MARKET PARTIES PLATFORM
Linking Energy Markets

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Subject: MPP answer to ACER's consultation on the methodology for sharing costs incurred to ensure firmness and remuneration of long-term transmission rights

The MPP would like to thank ACER for the opportunity to provide comments on both the all TSOs' and the ACER's proposals regarding the methodology for sharing costs incurred to ensure firmness and remuneration of LTTRs.

Q.1.: Which of the proposed options (TSO or ACER proposal) do you support or prefer? Please, substantiate your choice. If you propose a different solution, please specify and explain your choice.

Overall, the MPP considers that a holistic view should be adopted when it comes to long-term cost-sharing: even if LTTRs are mainly framed by the FCA Regulation, one should not consider FCA-relevant topics separately from other pieces of legislation such as CACM, as the associated cost-sharing relies on the day-ahead congestion income. This is particularly true in terms of governance and geographical scope: even if this methodology is European-wide, cost-sharing in the day-ahead timeframe is decided according to CACM at regional level. The methodology for sharing the cost incurred to ensure firmness of LTTRs should therefore be consistent with the single day-ahead and intraday coupling redispatching and countertrading cost-sharing methodologies to be adopted under article 74 of the CACM Regulation, as both aim – certainly at different time horizons – to cover and share the costs incurred to ensure firmness of capacity/rights.

Such a consistency might appear challenging to achieve given that the corresponding methodologies differ from one capacity calculation region to another, but this might be made easier if the costs of ensuring firmness of LTTRs were borne by the Requesting TSOs, avoiding at the same time any penalization of other TSOs when only one TSO is not in a situation to manage exchanges (due to lack of investments or internal issues).

The MPP therefore considers that, among the two envisaged methodologies, the all TSOs' one seems to be the more consistent with the methodologies developed under article 74 of CACM, as it features in the two first steps the bearing of the costs by the TSO(s) involved in the LTTR curtailment without impacting TSOs managing borders that are independent of the LTTR curtailment (applying the (non-)polluter (non-)payer principle). Conversely, the inversion of step 2 and 3 as featured in ACER's proposal does not provide fair economic signals as TSOs which are not responsible for the reduction of capacity could be more frequently penalized. This could lead to adverse incentives for TSOs.

Q.2.: Do you have any other comments on the methodology?

The MPP would welcome some clarification regarding the consistency between the potential cap on the total compensation to be paid to all holders of curtailed LTTRs that TSOs on a bidding zone border may propose and the two envisaged methodologies' provision stating that "*if there are still remaining* *costs on some bidding zone borders of a CCR, they are shared proportionally (weighted by the positive DA CI) among bidding zone borders with positive remaining DA CI calculated in the first step*". If this assertion does mean that income from other borders can be used to cover the compensation to be paid to the holder of curtailed LTTRs, the MPP therefore considers that the cap should not be calculated at border level but rather at regional level.

From a general standpoint, the MPP would also like to stress that, when it comes to solving a congestion issue, TSOs should always strive for the most economically optimal solution, regardless of the results in terms of cost-sharing (be it linked to LTTRs or redispatching and countertrading). The consistency and economic efficiency of the redispatching and countertrading methodologies, as well as the related cost-sharing methodologies, will therefore become all the more important in this new context. It is important to overcome incentives that lead to TSOs competing with each other by trying to attract income and push costs to others. A regional optimisation within a CCR should go hand in hand with a regional approach to costs and income.