



European Union Agency for the Cooperation
of Energy Regulators

Recommendation on amendments to CACM regulation (CACM 2.0)

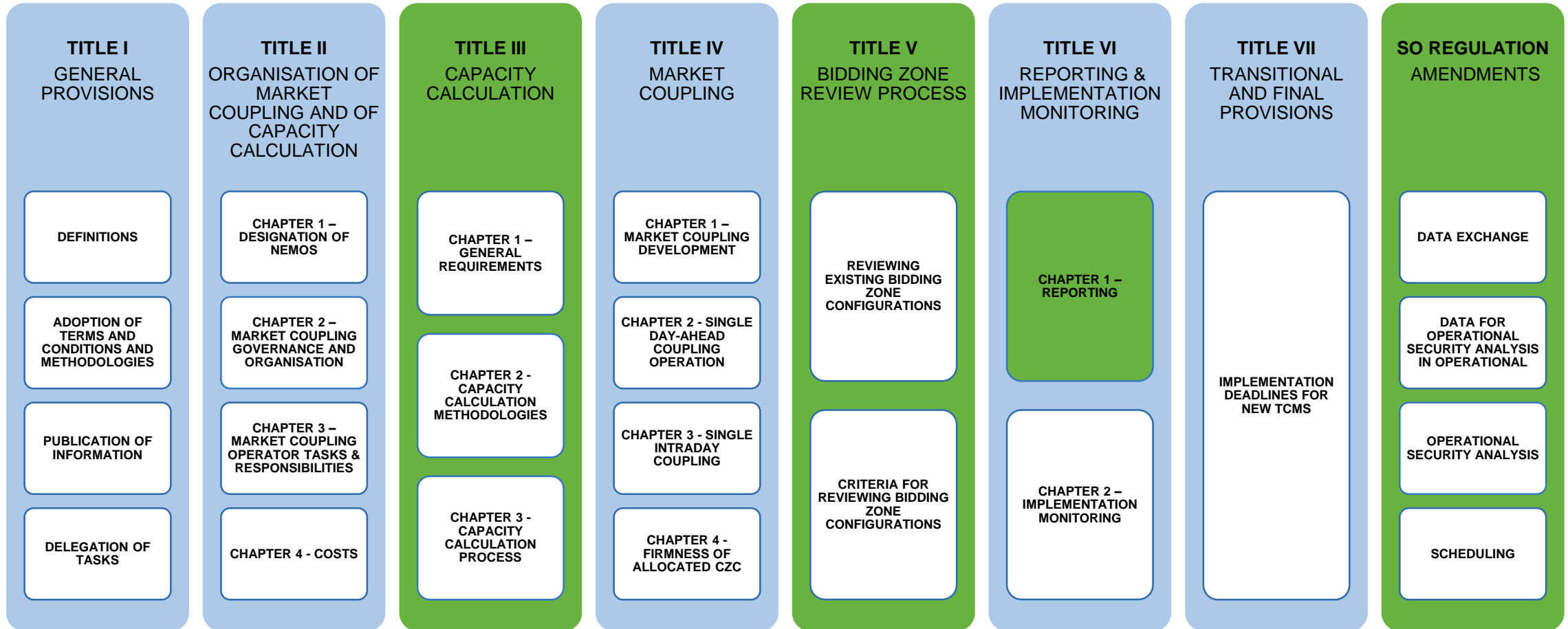
Session II: Capacity calculation, bidding zone review and SO Regulation

Webinar 18 January 2022

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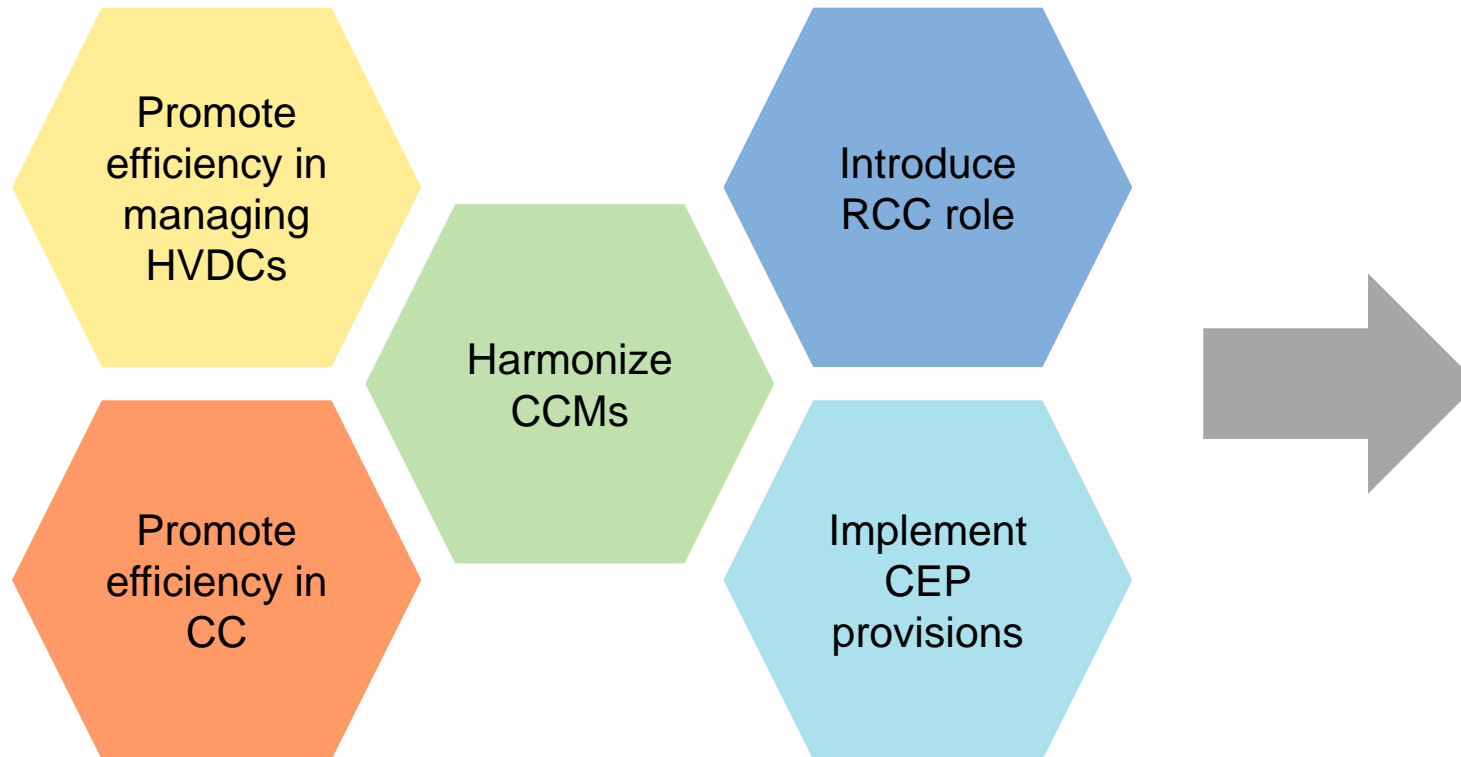
AGENDA		
12:45 - 13:00	Dial-in time	Starts promptly at 13:00
13:00 - 13:05	Opening	Christian ZINGLERSEN, Director (ACER)
13:05 - 13:40	ACER's recommendations on capacity calculation, bidding zone review and SO Regulation <ul style="list-style-type: none"> • Introduction of ACER's proposals (20') • Reactions by All TSOs and market participants (5' each) 	Martin POVH (ACER) André Estermann (ENTSO-E) Lorenzo BIGLIA (EFET) Marie BOURROUSSE (Eurelectric)
13:40 - 13:55	Q&A session (online submission via Slido)	Moderator: Christophe GENCE-CREUX (ACER)
13:55 - 14:00	Closing and next steps	Annamaria MARCHI (EC)

- Please keep your **mic muted** and your **camera off** throughout the workshop.
- Attendees may submit questions via **Sli.do (#CACM2TSO)**; all attendees will be able to view all questions (and if possible replies given in the chat). You're invited to vote up questions asked.
- After the main agenda-items we have time for a **Q&A session** for this agenda-item (15 min) and go through the most important questions.
 - Please provide your questions for the Q&A only via Sli.do during the presentations
- The webinar is being recorded and published on the ACER website (including the slide pack).
- In the presentation we've included references to the **new** title, chapter, and article numbers as in the Recommendation.



ACER recommendation on Capacity Calculation, Bidding Zone review & SO regulation

Martin POVH



- New criteria to identify CCR
- New criteria to allow cNTC
- New criteria for allocation constraints
- Capacity calculation encompassing 70% provisions
- Aligned steps for capacity calculation and validation

Determination of capacity calculation regions

- Legalise Advanced Hybrid Coupling by duplication of some borders in two CCRs
- Limit Advanced Hybrid Coupling to HVDC and radial AC interconnectors between two regions
- Allows the dissolution of Hansa CCR (if justified efficient) and change of GRIT, SEE
- Transitional arrangements for different purposes: the aim is to allow gradual change of CCRs first for DA CCM then ID CCM, FCA CCM and ROSC

- Specification of intraday capacity updates and recalculations to support intraday auctions
- Adding reference to the methodology for critical network elements (not mentioned in existing CACM)
- Additional cost benefit justification requirements for allocation constraints
- Strengthening the obligations for using remedial actions to maximise cross-zonal capacities
- Adding provisions on coordinated validation of capacities performed by RCC
- Biannual report on capacity calculation simplified – collection of regional reports prepared by RCCs
- Strengthen reporting on capacity validation reductions – increase transparency of reductions

Different views on coordinated NTC approach

Tight approach

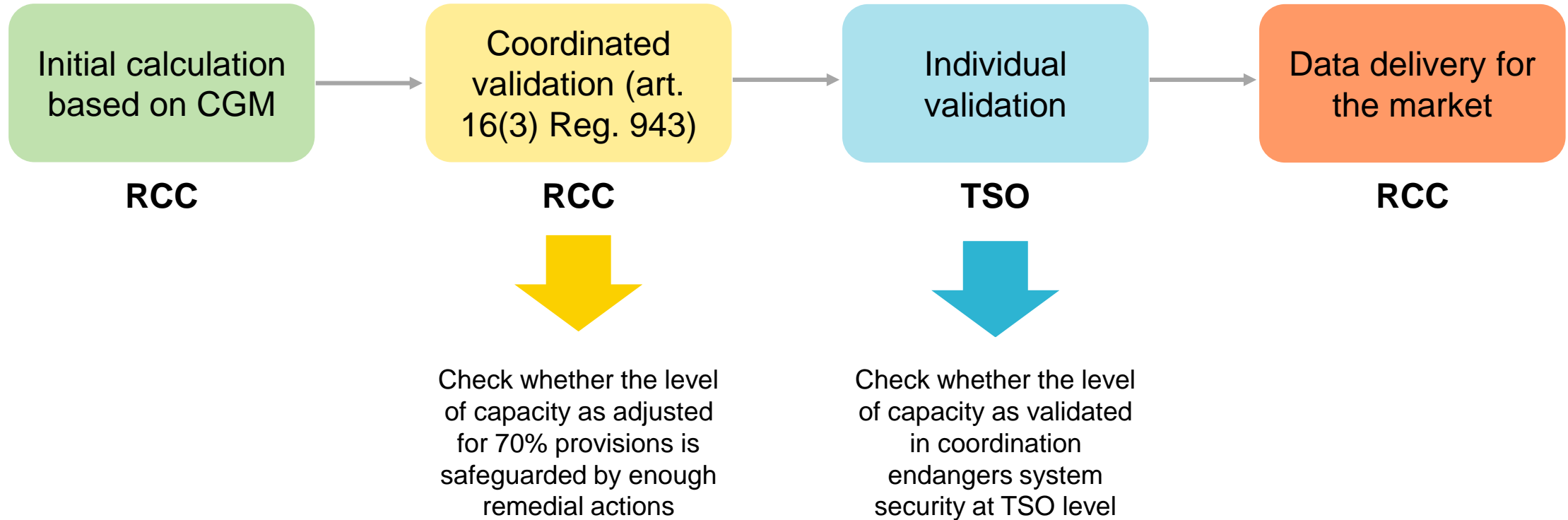
- Security domain calculated for all critical network elements (e.g. RAM, FRM, F0)
- Security domain converted to CNTC values
- 70% adjustment on all critical network elements

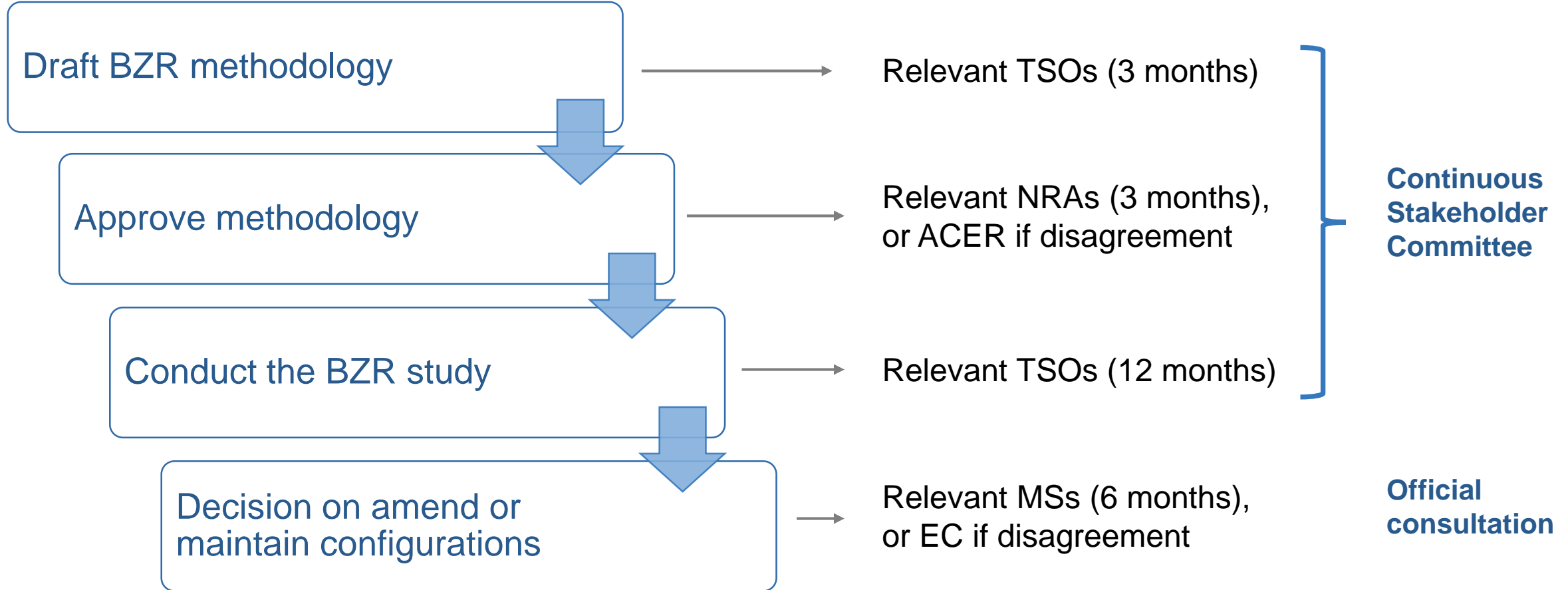
- 70% monitoring on all critical network elements for each MTU
- Same level of reporting and transparency as in FB
- Requires moderate adaptation of existing cNTC methodologies

Loose approach

- Find CNTC values when the first network element becomes constrained – limiting network element
- Calculate flow parameters (RAM, FRM, F0) only for this network element
- 70% adjustment only on limiting network element

- 70% monitoring only on a single limiting network element for each MTU
- If a TSO does not have a limiting network element it is considered as fulfilling 70%
- No adaptation of existing cNTC methodologies





- Reflecting the high-level objectives described in Article 14 of the Electricity Regulation
- Aligning the time horizon of the BZR study (three years for the consideration of network projects)
- Adding new criteria on meeting energy transition targets
- Small improvements to criteria
- Network security criteria includes the amount of remedial actions
- Economic efficiency criteria includes the costs of remedial actions

- **Main changes refer to ENTSO-E's technical report on structural congestions:**
 - Flow decomposition analysis is added, aiming to identify the bidding zones that contribute the most to the loading of relevant network elements
 - ACER's analysis on the efficiency of bidding zones is part of its regular monitoring activities
- **Optional addition: for the sole purpose of technical report, all congestions with minimum frequency of occurrence of at least two percent should be reported:**
 - The threshold refers to structural **physical** congestion on network elements (i.e. when flows exceed thermal limits)
 - This is not a threshold for a (market) congestion as defined in Article 2(4) of Electricity Regulation
 - Single market congestion is often impacted by many different physical congestions
 - Both options (with and without explicit threshold) are included in the recommendation

Generation and load data provision shifted to SO GL

- This is needed because:
 - (a) CGM for capacity calculation is also shifted to SO GL
 - (b) Unify and harmonise the data requirements for all CGMs (for all purposes)
 - (c) Simplify legal framework for TSOs and stakeholders for exchange of data requirements
- No significant change in the scope of data requirements
- D-2 generation and load data is still optional for TSOs to require (many TSOs do not collect this data)
- Added a requirement for DSOs to provide forecast of generation for type A generators in aggregated form

Common grid model for capacity calculation shifted to SO GL

- This is needed because:
 - (a) Vast majority of CGM procedures is the same for all CGMs
 - (b) Unify and harmonise all requirements for all CGMs (for all purposes)
 - (c) Simplify legal framework for TSOs into one single methodology for all CGMs
- No significant change in the substance of CGM
- TSOs also need to add best forecast of remedial actions into their individual grid model – in case of D-2 process, such forecast is conditional to cases where such forecasts can be reliably made

RD&CT coordination and cost sharing shifted to SO GL

- This is needed because:
 - (a) RDCT coordination cannot be separated from other non-costly remedial actions
 - (b) One single coordination and optimisation requires one single and consistent legal framework
 - (c) Coordination and cost sharing are tightly connected and should not be governed by different methodologies in different Regulations
- No impact on obligations to maximise cross-zonal capacities, but RDCT is not used only for this Two options are provided for cost sharing:
 - (a) one tries to solve all existing legal disputes with clarifications
 - (b) one leaves these legal disputes to be solved at regional level involving TSOs/NRAs and possibly ACER and subsequent judicial procedures

CACM amendments – recommendation from ACER – initial feedback from the TSOs



Capacity calculation

CCR redefinition

It is fundamental that TSOs and their NRAs are able to assess and choose the most efficient **CCR configuration** on the basis of economic and governance-related criteria. A flexible framework is needed to allow for the integration of offshore bidding zones. Moreover, the concept of BZBs in multiple CCRs must take into account the impact on the implementation of other Guidelines, in particular FCA and SO GL

TSOs appreciate that ACER's recommendation does not introduce a limitation on the implementation of AHC. TSOs understand that ACER's decision 4/2021 is determining the timing for a CCR amendment, as there is no explicit timing mentioned in the recommendation.

TSO remain concerned about the feasibility of ACER's idea to attach 1 BZB to 2 CCRs, for example in terms of consistency between CACM and FCA.

Capacity calculation

70% in Intraday

The enforcement of the **70% minimum cross-border capacity available for trade up to the intraday**, requires offering “virtual capacity” to market participants with little to no time to perform remedial actions. Since TSOs are responsible to maintain operational security, the minimum capacity requirement will in reality be offset to maintain operational security. TSOs call upon EC to investigate alternative solutions, which better balance market needs and system security.

ACER recommendation refers to EC and includes an opinion on the solution to apply

- Acknowledging the importance of ID market for RES integration
- Acknowledging the issue raised by TSOs of having insufficient time to rely on redispatching

TSOs call to give room for alternative solutions (like an advanced zonal modelling or other options) and do not get caught up in discussions for transitional arrangements.

Capacity calculation

3rd countries flows

The distinction between **3rd countries flows** and EU flows in the monitoring of compliance with the 70% target. Hence TSOs strongly call for a reasonable approach to keep the status quo for the consideration of 3rd countries in the EU processes, at least where local arrangements are already in place and/or initiatives exist to develop them.

ACER recommendation does not include an opinion on that point. TSOs call on EC to ensure the continuation of the current legal set up (c.f. EC letter to ENTSO-E from 16 July 2019)

Capacity calculation

flow reliability margin / total reliability margin

Applying **flow reliability margin instead of total reliability margin in CCRs applying the cNTC approach** will be burdensome, might not bring additional benefits and would be unnecessary for those CCRs switching to flow-based.

ACER recommendation is not conclusive on this point. TSOs believe that some flexibility should be introduced for the implementation of this requirement, as put forward in option 2.

Capacity calculation

Bidding zones review

TSOs understand in the context of the **Bidding Zones review** the necessity for the new requirement of bidding zones being able to meet the energy transition targets. However, the evaluation of cost efficiencies, in particular of investments, **is the responsibility of the national regulatory authorities**. Furthermore, the newly required flow decomposition analysis imposes a very rigid and potentially infeasible request for the Bidding Zone Technical Report, especially for some regions.

System operation

Cost sharing methodology for redispatching

The harmonization **in cost sharing methodology for redispatching** proposed by ACER introduces burdensome obligations in CCRs whose cost sharing does not need to rely on detailed decomposition of flows. Cost sharing can be simple and straightforward in some CCRs. The common principles put forward in the current version of CACM should continue to guide further harmonization of the methodology.

ACER recommendation includes two options to be further discussed in the next steps of the process.

The common principles put forward in the current version of CACM should continue to guide further harmonization of the methodology. TSOs are already working to further harmonize cost sharing methodologies as provided by CACM Regulation and in that framework we are already identifying that while general principles are the same, specificities are needed on a CCR basis.

All TSOs proposal is to maintain a sound level of flexibility in the writing of the code and leave each CCR in charge of establishing the rules for RDCT cost sharing. It would avoid uselessly cumbersome calculation processes and monitoring review at CCRs that do not need an agreement based on the decomposition of flows of cross-border relevance.

System operation

Best forecast in D-2

The proposed inclusion of remedial actions' **best forecast in D-2** IGMs is logically flawed as only after CGMs can TSOs cost-efficiently assess the required remedial actions (“RAs”). Best forecast in D-2 will lead to identify right RAs or wrong RAs, but on average the improvement will be nil, as only the CGM step can ensure the right RA assessment. TSOs propose to include their Best Forecasts, meaning that they might include remedial actions needed, but limited to an extent they are confident with at this stage of the Capacity Calculation Process (D-2 Timeframe for IGM provision).

TSOs propose, as opposed to the final ACER recommendation, to include their Best Forecasts, meaning that they might include remedial actions needed, but limited to an extent they are confident with at this stage of the Capacity Calculation Process (D-2 Timeframe for IGM provision). More accurate assessment will be available during Capacity Calculation process, after merging IGMs into a CGM.

CACM amendments – recommendation from ACER – initial feedback from the TSOs

TSOs will provide a full analysis of the recommendation from ACER/BoR in the coming weeks (including new items such as costs, continuous trading in Intraday and IDAs, scheduling areas, etc.)



The logo for EFET, consisting of the letters 'EFET' in a bold, red, sans-serif font.

European Federation
of Energy Traders
SO YOU CAN RELY ON THE MARKET

EFET views on capacity calculation and BZR

Webinar on 'ACER Recommendation on CACM Regulation'

18 January 2022

Lorenzo Biglia

CACM 2.0 – Capacity calculation

Improve transparency and process to optimise capacity calculation:

- By reverting back to old wording that mentioned “efficiency”. The new wording means TSOs will only look at flows, “efficiency” meant that a comprehensive assessment (flows + market) should be performed (Art. 25).
- By enforcing the timing for the use of harmonised CCMs across all CCRs and anticipate the deadline (Art. 26)
- By including the new framework for transparency (Art. 26.2)
- By increasing transparency and justifications (ex-ante and ex-post CBA) in the way TSOs apply and use allocation constraints on their borders (Art. 29)
- By mandating the consideration of costly remedial actions in the CCMs (Art. 31).

CACM 2.0 – Capacity calculation

Grasp the reality of a network not bound by EU borders:

- By considering third countries in the coordinated capacity calculation process and operational security assessment & possibility to include borders with third countries in a CCR (Art. 43):
 - Option 1: include them in CCRs so that CCMs apply to them
 - Option 2: CCMs to consider third countries CNECs.

We welcome the consideration of flows with third countries in the capacity calculation processes and in ensuring the minimum capacity target pursuant to Article 16(8) of the Electricity Regulation.

CACM 2.0 – Bidding zone review

Include market needs to make the bidding zone review future proof:

- By looking at longer lead times for the BZR (Art. 58)
- By including offshore hybrid projects into the BZ review methodology (Art. 59).

We welcome greater alignments with CEP provisions regarding the decision-making process (Art. 58).

Thank You

EFET

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of Energy Traders

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www.efet.org 🌐



Views on ACER recommendation on amendments of CACM and SO Regulations
Bidding zone review, capacity calculation and SO GL

January 2021

Views on CACM GL 2.0 : bidding zone review

- We welcome the proper alignment with Article 14 of Electricity Regulation of the two articles dedicated to BZR (Art. 58 and 59), not changing the decision-making process.
- The proposal does not improve clearly transparency and stakeholder involvement (Art. 58).
 - One mandatory consultation at the end of the process is not sufficient
 - The regular involvement of stakeholders should be through the establishment of dedicated advisory committee
- We regret that the criteria for BZ configurations' assessment have not been improved (Art. 59).
 - Transition costs should be evaluated including stranded costs for merchant assets
 - The focus should be on a longer time horizon.

Views on CACM GL 2.0 (capacity calculation) and SO GL 2.0

- We prefer the [new formulation on the 70% threshold](#) (Art. 26) in compliance with Electricity Regulation.
- We call on EC to define in CACM 2.0 a [framework for the inclusion of third countries](#) in the coordinated capacity calculation process and for congestion management.
- The [design of capacity calculation regions](#) (Art. 23) should include additional rules (e.g. min number of NRAs).
- The [use of allocation constraints](#) (Art. 29) should be justified based on a generic European methodology.

- CACM Regulation is not the right place to determine the level of a potential [threshold on the frequency of physical congestions](#) to be used in the BZ technical report by ENTSO-E (Art. 62).

- We do not agree deleting completely [key principles related to RD & CT](#) from CACM Regulation, complementing rules for regional operational security coordination (SO GL Art. 76).
- We request [more transparency on common grid models](#) (SO GL Art. 64).

Q&A

13:40 – 13:55



Provide your questions on the subject in the Slido and indicate who the question is directed to
Vote on questions you support as we will go through the questions based on the votes

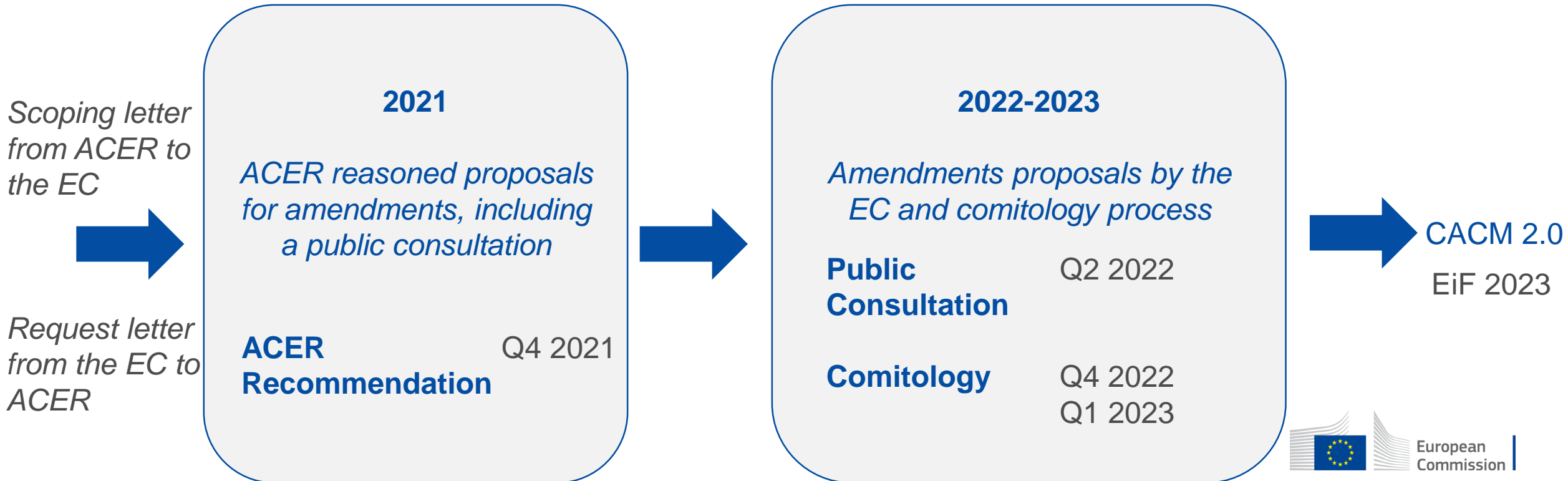
Question	Reply
For the BZ review criteria/streamlining, could you explain the removal of 'facilitation of effective competition' from the market efficiency point?	The effective competition was a compendium of some other criterions (liquidity, market power, price signals, etc,) making a separate criterion redundant. We have been faced with expectations to streamline/avoid duplicates, or criteria that are multi-indicator in potentially opposing directions.
So cancelation of the Hansa CCR should not have a real impact on the calculated capacity. Correct?	Indeed, the calculated capacities depend on thermal limits of HVDC and advanced hybrid coupling on both sides. In existing CCR construction Hansa determines only thermal limit of HVDCs, whereas Core and Nordic CCR determine AHC parameters. Once Hansa disappears, Core and Nordic CCR will both determine thermal limit and AHC parameters on both sides and market coupling will need to respect both.
What is the current ACER opinion on the application of 70% on HVDC cables? Is it enough that a 700 MW cable has 490 WM available?	This target is indeed not ambitious for HVDCs - here we are constrained by the imperfect legal text. We will request improvements when the first chance appears.
Will ACER publish an assessment of feedback received during the consultation? Would be helpful to understand why certain ideas have not been picked up.	One part of the recommendation (as annex 6) includes the responses from the consultation but also a page with the evaluation of responses. https://app.powerbi.com/view?r=eyJrIjojNDYyNGY4M2M0ZmZlMjI2NTctOGE1YTllInZiODlmIiwidCI6ImU2MjZkOTBjLTcwYWUtNGRmYy05NmJhLTAyZjE4Y2MwMDA3ZSIsImMiOjI9&pageName=ReportSection
With regard CACM art. 32(11): Which procedural rules need to be complied with, if a MS decides to amend BZ conf. in accordance with the E-Reg. art. 14(7)?	This part is not covered in CEP Regulation, i.e. there are no specific EU rules for such review and decision at national level - it only provides the right to MSs to make such a decision independent from the bidding zone review.
With the current CCM for the Hans region, the capacity should already be calculated in combination with the Core and Nordic CCMs.	Yes, but only once AHC in both Nordic and Core CCR is applied, which will take a while. Our point is we don't need a specific region to determine just thermal limit of HVDC and everything important is determined in Core and Nordic CCR.
Would the two approaches for CNTC lead to different NTC values? If yes how often is this expected?	There should not be a priori any differences. But transparency in tight approach is much better and removes any room for TSOs to hide or manipulate. One such example in the loose approach is when TSO on one side of the border has a limiting element, but the TSO on the other side is automatically compliant because it does not have a limiting element, even though it may also not offer 70%. Other such examples occur in case of capacity validation which change the limiting element. Tight approach does not suffer from these deficiencies.
How shall TSOs coordinate a operation of BzB on other topics than AHC, if one set of rules apply to one TSO and another set of rules apply to the other TSO?	Answered live
how do you see the increase of complexity, work and need for agreements for doubling borders if hansa is not there to unify procedures?	Answered live
If BZ Border is included in 2 CCRs, then which CCR will decide in type of LT TRs issued on this border? According to FCA (art. 31) it is regional decision.	Answered live
What is the added value of a new additional criterium (on cost efficiency of energy transition) for the BZ review?	Answered live
Why removing explicit intraday access (art 64 and 65)? Articles say that a specific consultation to assess MP needs for ID should be conduct before any removal.	Answered live
What is your expectation in terms of timing re. CCR changes?	Answered live
Will ACER publish an assessment of feedback received during the consultation? Would be helpful to understand why certain ideas have not been picked up.	Answered live
Why did ACER not consider the introduction of a regular monitoring report on the assessment of the implementation of ID auctions?	Answered live
If EFET thinks BZ reconfigurations are not to be made, then it leaves only nodal pricing as a feasible market design. We should then switch now!	Answered live

Closing and next steps

Annamaria Marchi - European Commission



CACM amendments: What are the next steps?



2 steps amendment process, shadowing the Art 60(3) of the Electricity Regulation for Network Codes Amendments





European Union Agency for the Cooperation
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