity** as a **barrier** to electricity market integration.
 - creates a rule, the minimum binding capacity margin available for cross-zonal trade ('MACZT')
 - MACZT = the '**minimum 70% target**'
 - MACZT = **binding** since 1 January 2020
 - MACZT has to be met **by all TSOs on all critical network elements**, and for **all hours**.
 - allows for **transitory measures** for Member States (MSs) to gradually reach the min. 70% target by 2025 at the latest

- ACER advice requested by the Electricity Cross-border Committee of EU Member States (MSs)
- Aim: harmonised approach to implement the 70% target
- **Main principles** of ACER's (2019) Recommendation:
 - **day-ahead timeframe** (including long-term capacity)
 - **MACZT stems mostly from trade within the EU**. Non-EU is separately monitored, in line with EC's guidance on the matter
 - MACZT is monitored individually and separately for **all critical network elements** with contingencies (CNECs), **and for all hours**
 - **other allocation constraints** on cross-zonal trade possibilities are monitored

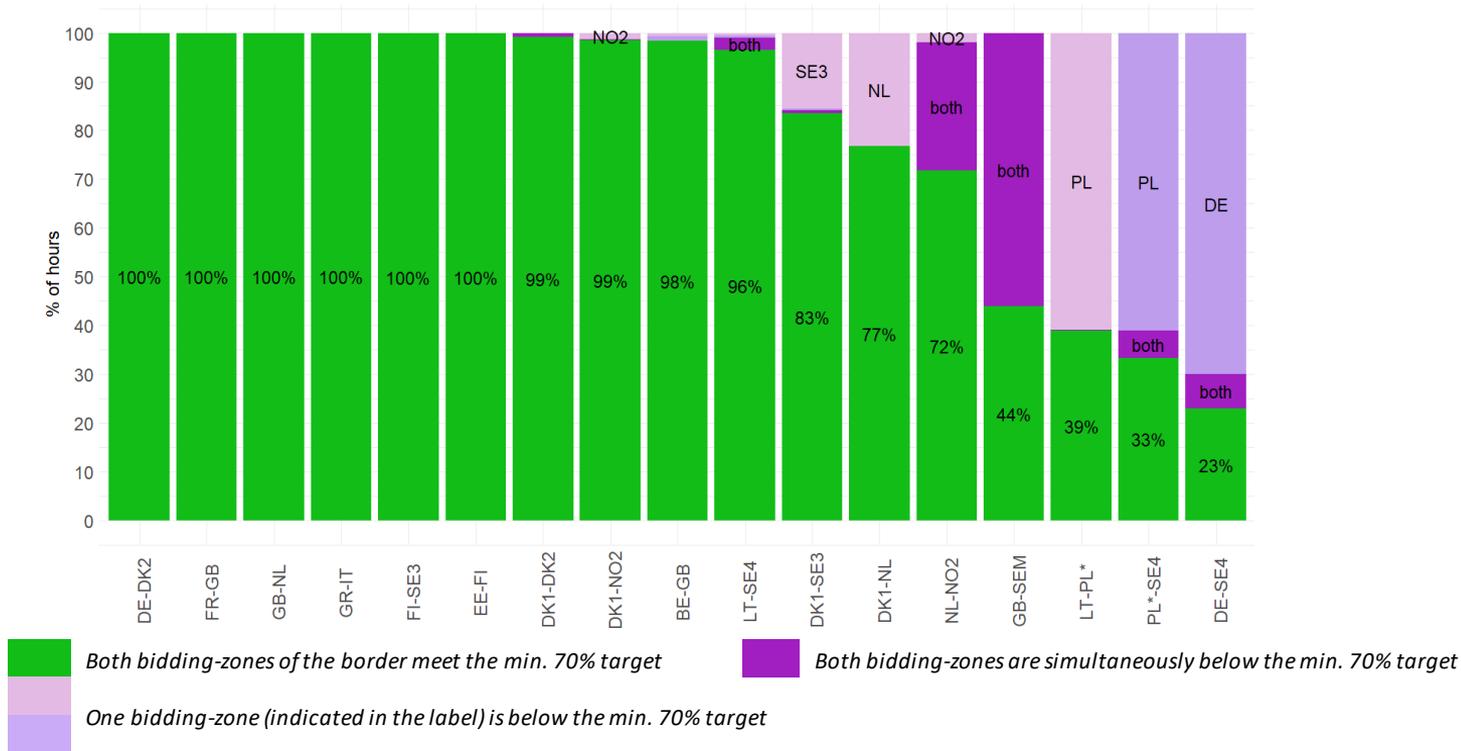
- ACER's first report, covering the first semester (Jan-June) 2020
- ACER's report:
 - monitors the minimum MACZT **in line with ACER's Recommendation**
 - provides an **overview of MSs action plans and derogations**
 - **does not question** the binding target, which is set by Regulation
 - **does not assess legal compliance**, which is national regulatory authorities' (NRAs) task
 - **NRAs are encouraged to consider the results** of the ACER report to assess compliance

- Direct Current (**DC**) borders: **70% target met mostly, but with a few notable exceptions**
- Alternating Current (**AC**) borders: **significant room for improvement** for most regions and borders
- **MSs Action Plans and Derogations:**
 - Diverse picture. **Significant room to further harmonise action plans and derogations across the EU**
 - NRAs should grant **derogations as a last resort measure, for maintaining operational security**
- TSOs must provide robust and extensive data - **room for data improvement**
- **For consistency, NRAs should consider ACER's analysis when assessing** the compliance of TSOs with the minimum 70% target

Results of monitoring the MACZT on DC borders

DC borders - Results

Figure 1: Percentage of the time when the relative MACZT is above 70% on DC borders – first semester of 2020 (% of hours)



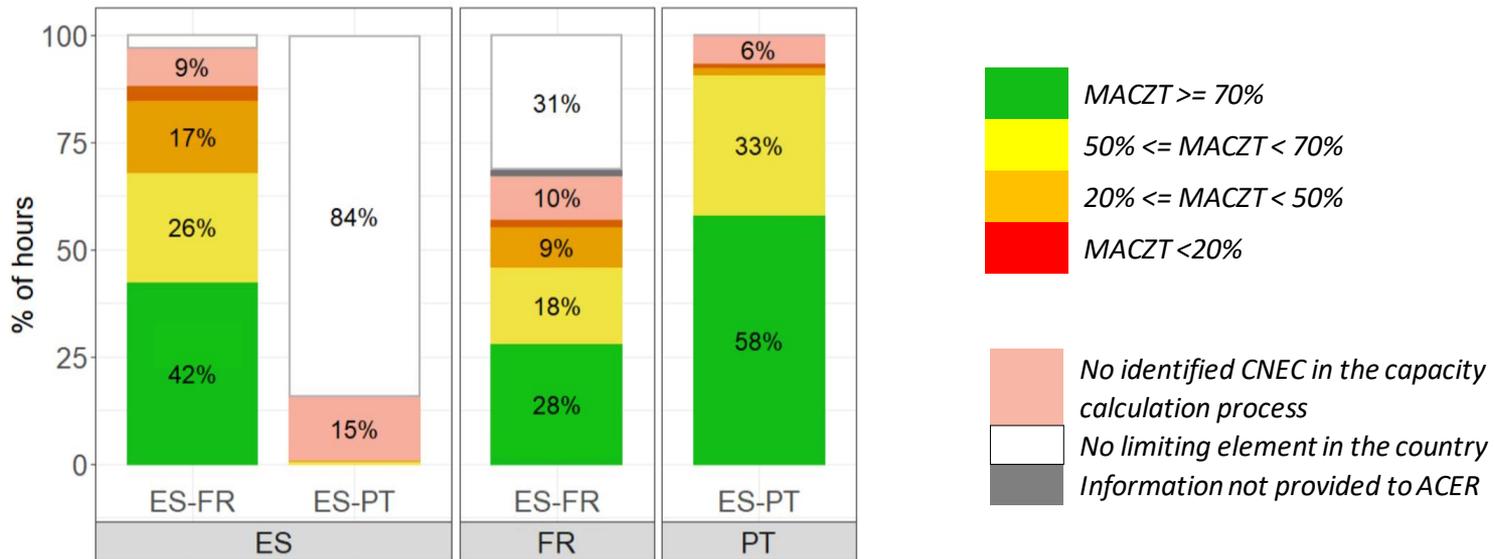
DC borders: 70% target was met most of the time, but few substantial exceptions

- **70% target was met most of the time on DC borders** in the first half of 2020 , **but few substantial exceptions:**
 - Baltic Cable (DE-SE4), due to internal congestions in Germany at distribution level
 - Borders of Poland with LT and SE, due to the Polish allocation constraints
 - Border between DK 1 and SE3, mostly due to reductions in Sweden
 - Border between the NL and DK1 due to congestions at least on the Dutch network
 - Border between Great Britain and Ireland, likely due to limitations on the British side
- **Data quality:**
 - Satisfactory, except lack of information when internal AC elements limit capacity

Results of monitoring the MACZT on AC borders

AC borders – Results for South West Europe (SWE)

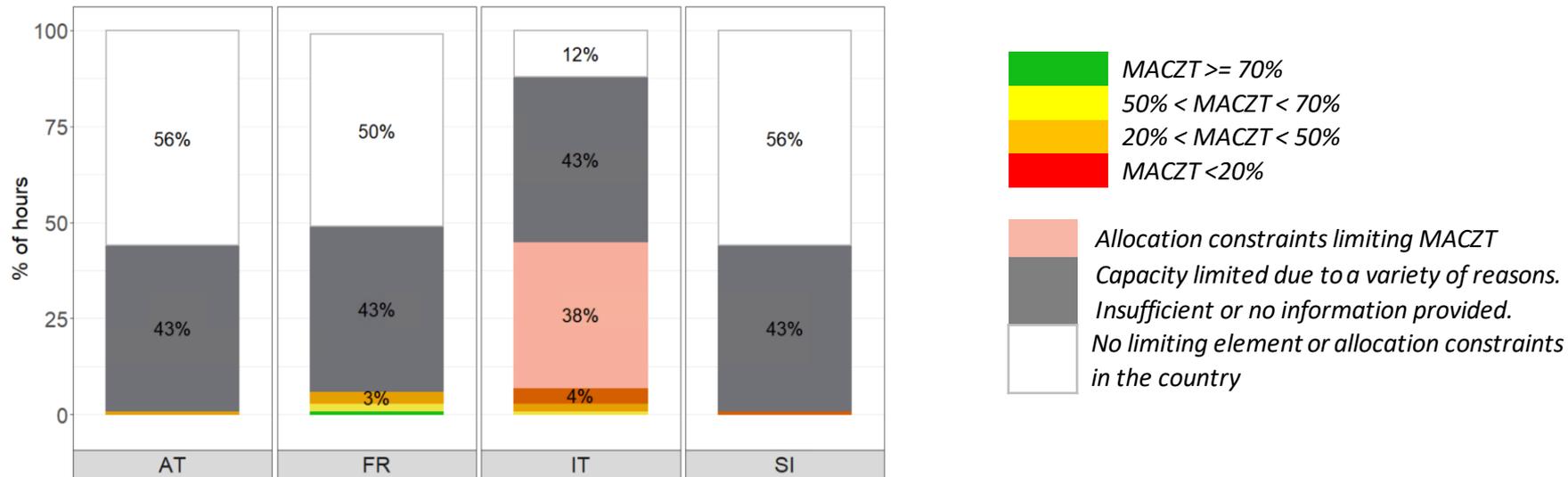
Percentage of the time when the relative MACZT is above the minimum 70% target (green) in the SWE region – first semester of 2020 (% of hours)



South West Europe (SWE) region: 70% target met more than half of the time

AC borders – Results for Italy North

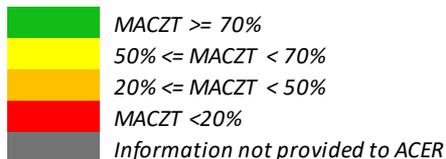
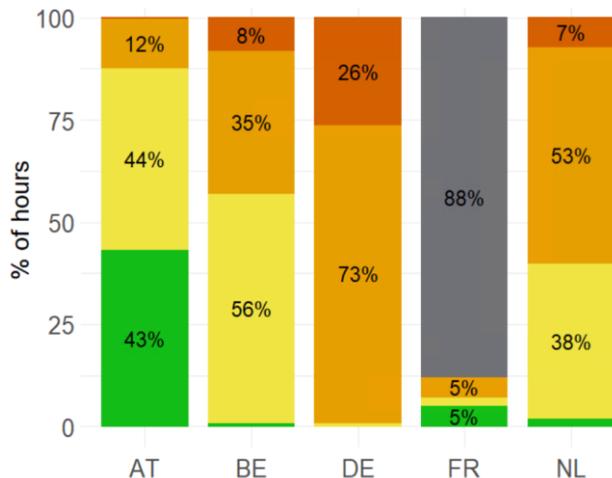
Percentage of the time when the relative MACZT is above the minimum 70% target (green) in the Italy North region, not considering exchanges with third countries – first semester of 2020 (% of hours)



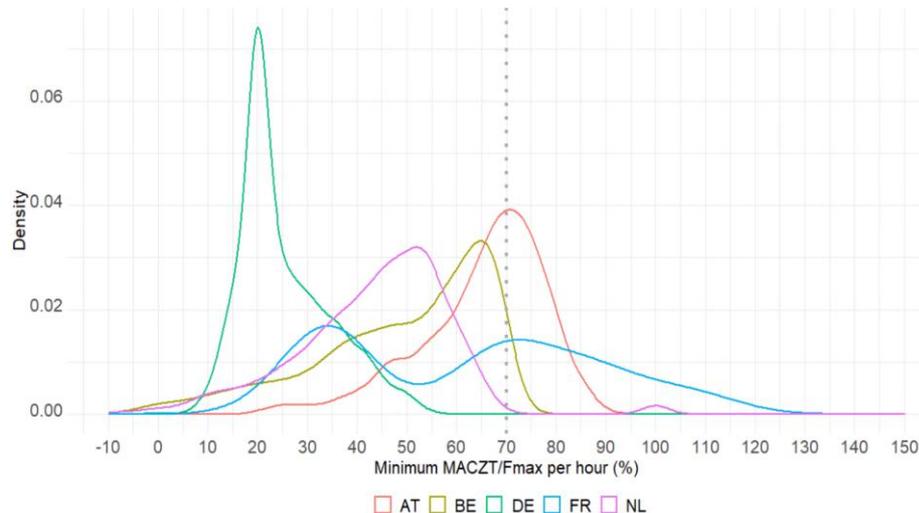
Italy North region: Urgent need for better data, as margin could only be monitored less than 20% of the time

AC borders – Results for Central Western Europe (CWE)

Percentage of the time when the relative MACZT is above the minimum 70% target on all CNECs in the CWE region, not considering exchanges with third countries – second quarter of 2020 (% of hours)



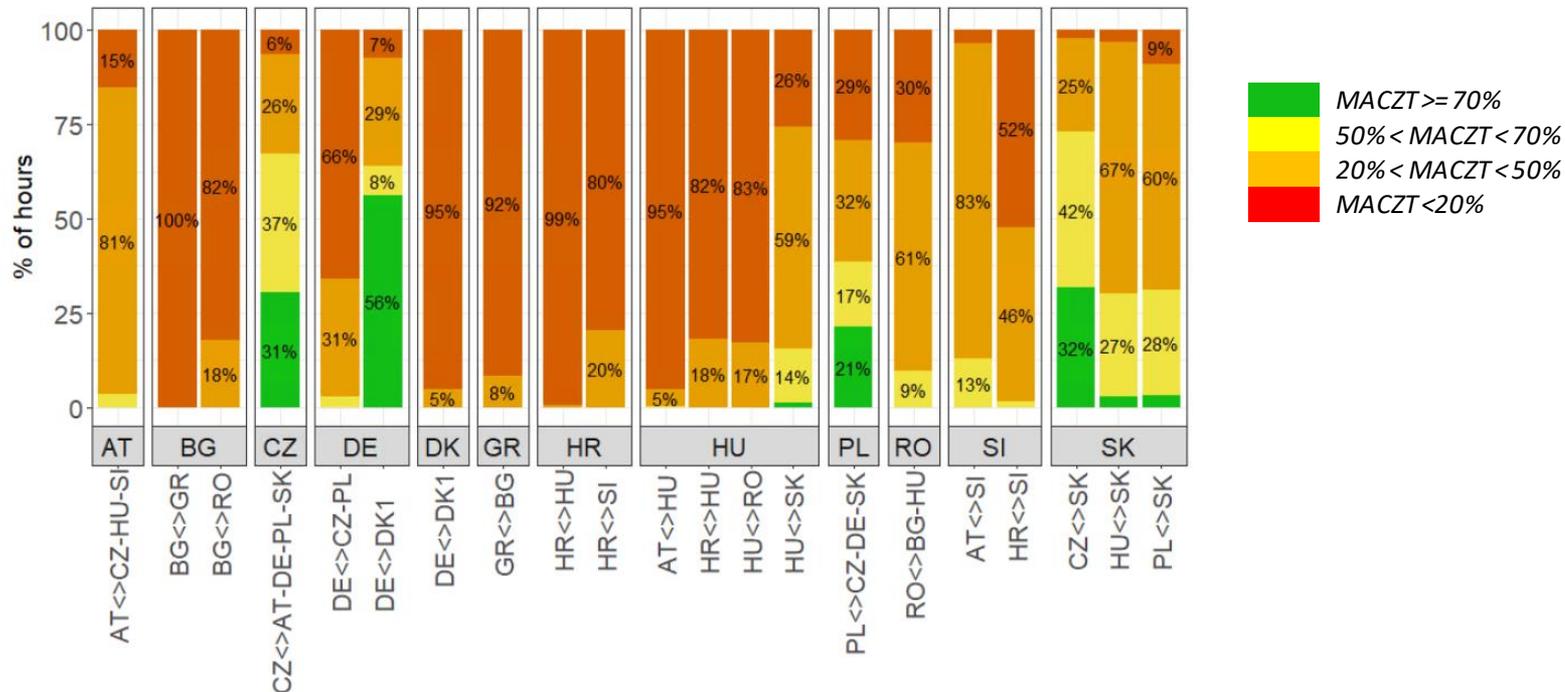
Density function of the lowest hourly relative MACZT per country, in the CWE region, not considering exchanges with third countries – second quarter of 2020



CWE region: Biggest room to improve in DE, BE and NL (BE&NL impacted by loop flows). More information needed for FR

AC borders – Results for other borders

Percentage of the time when the relative MACZT is above the minimum 70% target (green) on all other borders first semester of 2020 (% of hours)



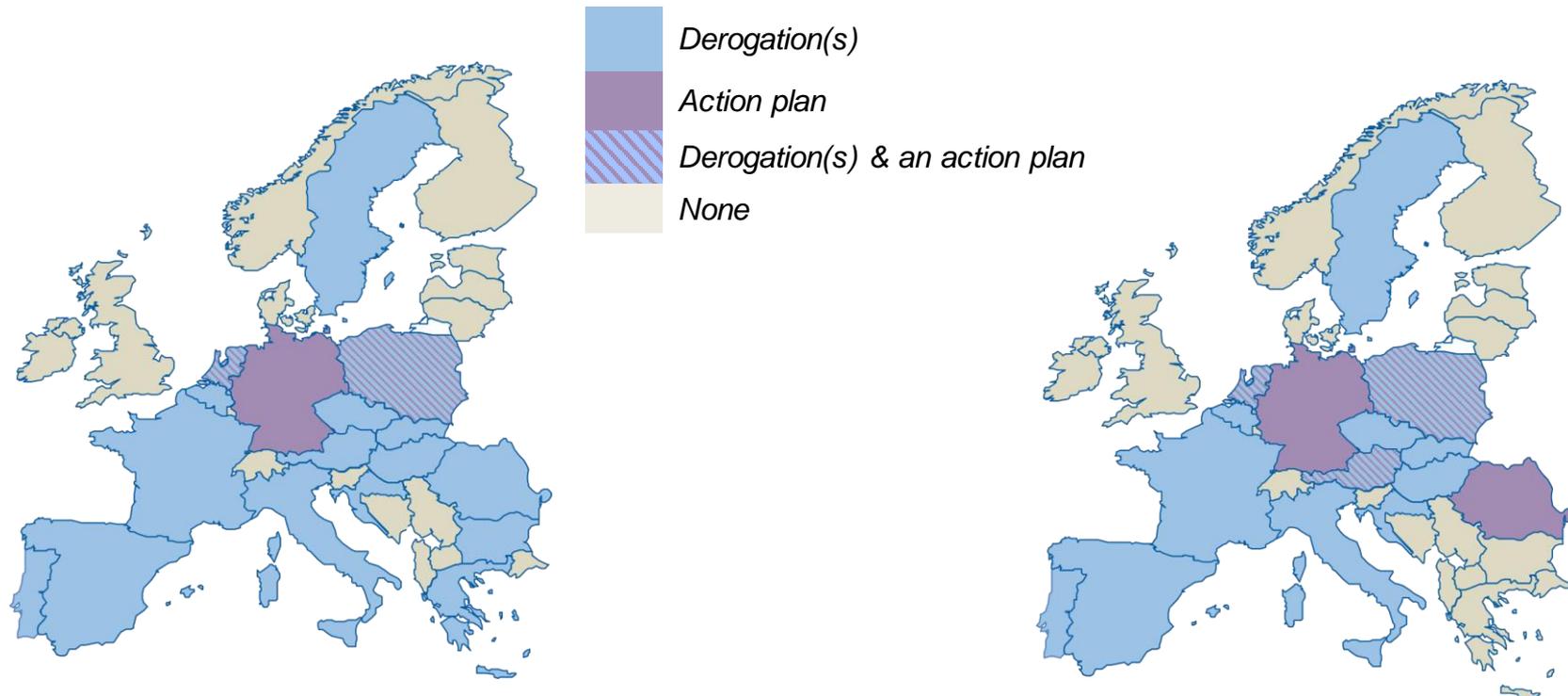
Rest of Europe: mixed results: room for improvement for all countries and borders

- **Diverse picture** depending on the region
- Minimum **MACZT above 70% for around half of the time in the SWE region**
- Significant **room for improvement**:
 - Lowest margin in **BG, HR, HU and SI**
 - **CWE region, in particular for DE, BE and NL (BE and NL impacted by loop flows)**
 - Capacity on **Italy North borders often reduced due to allocation constraints**. Insufficient information was provided
- **Finland** included in the report but results not **comparable: ACER's recommendation not followed**

- In general, **quality improved** considerably
- **Data not provided for the Nordic and Baltic areas**, impeding monitoring
- Data requires urgent improvement:
 - Lack of data **by the Swedish TSO**
 - **Selective data provided** by some TSOs, based on national considerations
 - Information on **all limiting CNECs and for all hours should be provided**
 - **Coordinated submission of data by TSOs** (e.g. at the CWE, IT-North level) needed
 - Calculated values by TSOs **should follow ACER Recommendation**

Derogations/Action Plans

Overview of Derogations and Action Plans for 2020 and 2021



2020

2021

- **2020:** derogations given in 16 MSs
 - **3 MSs (DE, NL, PL) have action plan, and 2 MSs (AT, RO) plan to have them**
 - Substantial **alignment and harmonisation of derogations only found in SWE and Italy North**, and partially in CWE
- **2021:** 13 derogations requested to date
- **Significant room to further harmonise derogations** across the EU e.g.
 - **Reasons underlying the request** for a derogation
 - Include minimum target(s) for the derogation or a way **to monitor improvements** towards the 70% target
 - NRAs should grant **derogations as a last resort measure, and only where necessary for maintaining operational security**

Future 70% reports: Aspects that require attention

- **At national level:** Ensuring compliance with the 70% target is the NRA's task
- Compliance coordination is key. **Uncoordinated approaches could put the overall binding 70% target at risk**
- **At EU level: Comparability of results depends critically on the provision of harmonised and coordinated data by TSOs,** in line with ACER's Recommendation
- **ACER's call to action:** Let's concentrate efforts on **increasing cross-zonal capacity** to meet the 70% target and **in improving the provision of the data** for monitoring purposes

Thank you for your attention!



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