

Date: September 21<sup>st</sup>, 2020

**Subject: MPP answer to ACER's consultation on two methodologies for coordination of operation security and remedial actions in the CORE CCR**

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The MPP would like to thank ACER for the opportunity to provide comments on these cornerstone topics for the building of a fully functional internal electricity market based on an increased and efficient cross-border trade, while ensuring the continued and safe operation of the system.

*Question 1: Do you consider that Article 35(5) and (6) of the CACM Regulation allows resource providers to make indicative prices/costs?*

The MPP considers that, in a market-based environment, the bids of market participants are firm and not indicative: this means that the price put forward is the price that is valid for acceptance of the bid at that very moment (even if the actual delivery is some time later, depending on the bid). To prevent a negative effect on the functioning of the continuous intraday market, which runs in parallel, operators of flexible assets must have the possibility to update redispatching bids until they are effectively activated. There are indeed many reasons to update the firm bids between the start of the coordination process and the effective activation, for example in terms of outages or evolutions in opportunity costs of the resources (whichever they might be: storage, hydro, demand response, etc.).

Aside from the market-based redispatch, which is the preferred approach under Regulation 2019/943, cost-based redispatch is also possible and should be taken into account. The MPP therefore considers that, in case of a cost-based congestion management, the relevant TSO fully or partially forecasts the activation cost and, as it is the one that makes the indication, it should be the one that bears the associated risk. It is essential that the resource provider remains financially neutral and gets remunerated for all its costs.

*Question 2: Do you consider that providing indicative prices provides good incentives for economic efficiency and prevents possible manipulations?*

Consistent with our answer to the previous question, market parties actually do not provide indicative prices but rather provide firm prices: alike the continuous intraday market, a bid is firm when it gets activated.

In MPP's view, the only remaining indicative prices are those that are used by TSOs in the timeframe between the start of the coordination process and the actual activation. In this process, TSOs might be incentivized to manipulate as they can shift costs to other TSOs. The MPP however believes that this risk can be decreased by shortening as far as possible the coordination process and following a fully transparent methodology. This can be done with direct instructions from the RSCs instead of advises. This would be a good reason for TSOs to act in the spirit rather than the exact provisions of the Electricity Regulation in their cooperation.

*Question 3: Who should bear the inherent risks related to differences between indicative and realised costs?*

The MPP considers that, in a market-based approach, if a price difference occurs between the moment when the TSO notifies the price to its RSC and the issuance of the actual recommendation by the latter, the risk of price change should be borne by the community of TSOs. Conversely, if a price update occurs after the RSC has issued its recommendation, the relevant TSO should bear the risk of that price difference.

When it comes to a cost-based redispatch approach, the MPP considers that the TSO that makes the forecast should be fully responsible for the price difference as it is responsible for ensuring financial neutrality for the resource provider.

In order to reduce significantly the potential differences between the prices considered by the RSC for the coordination process and the effective activation prices, the MPP suggests resorting to the following measures:

- Make sure that the coordination process triggers a balanced set of remedial actions, without the need to restore balance (at an unknown price at the time of decision) afterwards. This can only be done at RSC level.
- Open systematically (and maybe through a centralized platform) the possibility for market participants to submit standard countertrading bids in each bidding zone to enrich the set of remedial actions under consideration. Those bids could be considered firm between the time of submission and the end of the coordination process (with a specified time). Activating bids would then force the respective market participants to manage the corresponding risks in the intraday markets before its gate closure.

*Question 4: Do you agree that cost differences related to volume deviations between recommended and ordered volumes are shared only in case those deviations are agreed or confirmed by all Core TSOs?*

The MPP agrees with this proposal.

*Question 5: Do you agree that the settlement of cost differences related to volume deviations between ordered and activated volumes is not governed within the Core ROSC methodology and the Core RDCT methodology? If not, how would you propose to govern and define such settlement?*

The MPP agrees with this proposal as well.

*Question 6: Comments on other topics*

Overall, the MPP favors a market-based approach for redispatch. As explained above, such an approach reduces incentives for TSOs to shift costs towards each other (such a competition amongst TSOs – be it partly through incentives provided by national regulation – might be seen otherwise in the complex solutions that are defined in many aspects of capacity calculation and allocation). The MPP

deems it therefore urgent that an effective and efficient process is put in place in all capacity calculation regions, and in particular in the Core region, where congestion management is based today on national processes that are possibly discriminating foreign actions against national ones.

The proposal for redispatching and countertrading refers to a process lasting until 2025 because of the important IT developments needed, which is also the very year when the 70% rule should be implemented. The MPP would therefore like to stress the unsatisfying perspective resulting from the combination of many derogations from applying the 70% rule based on the absence of the redispatching and countertrading, on the one hand, and of the many foreseen delays for the flow-based implementation in the whole Core region and in the intraday recalculations, on the other hand. The MPP therefore calls for the elaboration of regulatory solutions featuring transitory measures or intermediary steps until 2025.

Furthermore, the MPP would like to stress the need to coordinate where appropriate redispatching and countertrading actions occurring within the Core region with third countries such as Switzerland. The MPP therefore supports the statement readable in the “Whereas” section of the ROSC Methodology according to which operational security does not end at the EU borders but also involves third-countries that are part of the synchronous area. The RDCT Methodology, however, does not contain any reference to third countries. Considering the high interdependencies between flows in Germany, France and Switzerland, close coordination and sharing of resources would however improve operational security and overall efficiency. The MPP would finally like to underline that cross-border redispatch activations with Switzerland already exist and should not only be maintained but further strengthened. The inclusion of Switzerland in the RDCT coordination is also part of negotiations related to SAFA implementation.