

Date: 21/12/2018

Subject: MPP answer to ACER consultation on the CORE CCM

MPP would like to thank ACER for the opportunity to provide comments on the ACER proposal on the decision on the Capacity Calculation Methodologies (CCM) for day-ahead and intraday for the CORE region. We would like to refer to our previous response to the TSOs consultation on the two CORE CCMs and the follow-up NRA consultations on the same subject.

Overall, MPP has always been supportive of efficient capacity calculation, respecting the key objective laid down in regulation 714/2009 and CACM guideline: maximization of cross-zonal capacity up to the level of optimum economical welfare per region.

MPP has also been a constant advocate of full transparency on the capacity calculation process. In a flow-based model, market outcomes are very much linked with the reality of the grid: this is positive from an economic (social welfare) point of view, but at the same time more challenging in terms of transparency, as market players need to have an excellent understanding of the grid to trade efficiently.

Topic 1: Undue discrimination between internal and cross-zonal trade

3.1. Please comment on the suggested approach on the selection of critical network elements and Contingencies

While we share ACER observations in the recently published MMR on the low allocation of cross-zonal capacities to the market, we are concerned by the solution proposed by ACER to **address the problem of undue discrimination between internal and cross-zonal trades**. ACER proposes that after 2 years, no internal critical network elements can be included in the capacity calculation, unless TSOs demonstrate that no alternative is more efficient than limiting cross-zonal capacity to address congestions within bidding zones, subject to NRA approval.

MPP is of course concerned with the current number of CBCOs in CWE flow-based market coupling. However, *de facto* excluding all internal critical network elements with contingencies (CNEC) does not address properly the economic efficiency that we are promoting. Instead of a *de facto* exclusion, there should be a process in place in which an inclusion is possible, but based on sound economic efficiency analysis.

We therefore strongly suggest to adapt the process and governance rules foreseen by ACER. The process should ensure that including internal elements remains possible, when it improves economic efficiency by calculating cross-zonal capacities that are consistent with what the infrastructure can actually deliver. Such inclusion should not be dependent on only one NRA approval, nor on all NRA approval, as the decision could be one sided in the first case, or impossible in the second.

Generally speaking, the MPP considers that processes which are based on general rule which is very difficult to match in practice on the one hand, and multiple derogations on the other hand so as to cope with reality, are usually not efficient nor transparent.

Instead of excluding all internal CBCOs by default, the MPP can rather suggests a process where, for instance, the list of all CBCOs (internal and cross-zonal) would need to be updated and approved every

two year, with a decision based on an economic analysis of several scenarios (one of those scenarios being the exclusion of all internal elements, so as to allow a sound comparison).

At the very least, even if the process proposed by ACER is kept as such, an impact assessment should be carried out before the two-year period ends.

The MPP would encourage ACER to look beyond the problem of optimal delineation of bidding zones, and to focus on the key issue: making sure that capacity calculation and remedial actions' cost allocation also incentivizes TSOs to reinforce the transmission infrastructure where necessary, in particular to alleviate stress on network elements subject to frequent "reductions".

As a side note, we would also appreciate some guidance as of the potential inclusion of cross-zonal network elements that do not have the status of "interconnector".

3.2 Please comment on the suggested approach to minimum remaining available margin

We acknowledge some merits of ACER's proposal to address undue restriction of cross-zonal trades by the enforcement of minimum remaining available margins.

However, we believe that the value of the threshold should be considered with care, because a too-high value would jeopardize economic efficiency, **hence driving inefficient decisions by market participants**.

From this perspective, we encourage ACER to use any possible flexibility that could be allowed by the Electricity Regulation to define efficient capacity calculation processes, rather than arbitrary thresholds. We also note that the threshold mentioned in the Regulation applies to the RAM for cross-zonal exchanges in general. Therefore, they should not be applied directly to CORE without taking into account the transit flows resulting from exchanges within other CCRs. The MPP thus proposes that the minRAM value should also be evaluated every two years, as part of the process proposed above, and if needed adapted based on an economic analysis encompassing several scenarios.

Furthermore, the impact of a respective threshold on adjacent regions including third countries sharing the same synchronous area with any Member State – like Switzerland – in terms of economic efficiency and network security should be duly taken into account.

The MPP finally notes that the problem can be even more critical in bidding zones where market participants must have balanced position in the day-ahead time frame, and therefore calls for consistency between national rules and ACER principles for capacity calculation.

Topic 2: Capacity validation

4.1 Please comment on the suggested approach to the validation process

We approve the process proposed by ACER for the validation of capacity calculation.

However, we highlight that some problems cannot be addressed in less than two years. Deploying network or changing market configuration usually requires a longer time frame.

Topic 3: The quality of the capacity calculation input parameters

5.1 Please comment on the suggested approach to FRM

We approve ACER's orientation to manage a transitory period with current FRMs in the CWE region and 10% of FMAX in the remaining CORE CCR, so that FRMs can then be calculated based on practical figures.

5.2 Please comment on the suggested approach to GSK

Apart from the impact of remedial actions (costly or not), the distribution of errors in flow forecasts during the capacity calculation is highly related to:

- i) The quality of forecasting the reference situation
- ii) The ability of the GSK to represent accurately to which extent a shift in net position of a bidding zone may affect the location of injections/withdrawals within the bidding zone.

Imposing a harmonized methodology for GSK setting could be detrimental, if it leads to higher FRMs on the most critical CNECs. We would therefore recommend TSOs to define a limited set (e.g. 3) of possible methodologies for GSK definition, and select the one that leads to the smallest FRMs on the most frequently active CNECs for a representative panel of situations.

5.3 Please comment on any other input parameter

As of the quality of forecasting the reference situation, we encourage TSOs to provide all details about the methodology they use.

A similar approach to GSK, e.g. define a limited set of possible approaches and select the one that leads to smallest FRMs on the most frequently active CNECs for a representative panel of situations, could be efficient and transparent.

Topic 4: Allocation constraints

6.1 Please comment on the suggested approach to allocation constraints

We approve the proposal by ACER.

We would also recommend that TSOs publish a yearly report detailing the welfare losses induced by the allocation constraints, based on a parallel run for situations when allocation constraints are active. This figure could then be compared with the cost estimates of alternative measures.

Topic 5: Intraday (ID) capacity calculation

7.1 Please comment on the consistency between DA and ID (removal of minRAM, LTA inclusion and validation, use of RAs to increase ID capacity)

We approve ACER's recommendation that no minRAM or LTA inclusion should apply to the intraday capacity calculation. We believe however that this requires strong commitment by TSOs to consider (costly) remedial actions (including countertrading) ahead of or during the ID capacity calculation. Otherwise, it might be impossible to design a flow-based domain that encompasses the last reported market clearing point.

This allows for the early (e.g. 5 pm day-ahead) implementation of countertrading and cross-zonal redispatching necessary for secure operation of the CNECs, making it possible for TSOs to compare on an equal footing cross-zonal and internal remedial actions.

7.2 Please comment on the on the suggested approach to the timing and frequency of ID capacity calculation

We think that the recommendation to run at least one ID recalculation, before 22.00 DA is the minimum that can be accepted, but regret the lack of ambition of the proposed deadline of 22:00. We still fail to understand why an earlier deadline cannot be achieved.

7.3 Please comment on the suggested approach to the cross-zonal capacity at the intraday cross zonal gate opening time

We are not certain that ACER's decision on the CCM may legally impose a timing for the allocation of capacity in the intraday time frame.

Although we generally support that the leftovers of the last capacity calculation should be offered until the end of the ID capacity calculation, we understand that ACER's decision on the IDCZGOT opens the door for TSOs to offer no capacity.

Topic 6: Transparency of the CCM

8.1 Please comment on the on the suggested approach to transparency

MPP welcomes ACER propositions to include more precise transparency requirements within the CCM. Our experience in the CWE Flow Based capacity calculation shows that the absence of such precise transparency requirements leads to lengthy (and still ongoing) discussions on how the transparency requirements laid down in EU legislation have to be put in practice, whereas they are actually the key to an efficient trading (and thus to the efficiency of any flow-based approach as a whole).

We overall agree with the proposed list of parameters requested by ACER and have some suggestions to further refine them:

- *4. real names of CNECs and external constraints* (consistently with the information provided in the up-to-date static grid model): the CBCOs should be "split" between CBs and COs.
- *5.1 and 5.2. vertical load and production:*
 - o TSOs should provide an estimation of the decentralized generation embedded in the vertical load (ideally with the technology type break down)
 - o TSOs should provide a breakdown of the generation by fuel type, as we know that some fuels play a big role in the FB domain
- *5.4. exchange programs on non-Core bidding zone borders:* the expected individual positions considered by TSOs of at least all direct neighbours should be published (not just a global view)
- *6. every six months, publication of an up-to-date static grid model by each Core TSO:* the CCM should specify that the static grid model should be detailed enough. For instance, detailed

substation topology (Switch/Breaker/Connected Generation) should be published. Transmission lines below 400kV and Transformers/PST should be described and published if they are modelled in the operational grid model (D2CF).

We also have some additional requests:

- In the assumption that no internal CNECs are selected (a default approach that we would not support), only information on cross-border CNECs would be published, following ACER transparency requirements. This would be problematic since no information on how the decision to allocate capacity at the border would be available to the market. Information on grid elements influencing PTDF calculation should be available. A solution must be found, for instance, by publishing information (as for cross-border CNECs) for internal lines that influence the calculation. This kind of approach was in place during the CWE flow based parallel run.
- Full domain before and after the application of the LTA patch, or any other patch (e.g. min ram). It is important that the domain as obtained without patch is published, since it reflects the physical situation.
- The transparency obligations should also detail what TSOs should publish in case they are not able to respect the minimum level of capacity imposed by the CCM. As mentioned in our letter to CWE regulators dated October 31st, we think that the methodology should detail:
 - o An exhaustive list of conditions for which the rule can be suspended;
 - o A clear obligation on TSOs to inform market participants about the suspension at the moment of the decision, with all the details available on the reasons for the suspension at that moment;
 - o An obligation on TSOs to issue a yearly report to regulators and the market on the application of the rule, with extensive details on the reasons leading to its suspension.

Last but not least, we consider that the decision should not foresee a derogation depending on national law. Indeed, opening the door for derogations would undermine transparency, whereas the methodology has theoretically legal superiority against national regulation.

If one or several national TSOs derogate from the methodology, the burden of proving that national legislation has superiority over the methodology should be left to them.

Topic 7: Implementation timeline

9.1 Please comment on the on the suggested implementation timeline

Although we welcome ambitious dates for the implementation of the CACM guideline, we are a bit doubtful as of the capability of TSOs to implement the new methodology and perform parallel run before Q1 2020.

If a choice has to be made, the MPP would prefer a realistic but firm implementation date. We think the external parallel run should last one whole year, especially so as to cover the winter period. We also think it should not be launched before the methodology is finalized, as substantially updating the methodology during the parallel run makes it very difficult to manage (or makes its results irrelevant).

We also highlight that applying minRAM greater than 20% is likely to require massive levels of redispatching and countertrading. Therefore, it is key for the efficiency of the European power system



that TSOs can rely on efficient tools for the coordination of redispatching and countertrading at regional level before applying higher levels of minRAMs. In our understanding, TSOs do not have such tools at hand yet. The only approach that could be implemented quickly enough would be the generalization of countertrading schemes. It is therefore key that such schemes are implemented very quickly in the framework of the methodologies developed under the CACM and SOGL guidelines.

Topic 8: Conclusion

10.1 Please provide any further comment on the Core Capacity Calculation Methodology

We note that, should ACER proposals be implemented without changes, the capacity calculation methodology in the CORE region would be significantly different from the ones applying in other regions. We would suggest assessing whether such differences could prove detrimental to the functioning of the internal market.

We would also like to stress that any legal fragility is likely to generate legal cases that can challenge the implementation of the methodology for several years. We would thus value a consistent approach that delivers good visibility and firm progress.