



European Union Agency for the Cooperation
of Energy Regulators

ACER decisions on SAP, SAP cost sharing, CIDM and FRC methodology

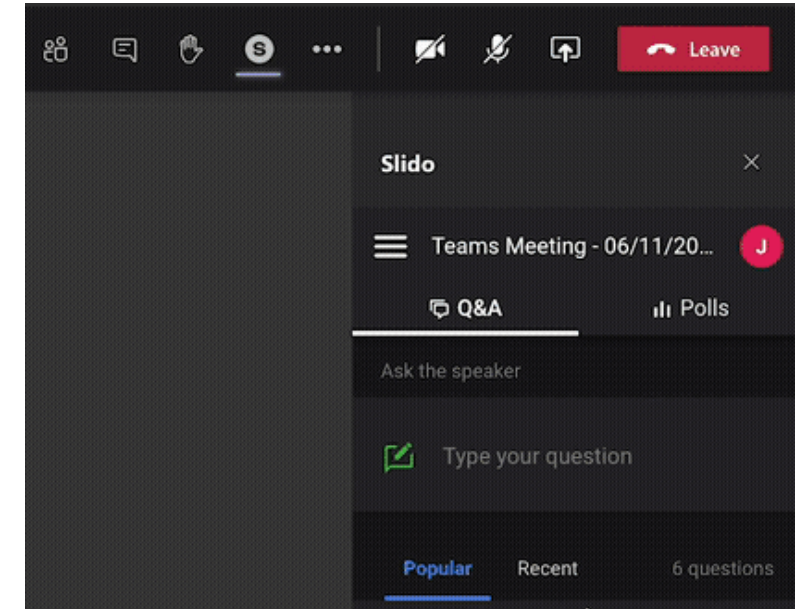
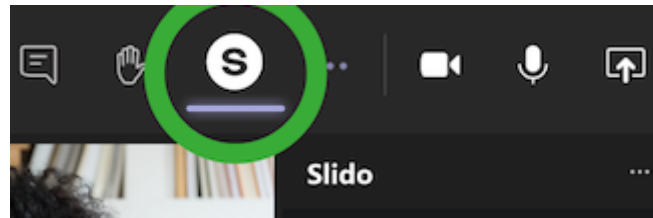
Public workshop

17/11/2022

Timing	Agenda point
11:00 – 11:10	Introductory remarks
	Background and process for the ACER decisions
11:10 – 11:35	SAP methodology
	Q&A
11:35 – 11:55	Congestion income distribution methodology
	Firmness and remuneration cost methodology
	Q&A
11:55 – 12:00	Closing remarks

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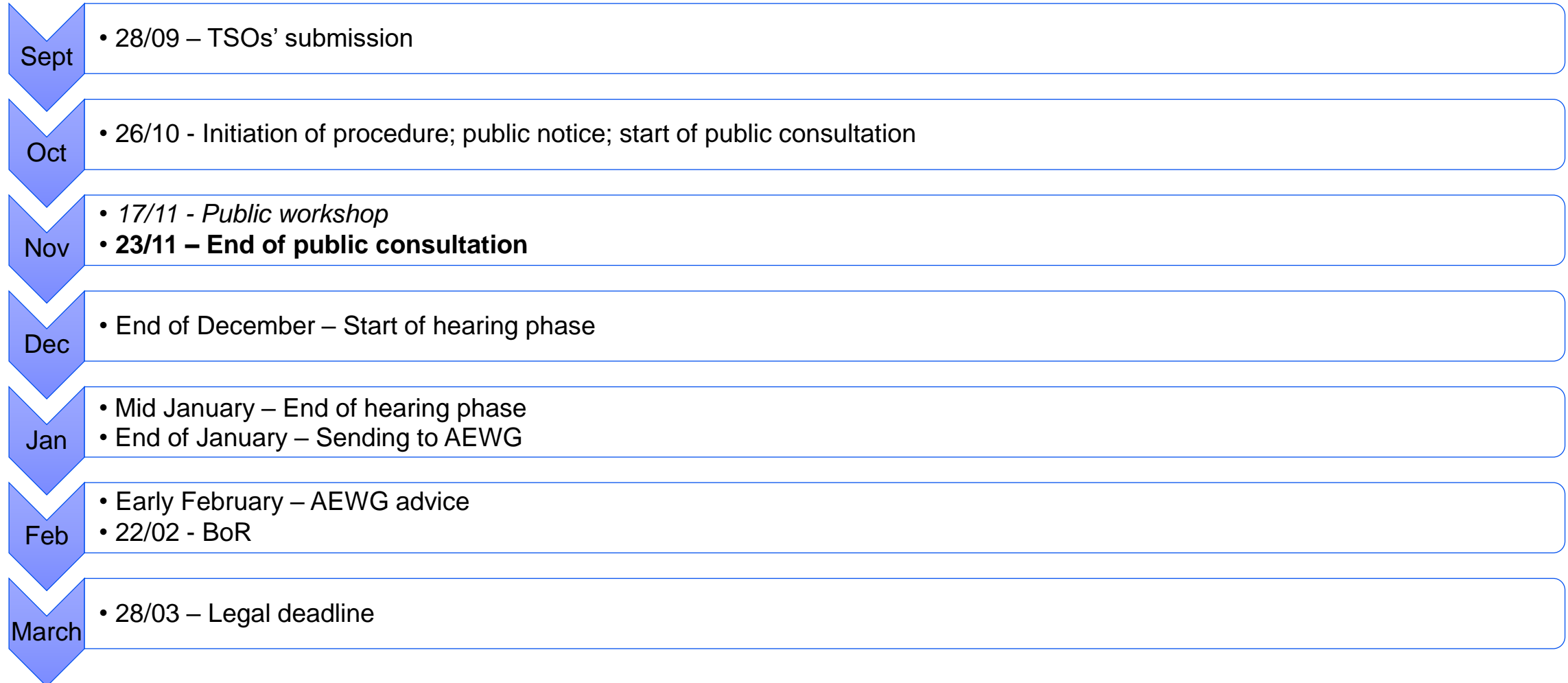
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Background and process for the ACER decisions

- On 28 September 2022, the TSOs submitted proposals for amendments of the FCA methodologies:
 - the establishment of a Single Allocation Platform (**SAP**) (Article 49 of the FCA Regulation) and cost sharing methodology (Article 59 of the FCA Regulation) (SAP methodology);
 - the congestion income distribution (**CID**) methodology (Article 57 of the FCA Regulation); and
 - the methodology for sharing costs incurred to ensure firmness and remuneration of long-term transmission rights (**FRC**) (Article 61 of the FCA Regulation)
- Amending these and other methodologies (such as HAR) for long-term flow-based allocation is a prerequisite for implementing the Core and Nordic capacity calculation methodologies in accordance with Article 10 of the FCA Regulation
 - The amendment proposals were submitted upon ACER's request for amendment from July 2021
- The submission of the amendment proposal for considering long-term flow based in the HAR is foreseen in March 2023

ACER Decisions on SAP, CIDM, FRC: foreseen timeline



Single allocation platform methodology

- The SAP methodology was initially approved by all NRAs in 2017
- ACER Decision 09/2022 extended the application of the SAP methodology to other TSOs (e.g. Fingrid); no content review by ACER
- The SAP proposal lays down the functional requirements, governance, liabilities and cost sharing methodology for the SAP.
- The main amendments in the SAP proposal:
 - provide context / summarise previous regulatory approvals (Whereas)
 - specify the scope of application of the methodology (Article 1)
 - define ‘allocation constraints’ and ‘external constraints’ (Article 2)
 - adapt the scope and description of the SAP users’ group(s) (Article 13a)
 - introduce allocation algorithm formulas for NTC and flow-based approaches (new Article 39)
 - provide for a common set of requirements for the long-term flow-based allocation (LTFBA) algorithm (new Annex)

- ACER's initial view on the content of the SAP proposal:
 - ACER largely agrees with the proposed principles for the long-term flow-based allocation algorithm
→ next slide
 - Certain aspects of the proposed principles need to be further revised; e.g.:
 - Alignment of cNTC and FB formulas
 - How to address 'evolved flow-based'
 - Definitions of allocation and external constraints
 - Other aspects of the SAP proposal to be reviewed where necessary (data provision, governance)
- Structure of the SAP proposal
 - ACER may introduce structural/editorial changes
 - Annex (requirements for flow-based allocation) could be integrated in the methodology's articles

Long-term flow-based allocation algorithm

Objective is to maximize the economic surplus: $\sum_{bids} (bid_prices * accepted_bid_volumes)$

Constraints: 1) flow at each CNEC: $accepted_bid_volumes * PTDF^+ \leq RAM$

Options \Rightarrow no netting of counter flows \Rightarrow only burdening flows are summarized (via $PTDF^+$)

2) total allocated capacity from/to zone \leq External Constraint (where defined)

Clearing prices per border: $\sum_{CNECs} (DualValue * PTDF^+)$

Dual Value, i.e. Shadow Price at a congested CNEC

Congestion revenue: $\sum_{borders} (clearing_prices * accepted_bid_volumes)$

FB LT allocation Example (dummy values):

$$\text{CongestionRevenue}(2) = \sum_b [\text{ClearingPrice}(b), \text{LT} * \text{Accepted}(b)]$$

$$\text{ClearingPrice}(b), \text{hourly} = \sum_j [p\text{PTDF}(b) * \text{DualValue}_h(\text{cnec}_j)]$$

$$\text{ClearingPrice}(b), \text{LT} = \text{ClearingPrice}(b), \text{hourly} * \text{No}(\text{hours})$$

												Clearing Price (h)		3.86	3.07	0.69	1.0096	1.38	2.89	3.95	
												Clearing Price (Y)		33788	26911	6041	8843.8	12090	25276	34581	
												Accepted bids per border:		14,247	0	70	0	157.0	1070	0	0
												CONGESTION REVENUE_2		274,655,769	0	1883752	0	1388484	12936280	0	0
												(hourly)	(hourly)	PTDF:							
CGM	CB Name	CO Element Name	Fmax	FRM 12	FRM 21	Flow 12	DUAL12	Flow 21	DUAL21	Flow*Dual	RAM 12	RAM 21	ELIA RTE	ELIA_TTN	CEPS_DE	CEPS_APG	CEPS_SEPS	CEPS_PSE	DE_CEPS		
Jan	MGY*****_CI	MGO*****_CI	1433	138	138		0	979	3	3403	1612	979	-1%	0%	-5%	-15%	21%	3%	5%		
Jan	QLE*****_CK	QLE*****_CK	1494	138	138		0	448	9	4240	2309	448	0%	0%	-3%	-2%	15%	-6%	3%		
Apr	MPA*****_CK	MPA*****_CK	1145	111	111	343	2		0	781	343	1968	0%	0%	0%	0%	0%	1%	0%		
Apr	RPA*****_CK	RSI*****_CK	318	30	30		0	95	3	329	562	95	0%	0%	0%	0%	0%	0%	0%		
Jul	BVA*****_CK	BCO*****_CK	1390	194	189		0	417	6	2499	2014	417	-16%	-31%	-4%	1%	1%	0%	4%		
Jul	BZA*****_CK	BZA*****_CK	1406	256	245	598	7		0	4156	598	1714	-14%	-47%	-6%	1%	1%	-1%	6%		
Oct	OTA*****_CK	OTA*****_CK	294	31	31	88	45		0	3975	88	715	0%	0%	-3%	-10%	1%	0%	3%		
Oct	BAU*****_CK	BAC*****_CK	482	73	66	145	18		0	2622	145	679	15%	6%	-2%	1%	0%	0%	2%		
Oct	NLL*****_CK	NEN*****_CK	1701	121	121		0	510	11	5867	2812	510	6%	-2%	4%	-1%	0%	0%	-4%		
Oct	ZMI*****_CK	ZKR*****_CK	532	54	54		0	160	22	3482	873	160	-1%	0%	7%	3%	-3%	-10%	-7%		

Possible impacts on market participants

- Interface between the SAP and market participants is governed by HAR, which will be consulted separately
- Some functional requirements defined in the SAP Proposal may have implications for the requirements of the HAR, and therefore on market participants.

Consultation questions:

Q1.1: Do you have any comments on the proposed requirements for the long-term allocation algorithm (i.e. Article 39 and Annex to the SAP Proposal)?

Q1.2: Do you have any comments on other requirements of the SAP Proposal?

Q&A

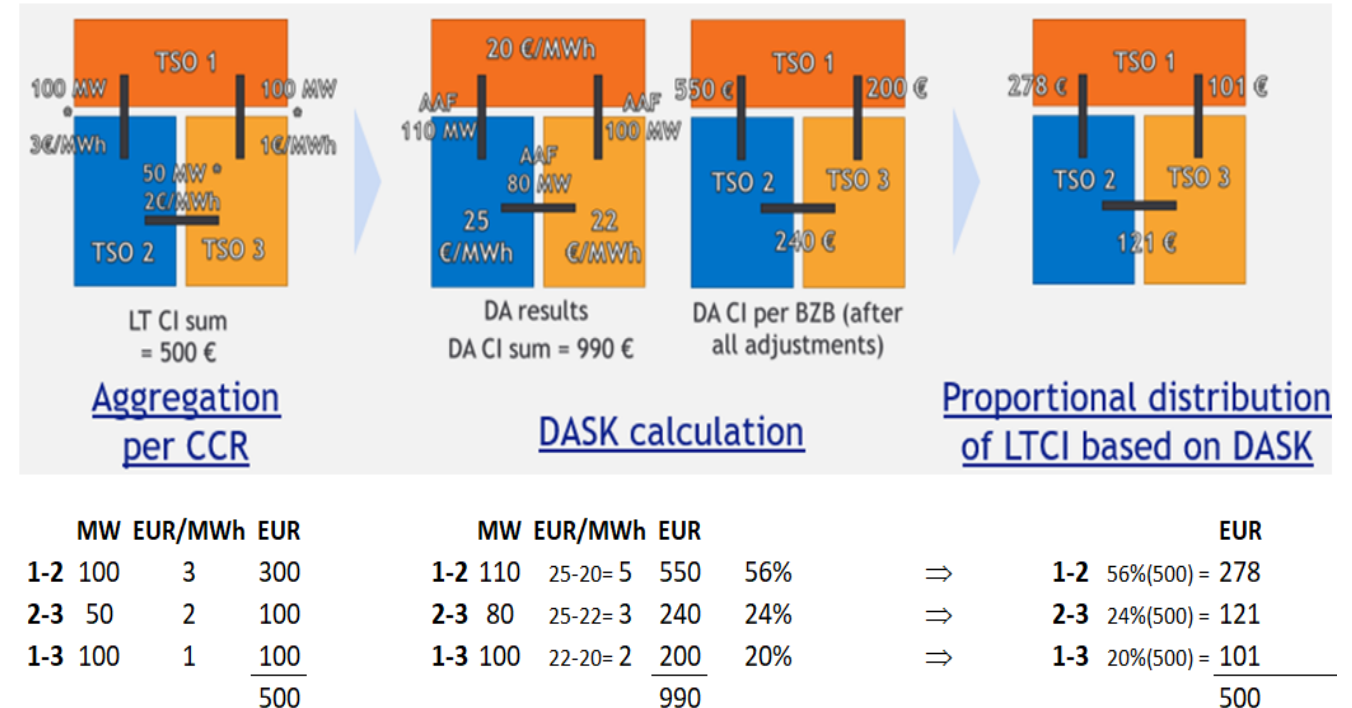
CID methodology

- The CIDM was initially approved by all NRAs in 2019
- ACER's Decision 10/2022 extended the application of the CIDM to other TSOs; no content review by ACER
- The amendments in the CIDM proposal:
 - provide context / summarise previous regulatory approvals (Whereas);
 - specify the scope of application of the methodology (Article 1); and
 - extend the provisions on collection and calculation of congestion income per CCR to CCRs applying the flow-based approach (Article 3);
- For CCRs applying FB, the following approach is introduced:
 - The sum of the LT CI generated within a CCR shall be calculated for each MTU within the Product Period as the sum of the CIs generated on each BZB direction within the CCR,
 - LT CI assigned to a BZB shall be calculated as a proportional share of the sum of the CI, in accordance with the CACM CID (i.e. final amount of day-ahead congestion income assigned to a BZB in the corresponding MTU while considering the redistributions due to non-intuitive flows and allocation constraints).

ACER Decisions on SAP, CIDM, FRC: CIDM proposal

Additional elements:

- BZBs within a CCR not issuing LTTRs shall not be considered in the distribution,
- External borders shall be considered in the distribution,
- In case of a price convergence across the CCR for a market time unit (MTU), the CI of this MTU shall be computed in accordance with the CACM CIDM by introducing a market spread of 1 between the different BZs, and
- In case of fallback of the Single Day Ahead Coupling (SDAC), LT CI of decoupled BZBs for relevant MTUs is not summed up and is assigned considering a cNTC approach.



- TSOs explain their proposed amendments as follows:
 - With the LT FB, there is a need to move away from distribution based on LT auction results as this is more a reflection of market bids than a reflection of congestion,
 - The proposed principles for CI distribution are harmonised across the DA and Balancing timeframes,
 - BZBs without LTTRs have no reason to collect income or bear costs resulting from LTTR issuance.
- ACER's initial view on the CIDM proposal
 - ACER largely agrees with the suggested approach
 - Some restructuring and wording changes may be required (e.g. Article 3).

FRC methodology

- The FRC methodology was initially approved by ACER Decision 12/2021
- The amendments in the FRC proposal :
 - provide context / summarise previous regulatory approvals (Whereas);
 - specify the scope of application of the methodology (Article 1);
 - clarify that the existing provisions on sharing of remuneration costs of eligible LTTRs among BZBs apply only to CCRs with long-term NTC capacity calculation (Article 3);
 - add new provisions on sharing of remuneration costs of eligible LTTRs among BZBs of CCRs with long-term flow-based capacity calculation (Article 4); and
 - aim to ensure consistency with the CIDM (Article 57 of FCA Regulation) (Article 7)

- For CCRs applying FB, the following approach is introduced:
 - The following sequential steps are used to cover firmness and remuneration costs per MTU:
 1. Use CCR's day-ahead CI for LTTR remuneration for BZBs in the CCR
 2. Remaining costs after step 1 are to be covered by long-term congestion income from the relevant MTU in the CCR.
 3. Costs after step 2 are to be assigned to each BZB (proportional to the DA CI distribution) and covered by the relevant TSOs.
 - In CCRs where not all BZB issue LTTRs, the aggregation of congestion income does not consider BZB which does not issue LTTRs.
 - Remuneration costs in case of day-ahead fallback procedures are not socialised
 - The proposed approach is largely aligned with approved approach for cNTC
- The TSOs explain the proposed amendments as follows:
 - Core and Nordic CCR should be considered differently since not all Nordic BZBs issue LTTRs
 - the proposed approach (i.e. using a 'CCR pot'; different steps) was chosen to ensure consistency with the FCA CIDM and previous decisions by ACER.
 - revisions in Article 7 (implementation) are needed to ensure future consistency with the CIDM.
- ACER's initial view on the FRC proposal:
 - ACER largely agrees with the suggested approach and considers minor revisions only

Consultation questions: CIDM; FRC

Possible impacts on market participants

- ACER notes that the proposed amendments in the FRC and CIDM Proposal would most likely have negligible and only indirect impacts on market participants via TSOs' tariffs.

Consultation questions

Q2: Do you have any comments on the FCA CIDM Proposal?

Q3: Do you have any comments on the FRC Proposal?

Q4: Other comments

Q&A

Thank you.

The contents of this document do not necessarily reflect the position or opinion of the Agency.



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✉ info@acer.europa.eu
🖱 acer.europa.eu

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