

June 2021

## **Subject: MPP views on the revision of the CACM Guidelines**

The MPP welcomes the possibility to comment on ACER's proposal for amendments to the Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereafter "CACM Regulation"). First of all, the MPP supports Eurelectric's answer to the related ACER consultation but wishes to stress specific and complementary concerns from a regional point of view.

**Overall, the MPP notes that the proposal would lead to an extensive review of the CACM Regulation**, including many evolutions that have not been subject to consultation or talks with stakeholders, while they would be significant (new MCO governance, new rules for the bidding zone review process, etc.).

### Regarding the scope and structure of the so-called CACM Regulation 2.0:

**The MPP is not in favor of restricting the subject matter of CACM Regulation to the sole day-ahead and intraday market coupling topics:** for sake of consistency in the day-head (DA) and intraday (ID) timeframes, with Electricity Regulation calling for market-based congestion management and an efficient functioning of the DA and ID markets, CACM Regulation should conversely continue to address congestion management, enclosing the bidding zone review process, the cross-zonal capacity calculation and the coordinated redispatching and countertrading.

To that extent, **the MPP is not in favor of deleting completely the mention of redispatching and countertrading (Article 35) from CACM Regulation** on the sole justification that all provisions are moved into the System Operation guidelines (SO GL). The MPP would rather prefer to keep the principles for coordinated redispatching and countertrading, explicitly mentioning that:

- remedial actions have to be optimized and determined according to the provisions for regional operational security coordination (ROSC) pursuant to SO GL Articles 75-78;

the use of redispatching and countertrading resources shall take into account their impact on operational security and economic efficiency.

The MPP welcomes ACER reasoning concerning the consideration of third countries and notes that this topic is left for further discussion in the revision process of CACM Regulation. Beyond political issues and as matter of market efficiency and operational security, **the MPP calls for the definition of a dedicated framework for third countries** – and especially Switzerland – in the framework of the revision of CACM Regulation, notably regarding the inclusion in the coordinated capacity calculation process and congestion management.

### Regarding the content of the so-called CACM Regulation 2.0:

- *Bidding zone review process and MCO governance*

Consistency should be of utmost priority when it comes to revising such a key Regulation. Therefore, **the MPP disagrees with the introduction of new provisions related to the bidding zone review process, which modify or conflict with those of the Electricity Regulation 2019/943:** the CACM revision should not lead to the modification of the compromises resulting from the Clean Energy

Package debates. The MPP considers in particular that the Commission's last resort decision to change the bidding zone configuration should be limited to the cases mentioned in Article 14(8) of the Electricity Regulation. Conversely, **the revision of the CACM Regulation should be the occasion to improve the bidding zone review process without any backsliding**, notably by instituting an advisory stakeholders' committee consulted at least for any critical decisions or by taking into account the development of offshore hybrid projects in the framework of the ambitious EU offshore strategy, that require bidding zone delineation stability.

Regarding market coupling operation (MCO) governance, the MPP stresses that any change should not delay the implementation of CACM 1.0 and lead to **no step back in terms of MCO functionalities for market participants**. Here too, a MCO consultative group and an advisory council with representatives of market participants to voice preferences in strategic decisions of the MCO function would prove very useful to enhance stakeholder involvement.

- *Day-ahead and intraday market coupling*

Regarding **intraday auctions at European level**, should they be introduced in complement to intraday continuous trading, the MPP considers that both their number and interruptions of the continuous intraday trading should be limited. Moreover, **the MPP asks for a regular monitoring following their introduction**, in order to assess the effects in terms of overall efficiency, cross-zonal capacity allocation and liquidity of the continuous trading.

Concerning evolutions of the DA and ID market coupling algorithms, **the MPP is worried regarding potential step backs in terms of products accommodated by the algorithms**, whose performance is already threatened by an increasing complexity (geographical extension, 15-minutes imbalance settlement pricing, etc.). The priority for products accommodation should be to keep an efficient pricing and trading in the European target models available, providing an efficient DA and ID market price formation. Contrary to ACER's decisions of end-2020 that consider complex products as optional, the MPP requests that any product traded in more than three Member States should be considered as mandatory for the DA and ID market coupling algorithms.

When it comes to the algorithms' performance, the MPP notes that ACER triggers a debate on the **introduction of non-uniform pricing approach**. The MPP calls for a more-informed debate with ACER and all stakeholders and more details on the design of the approach (which is neither clearly defined nor described in any EU legislation), considering the potential impacts in terms of side-payments for market participants, on DA and ID market prices and hedging possibilities.

- *Capacity calculation: allocation constraints and 70% threshold*

**The MPP deems insufficient the self-evaluation by TSOs through a cost-benefit analysis to justify the external allocation constraints they implement and calls for an EU methodology to perform such a CBA, as well as an approval by ACER.** This methodology, supposed to show that allocation constraints are the economically most efficient measure among all alternatives to address operational security issues should be made available to all market participants of the concerned capacity calculation regions. This is in particular motivated by the experience with the already existing lack of transparency in the case of Italy-North capacity calculation region. Due to the severity of impact on the market of

allocation constraints, ex-ante measures (at least detailed information to market parties about foreseen allocation constraints, and preferably systematic attempt to solve the technical issue by other means than allocation constraints), in addition to ex-post measures (e.g. information on applied allocation constraints, CBA...) should be incorporated into CACM. TSOs should, as a minimum, where possible and as soon as possible, communicate *ex-ante* their expected allocation constraints, the underlying reasons and the expected impact as to allow market parties to mitigate some of the damages caused by the allocation constraints.

When it comes to the provisions related to the so-called 70% rule stemming from Article 16(8) of the Electricity Regulation, the compliance with this constraint that would be required for the day-ahead and intraday capacity calculation methodology **should not impede TSOs to trigger as soon as deemed necessary the remedial actions in a general objective of efficiency.**

Besides, ACER's proposal does not seem to mention the time horizon to which the 70% constraint would apply, which by default would make it mandatory in day-ahead and intraday. Since Article 16(8) of the Electricity Regulation does not provide for a specific timeframe to which to apply the constraint and, in light of ACER's own findings in its decision 29/2020 on the bidding zone review methodology<sup>1</sup>, **the MPP would rather be favorable to apply the constraint to the day-ahead timeframe** – at least for network elements that are forecasted as limiting ones.

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<sup>1</sup> Alinea 93 of part 6.4.11 of the said decision provides that “*The cost of remedial actions may be higher than the cost of the same unit for the day-ahead dispatch, due to, inter alia, additional readiness costs and opportunity costs reflecting lost opportunity on other markets. This effect relates to the additional costs induced in other processes (e.g. in intraday and/or balancing markets) which are not explicitly modelled within the BZR; they thus do not lead to a transfer between parties, but rather to an increase in overall system costs*”. In addition, the same decision describes how to estimate the additional costs induced by an application of the 70% constraint to the intraday timeframe.