



European Union Agency for the Cooperation
of Energy Regulators

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4th ACER – ENTSO-E LTFBA workshop

15/02/2023

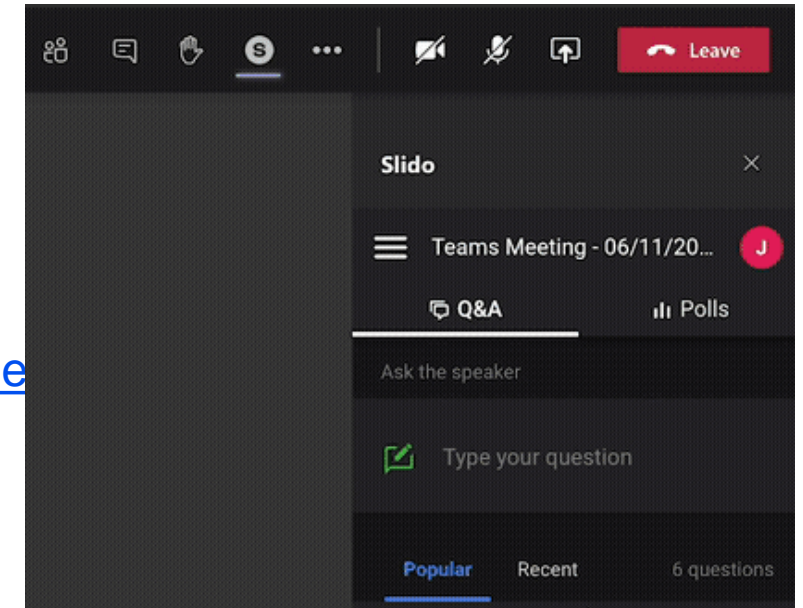
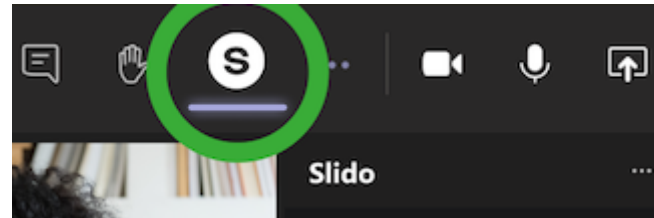
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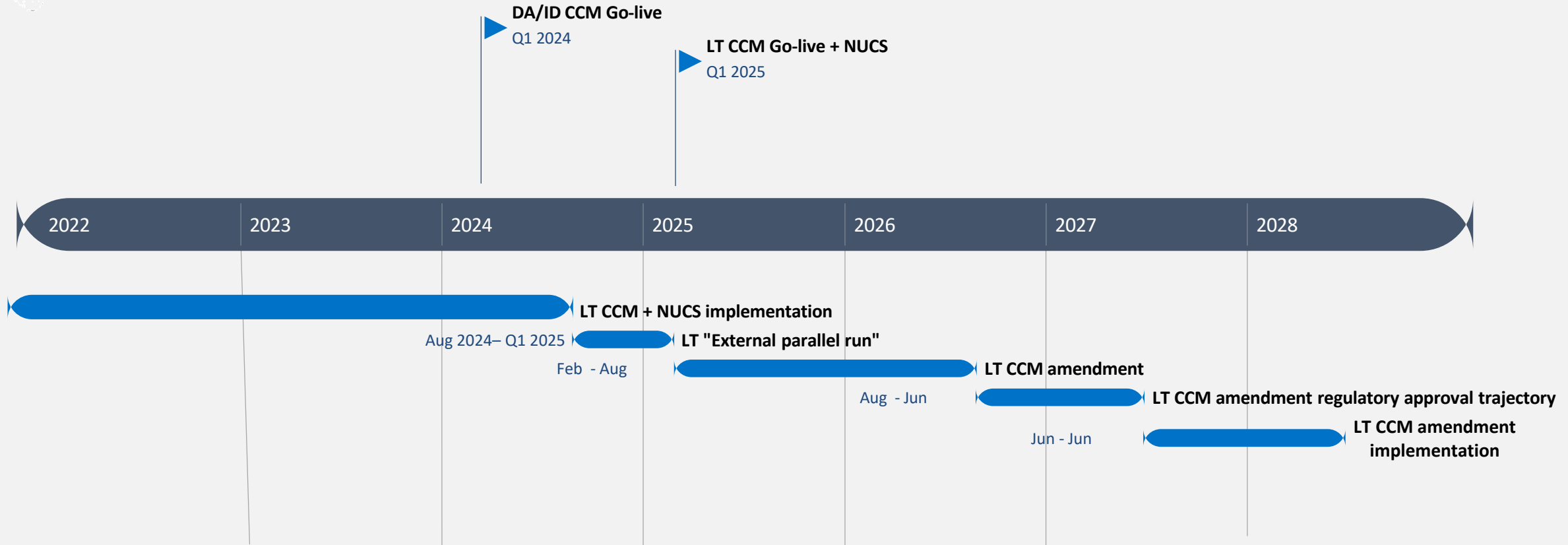
Timing	Subject	Presenter
09.00 - 09.05	Introductory remarks	ACER; ENTSO-E
Core and Nordic LT FB: capacity calculation		
09.05 - 09.10	Nordic TSOs planning on the implementation of LT CCM	Nordic TSOs
09.10 - 09.15	Core TSOs update on the implementation of LT CCM	Core TSOs
09.15 - 09.25	Q&A session	
Core and Nordic LT FB: allocation		
09.25 – 09.35	LTFBA: Roadmap	ENTSO-E
	LTFBA: Update on SAP	ACER
09.35 - 10.00	HAR: Planning	ENTSO-E
	HAR: Auction Timings update	ENTSO-E
	HAR: Collaterals	ACER, ENTSO-E
10.00 - 10.25	Q&A session	
10.25 - 10.30	Wrap-up	ACER

Nordic long-term flow-based capacity calculation

Nordic TSOs



Nordic CCM HL timeline

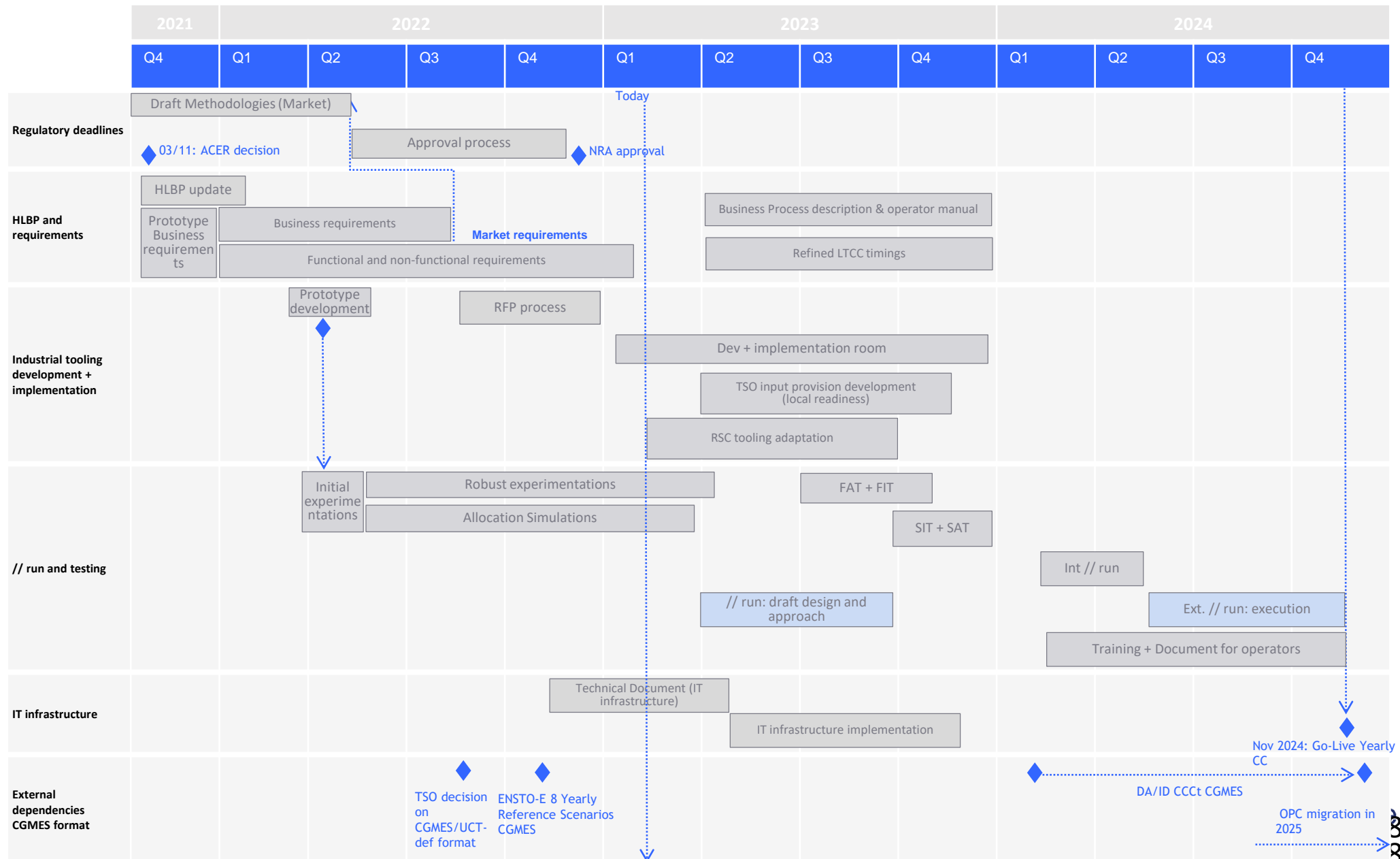


The Go Live of the Nordic LT CCM has been postponed due to a delay in the Nordic DA/ID CCM. The delay was caused by non-availability to the market-simulation facility.

Core long-term flow-based capacity calculation

Core TSOs

2. Project updates from CCRs Core LTCCM implementation



Q&A

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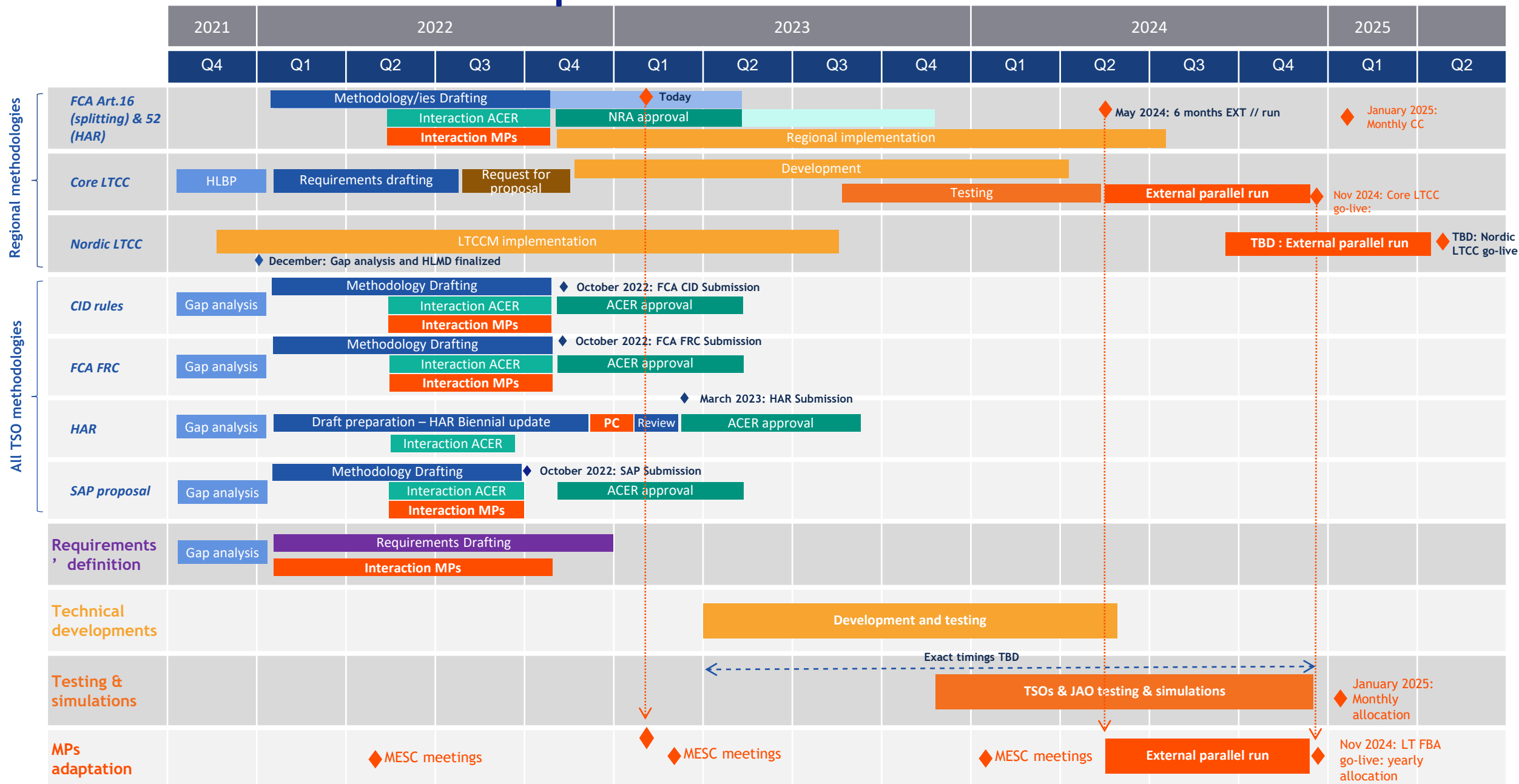


LTFBFA: Roadmap

ENTSO-E



3. LT FB allocation Roadmap



*Timings may slightly vary from the planning above

LTFBA: Update on SAP methodology

ACER



- On 28 September 2022, the TSOs submitted proposals for amendments of the FCA methodologies:
 - Single Allocation Platform methodology (**SAP**) (FCA Articles 49 and 59);
 - Congestion income distribution methodology (**CID**) (FCA Article 47); and
 - Methodology for sharing costs incurred to ensure firmness and remuneration of LTTRs (**FRC**) (FCA Article 61)
- The main amendments are to enable long-term flow-based allocation
- 17 November 2022: public workshop
- End February 2023: expected adoption by the Board of Regulators

- Clarified the application of the SAP: all TSOs except those exempted based on FCA Article 30(7) and the ones not commercialising its transmission capacity on the single DA nor on the LT market
- Allowing for Evolved Flow-Based (EFB) approach at both
 - internal HVDCs (such as Allegro cable (BE-DE))
 - external* HVDCs, also extending to radial non-meshed AC borders
- Implementation:
 - Y auctions 2025: flow-based
 - Stepwise implementation of Evolved Flow-Based approach

* Similar to the Advanced Hybrid Coupling (AHC) on DA level

- LT allocation algorithm:
 - Aligning mathematical representation of cNTC-based and Flow-based allocation approaches
 - Supporting PTRs and FTR-options
 - Application of FTR-obligations requires amending of the SAP and HAR
- Monitoring, reporting and transparency:
 - Yearly monitoring report to assess:
 - Implementation progress
 - Long-term cross-zonal capacity allocation (incl. allocated volumes per BZB direction)
 - Algorithm performance
 - Incidents of insufficient collaterals
 - Publication of non-confidential version of SAP cooperation agreement

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 (or group of CNECs): $accepted_bid_volumes * PTDF^+ \leq RAM$

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

2) total allocated capacity per BZ Border:

$$\sum_{bids, BZB} \leq External\ Constraint_{BZB} \text{ (where defined)}$$

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

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

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

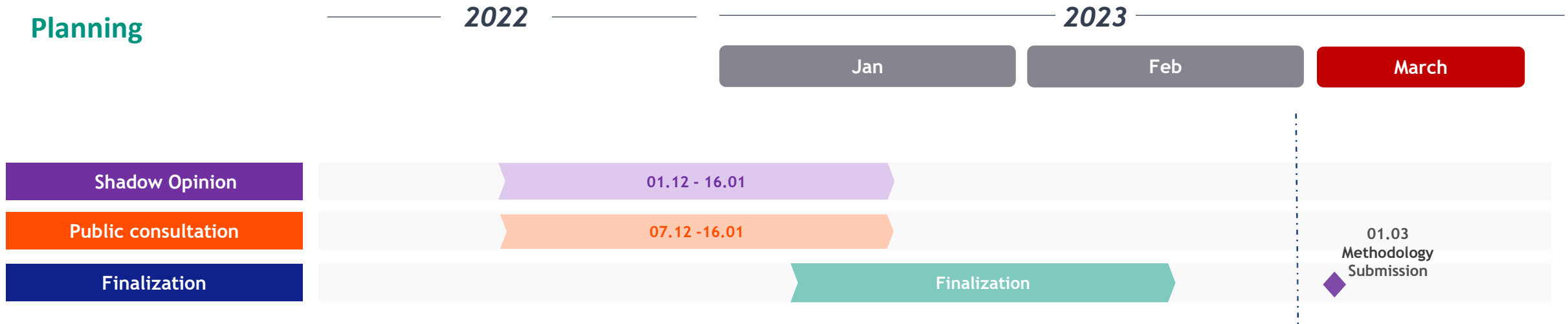
HAR: Planning

ENTSO-E



4. LT FBA – HAR

Planning



Next steps

- All TSOs submission planned before the 1st March 2023
- ACER will have 6 months to review and approve the methodology (until 1st September 2023)

HAR: Auction Timings update

ENTSO-E



4. LT FBA – Proposed Long Term FB Auction timings

Introduction

Background

- TSOs would like to present the first version of the auction calendar for the end of year auctions (yearly & January auction) for the CORE CCR.
- TSOs hope to provide more insight to Market Participants on the challenges on the allocation process that the FB calculation brings and explain some of the process drafting decisions that were taken in order to enable this process.
- These timings are indicative as they are first draft from TSOs side and they are not be seen as an engagement.

The following assumptions had to be proposed by TSOs in order to allow sufficient time for the whole process chain to be run before the year ends

- The capacity calculation process, which cannot be moved earlier, needs 5 days in order to guarantee that capacities can be calculated in all cases for the yearly & monthly auctions in order to avoid using fallbacks. Being able to provide the correctly calculated LTTRs to the market for a whole year or month is a strong requirement for the TSOs.
- The yearly auction has to be shortened from 5 days to 3.5 days and the January monthly auction has to be shortened from 2 days to 1.5 days.
- If the yearly auction has to be rerun, the second round will only be open for 1.5 days.
- Also, if the yearly auction has to be rerun, the period for additional return will be more limited and might be restricted only to a few hours maximum.
- For the end of year auctions the dispute period of the auction will be open for 1 day compared to the 2 days we usually have in the current auctions.
- In case an auction is disputed rightfully, the root cause is fixed or the issue was a one off occurrence that cannot be reproduced, and the auction is rerun, the second auction cannot be disputed again.
- In case there is a rerun of the monthly auction we would use the returns submitted for the initial auction and we will not ask for new returns to be submitted.
- In case the auction has to be cancelled again and no monthly auction can be run due to time limitation, the returns will be cancelled and go back to the MPs.

1

Timings of processes will be affected by LT FBA

[illegible]

HAR: Collaterals

ACER, ENTSO-E



- Long-term flow-based allocation will require the LTTRs for all bidding zone borders in a flow-based CCR to be allocated in a single auction.
 - the current NTC based allocation use sequential auctions of LTTRs
 - Long-term flow based allocation may therefore require more collaterals from market participants at the time of the auction.
 - If market participants are not able to provide sufficient collaterals some of their bids need to be rejected
- During summer 2022 JAO consulted on the solution of bid prioritisation for JAO collaterals
 - Market participants raised concerns that bid prioritisation can not sufficiently address the issue
 - the deletion of bids in the order books of the auction and could have a negative impact on the economic surplus generated by auctioning LTTRs

LTFBA collateral requirements considerations

- After the clearing of the LTTR auctions the collateral requirements remain unchanged compared to the current approach
 - The discussed solutions therefore focus on reducing collateral requirements in the LTTR auction phase
- When setting the collateral requirements, the following objectives should be considered:
 1. Avoid financial losses for TSOs
 2. Put reasonable financial burden on stakeholders
 3. Punish non-payment
 4. Prevent gaming
- ACER, NRAs and TSOs discussed several options for reducing collateral requirements for market participants in long-term flow-based auctions of LTTRs. The most relevant ones are shortly presented on the next slides

Using a Percentage of today's collateral requirements

Concept summary:

- Same as today but reduce the required collaterals to a defined percentage
 - 100% means no change from today's approach
 - 0% means no collateral requirements

Challenges:

- Impact of any % reduction of collateral requirements should be assessed
 - How to agree/assess on which % is 'the right one'?
- How to consider different collateral requirements in auction and after auction

Socialised pot for collaterals

Concept summary:

- No need for individual collaterals of MPs but establishment of a socialised 'pot' e.g. fuelled by fees from MPs and used in case of default of a MP

Challenges:

- High complexity to establish such system, setting a fee, etc. and several remaining open questions
- Ensure individual responsibility/consequences for non-payment

Using results from first iteration of calculated auction results for bid rejection

Concept summary:

- Collaterals requirements in auction phase not based on bid price but subject to auction results

Challenges:

- Complex process (e.g. would be subject to feasibility assessment)

Max price level for collateral requirement

Concept summary:

- Collaterals requirements in auction phase based market participant's bid price or max price cap for collateral consideration:
 - $\text{Min}(\text{MP's bid price; cap for collaterals}) * \text{bid volume}$
- If the MP's collaterals are insufficient after the clearing of the LTTR auction (e.g. price of LTTRs in auction is higher than cap), the MP would need to pay the remaining collateral within X days

Challenges:

- How to consider eventual gaps in collateral requirements in auction and after auction (e.g. prevent gaming)
- Setting the cap (e.g. fixed or methodology for dynamic cap)

- The option with the cap ('max price level for collateral requirement') currently seems to be the most promising option and TSOs/JAO are currently assessing the technical feasibility of implementing this option.
- Bid prioritisation could be combined with such Option if market participants see value in it
- ACER, NRAs, JAO and TSO are further assessing the details and potential drawbacks of this option and further possibilities to improve requirements related to the processes considering JAO collateral
 - Market participants are invited to share opinions whether some provisions concerning processes related to JAO collaterals can be aggravated if general collateral requirements are lowered.

- TSOs intend to submit the HAR proposal to ACER on 1 March 2023 without any changes to the collateral requirements (under Title 3 of the HAR), as the impact on Market Participants' operations has not been aligned
 - New options under collaterals have been identified late in the HAR review process which need more discussions with Market Participants
 - TSOs intend to mention the issue on JAO collaterals in their explanatory document and to consult ACER for their decision process with further input regarding the collateral topic
- TSOs and ACER will further engage with market participants regarding the JAO collaterals topic
 - ACER will organise a public consultation and a public workshop for its' decision on the HAR proposal

Q&A

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Thank you.

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



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