ACER decisions on HCZCAM and RCC task of sizing and procurement

Public workshop

19 April 2023

European Union Agency for the Cooperation
of Energy Regulators

AGENDA		
10.15 - 10.30	Webinar open for log-in	Starts promptly at 10.30
10.30 - 10.35	Introductory remarks	
10.35 – 10.50	Background and process for the ACER's decisions	
	Q&A	
10.50 – 11.05	Harmonised cross-zonal capacity allocation methodology: co-optimised allocation process	
	Q&A	
11.05 – 11.40	Harmonised cross-zonal capacity allocation methodology: market-based allocation process	
	Q&A	
11.40 – 11.55	RCC tasks of sizing and procurement	
	Q&A	
11.55 – 12.00	Closing remarks	

Introductory remarks

10:30 – 10:35

Martin Viehhauser, ACER

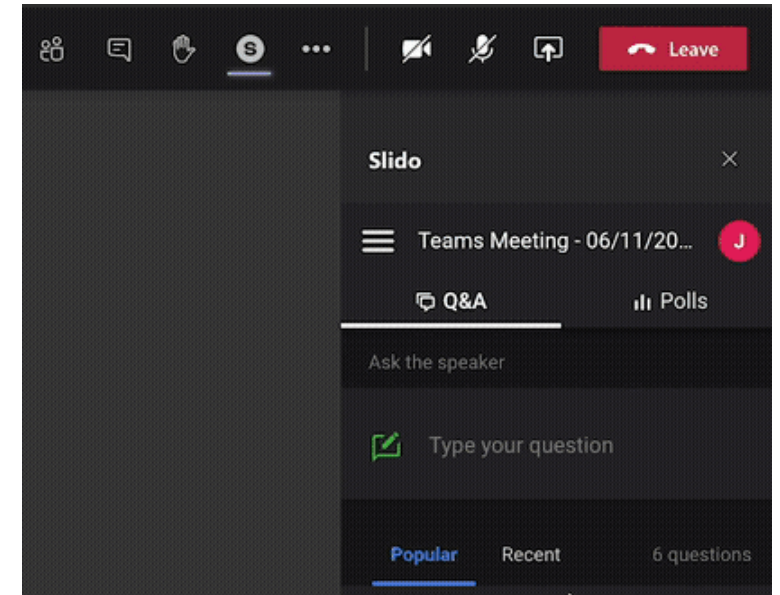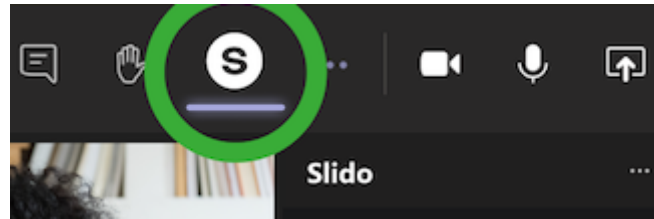Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:

https://app.sli.do/event/mCBcshtZfVt2YGfRcz3BDG

- **Connect to Slido**

→ Directly in MS Teams

→ Through www.slido.com #ACER2023

→ Use direct link: https://app.sli.do/event/mCBcshtZfVt2YGfRcz3BDG

→ Scan QR code

Workshop objectives:

- Present the content and questions of ACER's public consultation on the proposal for a harmonised cross-zonal capacity allocation methodology and the RCCs tasks of sizing and procurement.

- Answer to stakeholders' questions related to this public consultation.

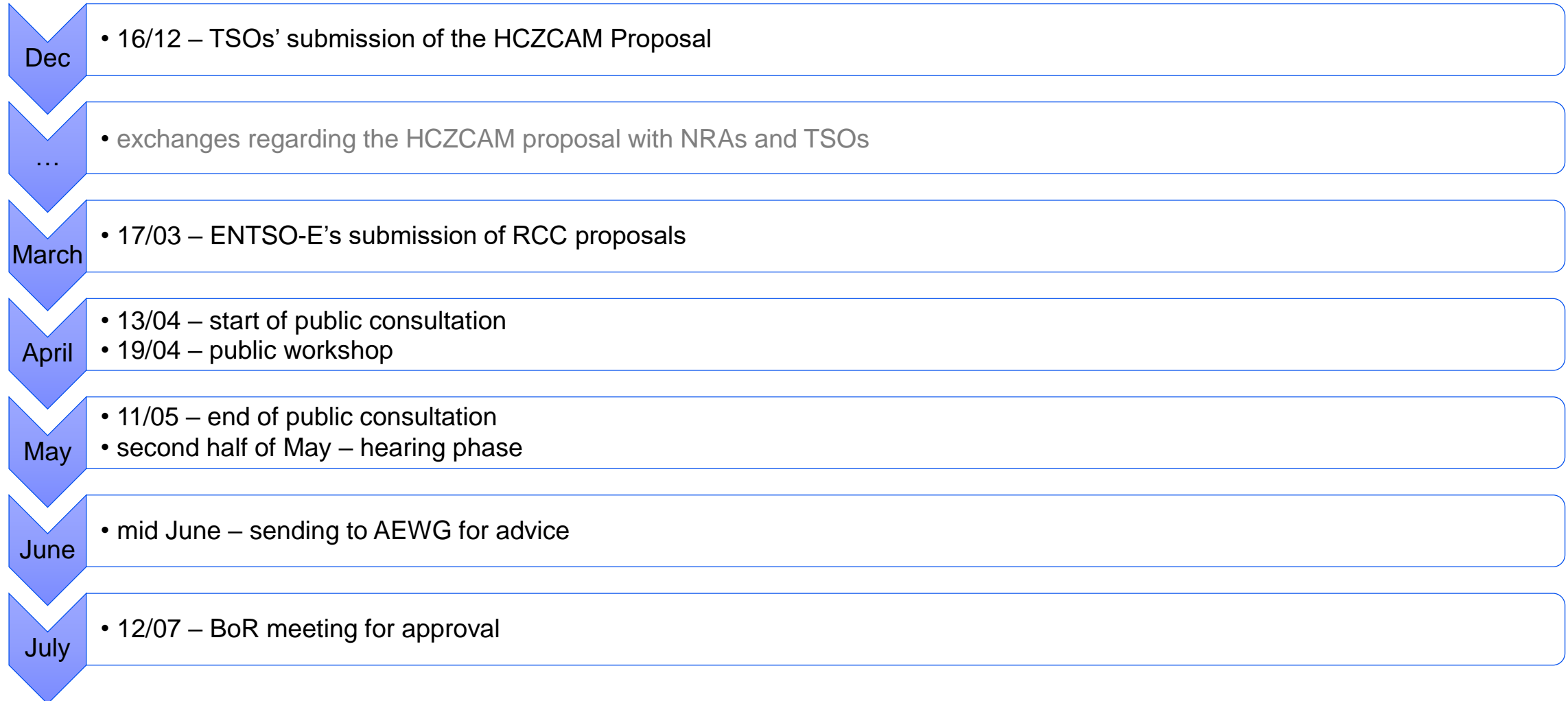# Background and process for the ACER's decisions

10:35 – 10:50

Martin Viehhauser, ACER

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:

https://app.sli.do/event/mCBcshtZfVt2YGfRcz3BDG

ACER Decision on HCZCAM and RCC tasks

- All TSOs submitted on 16 December 2022 their proposal for a methodology for harmonised cross-zonal capacity allocation processes for the exchange of balancing capacity or sharing of reserves ('**HCZCAM**') in accordance with Article 38(3) of the EB Regulation.

- On 17 March 2023 ENTSO-E submitted proposals (in accordance with Article 37(5) of the Electricity Regulation) for the RCC tasks of:
  - regional sizing of reserve capacity (Article 37(1)(j) of the Electricity Regulation); and
  - facilitating the regional procurement of balancing capacity (Article 37(1)(k) of the Electricity Regulation);

- Due to interdependencies between the HCZCA methodology and the RCC tasks of sizing and procurement:
  - ACER's EB TF+ and ENTSO-E agreed that the submission of the 2 proposals for RCC tasks will be aligned with the decision process for the HCZCA methodology.
  - The ongoing public consultation therefore also addresses all 3 proposals
  - ACER intends to issue it's decisions on these 3 proposals at the same time

Dec
- 16/12 – TSOs' submission of the HCZCAM Proposal

…
- exchanges regarding the HCZCAM proposal with NRAs and TSOs

March
- 17/03 – ENTSO-E's submission of RCC proposals

April
- 13/04 – start of public consultation
- 19/04 – public workshop

May
- 11/05 – end of public consultation
- second half of May – hearing phase

June
- mid June – sending to AEWG for advice

July
- 12/07 – BoR meeting for approval

Q&A

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:

https://app.sli.do/event/mCBcshtZfVt2YGfRcz3BDG

HCZCAM:
co-optimised allocation process

10:50 – 11:05

Martin Viehhauser, ACER

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:

https://app.sli.do/event/mCBcshtZfVt2YGfRcz3BDG

- The HCZCA methodology will replace the co-optimisation methodology (ACER Decision 12-2020)

- The co-optimisation methodology has already a pan-European applicability
  → No regional specificities, which would need to be harmonised

- Since the approval of the co-optimisation methodology:
  - Implementation impact assessment (here) and a technical feasibility study (roadmap study) showed that the co-optimised allocation process is in general feasible
  - Further R&D is needed before the implementation of the co-optimised allocation process
  - All TSOs submitted to NEMOs their new set of requirements for the price coupling algorithm (here)
    - ACER requested NEMOs to amend the algorithm methodology by November 2023
  - The relevant principles for the co-optimised allocation process did not change

→ limited changes to the co-optimised allocation process in the HCZCA proposal compared to the co-optimisation methodology

- Implementation of the co-optimised allocation process is not addressed in the HCZCAM Proposal
  - Implementation is a requirement by EB Regulation
  - Similar approach as for the co-optimisation methodology:
    - Requirements for the co-optimised allocation process from the HCZCAM need to be addressed in the set of TSOs' requirement for the price coupling algorithm.
    - How the co-optimised allocation process is integrated in the price coupling algorithm and the deadline for its' implementation needs to be addressed in the algorithm methodology.

Consultation question:

Q1.1 Please provide your comments on the HCZCAM Proposal's provisions regarding the co-optimised allocation process.
Please always indicate the relevant Article in the Proposal which your comment refers to.

Q&A

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:

https://app.sli.do/event/mCBcshtZfVt2YGfRcz3BDG

ACER
European Union Agency for the Cooperation
of Energy Regulators

HCZCAM: Market-based allocation process

11:05 – 11:40

Martin Viehhauser, ACER

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:

https://app.sli.do/event/mCBcshtZfVt2YGfRcz3BDG

- HCZCAM will replace and harmonise the regional market-based methodologies for:
    - Nordic CCR (ACER Decision 22-2020 *+amendment*)
    - Core CCR (ACER Decision 11-2021)
    - Baltic CCR (ACER Decision 10-2021 *+amendment*)
    - GRIT CCR
    - Italy North CCR

    The HCZCAM proposal allows approved regional market-based processes for a transition period between the implementation of the HCZCA market-based process and the end of this transition period

- With the HCZCAM the market-based allocation process can also be applied across CCRs

- *Economic efficiency process (Article 42 of EB Regulation) is <u>not included </u>in the HCZCAM proposal*

HCZCAM – market based: pricing principle

- The HCZCAM Proposal also allows pay-as-bid and marginal pricing as a pricing principle for the market-based allocation process.

- In ACER's Decision on the Core market-based methodology the use of the pay-as-bid pricing principle for the Core market-based process was rejected.
    - The need for marginal pricing in SDAC pursuant to Article 38(1)(b) of the CACM Regulation and the requirement for equal treatment (Article 41(4) of the EB Regulation) does not allow pay-as-bid when applying the market-based allocation process

- An appeal against this decision was dismissed by ACER's Board of Appeal in case A-013-2021.

→ ACER intends to delete all references to pay-as-bid in the HCZCAM

Consultation question:

Q1.2.1 Do you agree to the intended revisions by ACER concerning the pricing principle? **Y/N**
Q1.2.2 Please provide your comments concerning the pricing principle.

HCZCAM – market based: inverted MB

- In an 'inverted market-based process' cross-zonal capacity would be allocated based on:
  - real bids from SDAC; and
  - a forecasted market value of cross-zonal capacity for the exchange of balancing capacity and sharing of reserves.

- Inverted market-based process could only be implemented with the co-optimisation function

- The HCZCAM proposal is including an incomplete inverted market-based process

→ ACER intends to delete the inverted market-based process from the HCZCAM

Consultation question:

Q1.2.1 Do you agree to the intended revisions by ACER concerning the 'inverted market based' process? **Y/N**
Q1.2.2 Please provide your comments concerning the 'inverted market based' process.

HCZCAM – market based: max volume limits

- The HCZCAM Proposal describes the process to define the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves
  - for the co-optimised allocation process under Article 8
  - for the market-based allocation process under Article 16

- Further provisions for such limits under Articles 7 and 13 of the HCZCAM Proposal.

- Some of these limits are subject to TSOs' decisions without the involvement of regulatory authorities.

- Any limits beyond the ones needed in accordance with the SO Regulation should be well justified and subject to regulatory approval.

→ ACER intends to revise the provisions on maximum volume limits by having default limit in the HCZCAM and allowing other limits if justified and approved in a application methodology.

Consultation question:

> *Q1.2.5 Do you agree to the intended revisions by ACER concerning provisions on limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves? Y/N*
> *Q1.2.6 Please provide your comments concerning provisions on limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.*

HCZCAM – market based: Forecast

- Forecasting the cross-zonal capacity market value for SDAC described in the HCZCAM Proposal requires the market-based cross-zonal capacity allocation optimisation function and the following inputs:
  - (Preliminary) day-ahead cross-zonal capacity results; and
  - Forecasted day-ahead energy bid curves.

- Differentiation between the forecasted market value of cross-zonal capacity for the exchange of energy and forecasted SDAC bid curves is not clear in the HCZCAM proposal.

- → ACER intends to improve clarity of the description of how to determine the forecasted market value of cross-zonal capacity for the exchange of energy

- The forecast error is an indicator for the inefficiency of the forecast in the market-based process
  - a forecast error should be expected to have similar negative impacts on the day-ahead market throughout regions

- The HCZCAM proposal considers the forecast error by lowering the maximum volume limit
  - Thresholds for such consideration are currently not harmonised and subject to TSOs' decision

- ACER is generally concerned about the lack of TSOs' assessment of the potential efficiency of the proposed forecasting method.
  - Such assessment and any resulting conclusions, would also be helpful when determining how a forecast error should be considered in the market-based allocation process.

- Harmonising a forecast error consideration based on the proposed approach of reducing the maximum cross-zonal capacity limit without having clarity on the potential forecast accuracy could be problematic.
  - While such approach can limit the impact of a forecast error, it could also significantly reduce the effectiveness of the whole market-based process
  - A forecast error consideration in the form of a mark-up (or something equivalent) could reduce the positive forecast error to protect the day-ahead market against inefficient forecast without the same risk concerning the effectiveness of the market-based process

→ ACER sees the need to further assess the forecast efficiency of the proposed method and improve and harmonise the forecast error consideration.

Consultation questions:

Q1.2.7 Do you agree to the concerns shared by ACER concerning forecasting and the forecast error consideration? **Y/N**

Q1.2.8 Please provide your comments concerning the process for forecasting the market value of cross-zonal capacity for the exchange of energy.

Q1.2.9 Please provide your comments concerning forecast error or forecast error consideration for the market-based allocation process.

ACER
European Union Agency for the Cooperation
of Energy Regulators

Consultation question:

Q1.3 Please provide any other comments related to specific provisions of the HCZCAM Proposal.
Please always indicate the relevant Article in the Proposal which your comment refers to.

Q&A

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:

https://app.sli.do/event/mCBcshtZfVt2YGfRcz3BDG

RCC tasks of sizing and procurement

11:40 – 11:55

Martin Viehhauser, ACER

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:

https://app.sli.do/event/mCBcshtZfVt2YGfRcz3BDG

- The Sizing Proposal is structured into the sub-tasks of determining the minimum reserve capacity at SOR level and the short-term assessment of availability of sharing amounts.

- The Sizing proposal requires the determination of minimum reserve capacity to:
  - be performed at SOR level;
  - be performed on a yearly basis
  - consider reserve requirements and possibilities for sharing of reserves

- If it's calculation is deviating from the TSOs' minimum reserve capacity, the RCCs recommend to TSOs to re-consider the sharing of reserves within the SOR

- The Sizing proposal requires the RCC to assess the availability of sharing amounts
  - where sharing agreements between LFC blocks are applied
  - on a daily basis
  - considering reserve capacities and cross-zonal capacities

- Following such assessment, the RCC notifies TSOs about risks of insufficient availabilities or possibilities to increase the sharing amount.

ACER
European Union Agency for the Cooperation
of Energy Regulators

Consultation questions:

> *Q2.1 Please provide your comments related to the determination of minimum reserve capacity at SOR level.*
>
> *Please always indicate the relevant Article in the Proposal which your comment refers to.*
>
> *Q2.2 Please provide your comments related to the short-term assessment of availability of sharing amounts.*
>
> *Please always indicate the relevant Article in the Proposal which your comment refers to.*
>
> *Q2.3 Please provide any other comments related to specific provisions of the Sizing Proposal.*
>
> *Please always indicate the relevant Article in the Proposal which your comment refers to.*

ACER
European Union Agency for the Cooperation
of Energy Regulators

- The Procurement Proposal is structured into the sub-tasks of assessing non-contracted platform bids and the RCCs' involvement in the regional procurement of balancing capacity.

- The daily assessment of non-contracted bids on balancing energy platforms aims to allow TSOs to reduce their volume of required reserve capacity.

- For the RCCs' support of regional procurement, the Procurement Proposal requires the RCC:
  - to provide the relevant cross-zonal capacity data to the harmonised processes for the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing or reserves; and
  - to perform the processes allocated to the RCCs by the HCZCAM Proposal.

- The HCZCAM Proposal requires the RCC to perform forecast validation, which includes:
  - recommendations for improving the forecasting of SDAC bid curves
  - determination for the forecast error

ACER
European Union Agency for the Cooperation
of Energy Regulators

Consultation questions:

Q3.1 Please provide your comments related to the assessment of non-contracted platform bids.
Please always indicate the relevant Article in the Proposal which your comment refers to.

Q3.2 Please provide your comments related to role foreseen for RCCs by the Procurement Proposal and the HCZCAM Proposal to support the procurement of balancing capacity.
Please always indicate the relevant Article in the Proposal which your comment refers to.

Q3.3 Please provide any other comments related to specific provisions of the Procurement Proposal.
Please always indicate the relevant Article in the Proposal which your comment refers to.

Consultation question:

Q4 Do you have any other relevant comments?

Q&A

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:

https://app.sli.do/event/mCBcshtZfVt2YGfRcz3BDG

Thank you.

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

ACER

European Union Agency for the Cooperation
of Energy Regulators

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

🐦 @eu_acer
in linkedin.com/company/EU-ACER/