ACER Workshop on the amendments to the harmonised allocation rules

Public workshop
05/09/2024
## Agenda

<table>
<thead>
<tr>
<th>Timing</th>
<th>Agenda topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>10:30 – 10:35</td>
<td>Introductory remarks</td>
</tr>
<tr>
<td>10:35 – 10:50</td>
<td>Background and process for the ACER decision</td>
</tr>
<tr>
<td>10:50 – 11:20</td>
<td>Collateral requirements and timings Q&amp;A</td>
</tr>
<tr>
<td>11:20 – 11:40</td>
<td>Auction specifications Q&amp;A</td>
</tr>
<tr>
<td>11:40 – 11:55</td>
<td>Other proposed amendments Q&amp;A</td>
</tr>
<tr>
<td>11:55 – 12:00</td>
<td>Closing remarks</td>
</tr>
</tbody>
</table>
Interaction during meeting

Connect to Slido:

→ Directly in MS Teams

→ Through www.slido.com #HAR)

→ Or use direct link: https://app.sli.do/event/1c3BMNAZJx1wPeHuchCLGr

→ Or use QR code

To ask questions:

• Use Slido for Q&A (Do not use chat to pose a question)

• “Like” other questions

• Use labels with your question

• Reply to/comment on others’ question
Background and process for the ACER decision

Marie Hjorth Slattebrekk
On 1 March 2023, TSOs submitted for amendment to the harmonised allocation rules (HAR) (Article 51 of the FCA Regulation). On 1 August 2023, the TSOs complemented their proposal by submitting the amendments to the provisions on collaterals in the HAR.

This is the final methodology that is needed to be amended in order to implement long-term flow-based allocation (LT FBA), a pre-requisite for implementing the Core and Nordic capacity calculation methodologies in accordance with Article 10 of the FCA Regulation.

Long-term flow-based allocation in the Core capacity calculation region is expected to go live in November 2024.

The proposal from TSOs contains some general updates and updates related to the introduction of LT FBA.
**Mar**
- 1. March: 1\textsuperscript{st} submission of the HAR amendment from TSOs to ACER

**Aug**
- 1. August: 2\textsuperscript{nd} submission from TSOs to ACER, including proposed changes on collaterals
- 29. August: Public consultation launch

**Sep**
- 5. September: Public workshop
- 26. September – End of public consultation

**Dec**
- End of 2023: ACER decision

**Feb**
- 1 February: Legal deadline
Collateral requirements

Martin Viehhauser
Need for amendment of collateral requirements

- Collateral requirements from currently applicable HAR:
  - Collaterals need to cover for their bid value
  - Collaterals will be released after the auction

- Not problematic with sequential NTC-based LTTR auctions

- Simultaneous long-term flow-based allocation (LTFBA) of LTTRs:
  - Increased burden on collateral
  - November 2024
TSOs’ proposed amendments for collateral requirements

- TSOs propose to introduce a cap for the calculation of collaterals for LTFBA

- Limiting collateral requirements during auction by using:
  - $\text{MIN}(\text{bid price}, \text{price cap})$

- The TSOs’ proposed cap calculation:
  - using day-ahead MTUs of past six (6) last calendar months in case of yearly LTTRs; and
  - using day-ahead MTUs of last calendar month in case of monthly LTTRs.
  - summed up value of positive market spreads of relevant MTUs
  - divided by amount of relevant MTUs with a positive market spread
Possible options for collaterals
Option 1: Cap based on day-ahead prices

- Using the day-ahead market data would be simple and transparent
  - Can be implemented by November 2024
  - More complex methods may provide a higher forecast accuracy but may not be ready in time

- ACER is concerned about the accuracy and consistency of the proposed cap calculation:
  - dividing only by the amount of MTUs with a positive value, may not result in an equal consideration of all LTTRs and to unjustified high caps for some LTTRs.
    - bidding zone border directions with constant positive values over all MTUs would have an accurate representation of the past directional market spread
    - bidding zone border directions with a very small share of MTUs with a positive value would be subject to a significantly overestimated cap
  → Division by the total number of relevant MTUs would be more accurate
Possible options for collaterals
Option 1 - Questions

Question 1:
Do you consider Option 1, using the average value of the market spread, an acceptable solution?

• Single choice: Strongly agree/Agree/Neutral/Disagree/Strongly disagree

Question 2:
In your opinion, what is the preferred method on how to address the described issue of collateral requirements, which could still be implemented by the deadline of November 2024?

Question 3:
Do you have any comments on the TSOs' proposal for the cap calculation?
Possible options for collaterals
Option 2: Cap based on forward prices

- The cap could also be calculated by using available forward market prices.

- Likely more accurate forecasts than a cap based on past day-ahead prices

- Problems with a cap calculation based on forward prices:
  - availability of reliable and consistent prices for all relevant bidding zones
  - complexity of transforming spread data from obligations (bi-directional) to a market spread per bidding-zone border direction (options)

→ Implementation by November 2024 is questionable
Possible options for collaterals
Option 2 - Questions

Question 4:
Do you consider Option 2 using forward prices an acceptable solution?

• Single choice: Strongly agree/Agree/Neutral/Disagree/Strongly disagree

Question 5:
If you agree, please provide a detailed description on how you consider the calculation of the price cap using forward prices can be done in the best way possible (i.e. how should the described problems be addressed most efficiently)

Question 6:
If you disagree, please clarify the reasons why you consider such solution not acceptable or not feasible
Possible options for collaterals
Option 3: bid filtering based on auction results

- A solution where the bid filtering is based on the market results
  - No inefficiency through inaccurate forecasts
  - Bids are only rejected if collaterals are inefficient for selected bids and actual LTTR values

- High complexity
  - Possible long-term solution
  - Not available for the November 2024 deadline
Question 7:

Do you consider that Option 3 should be further explored as a long-term solution (i.e. after the go-live of the first LTFBA auctions)

- Single choice: Strongly agree/Agree/Neutral/Disagree/Strongly disagree

Question 8:

Do you have any other comments concerning Option 3?
Timing for publishing the calculated cap on collaterals

- TSOs propose to publish the cap value with the final auction specifications
  - at the latest one hour before the start of the bidding period

- Start of bidding period is not defined in the HAR

**Question 9:**

Do you have any comments on the proposed timing for publishing the cap on collaterals?
Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:
https://app.sli.do/event/1c3BMNAZJx1wPeHuchCLGr
Auction specifications

Zoran Vujasinovic
TSO Proposal: final offered capacity in the final auction specifications (in case of flow-based allocation) shall consist of:

- Max Exchanges (MaxBex) per bidding zone border directions
- Min Net Positions; and
- Max Net Positions

ACER considers beneficial for the market participants to receive the full set of flow-based parameters:

- To be able to simulate the LTFBA and assess their positions.

ACER considers that the final offered capacity in case of flow-based should also include:

- **PTDFs** per critical network elements (CNEC) and, if applied, grouped network elements (GNEC)
- **RAM** (remaining available margin) per CNEC and GNEC
- **external constraints** per border directions, where applied
- **ATC values** per border directions, applied for evolved flow-based (EFB) approach
Question 11:

Do you support the proposal of providing the flow-based parameters in the final auction specifications?

Question 12:

Do you have any other comments concerning the proposal on the offered capacity with flow-based?
Q&A

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:
https://app.sli.do/event/1c3BMNAZJx1wPeHuchCLGr
Other proposed amendments

Marie Hjorth Slattebrekk
Sanctioning in case of non-payment

- In the Proposal: a registered participant that is suspended from the participation agreement due to a payment incident, may not use their allocated LTTR until their payment of the LTTR is fully settled or fully secured by collaterals.

- With this provision it is possible for a suspended participant to choose to regain access to its LTTRs if the market situation changes.

- In order to prevent such a situation, ACER intends to introduce a stricter sanctioning regime in case of non-payment by market participants:
  - After a payment incident and a certain deadline for settling open positions, market participants will lose all rights on awarded capacity.
Sanctioning in case of non-payment

• In the Proposal: a market participant who is suspended from the participation agreement, is not able to participate in an auction until the payment of the LTTRs is fully settled or secured by collaterals.

• ACER considers, in order to reduce the risks of non-payment of LTTRs, a provision could be implemented where a suspended market participant is excluded from all further auctions for a certain period, after the LTTRs have been fully settled after the payment incident.

Question 10:
Do you have any comments on strengthening the sanctioning regime as proposed by ACER?
Question 13:
Do you have comments on other amendments proposed by TSOs?
Q&A

Ask question via Slido in MS Teams, by scanning the QR code or using the direct link:
https://app.sli.do/event/1c3BMNAZJx1wPeHuchCLGr
Thank you.

The contents of this document do not necessarily reflect the position or opinion of the Agency.
Other proposed amendments:
Proposal to introduce a cap for the remuneration of LTTRs in case of decoupling

Marie Hjorth Slattebrekk
Proposal to introduce a cap for the remuneration of LTTRs in case of decoupling

- TSOs propose to introduce a cap for the remuneration of the LTTRs holders for non-nominated physical transmission rights and financial transmission rights in case of decoupling event in the day ahead market coupling (art. 49 in the Proposal)

- There is no legal basis for such a cap, as it is not compliant with the remuneration mechanism of applying the market spread as prescribed under Article 35(3)(a) of the FCA Regulation.

- LTTR holders need to be remunerated with exactly the difference between hourly day-ahead prices per market time unit and direction, between two bidding zones, ref. ACER Decision 15/2021