

Request for a second amendment by all Baltic Capacity Calculation
Region National Regulatory Authorities

on

All TSOs' of Baltic Capacity Calculation Region common proposal for a
methodology for a market-based allocation process of cross zonal
capacity for the exchange of balancing capacity or sharing of reserves
in accordance with article 41 of the Commission Regulation (EU)
2017/2195 of 23 November 2017

30 October 2020

1. INTRODUCTION AND LEGAL CONTEXT

This document elaborates an agreement, between all Regulatory Authorities'¹ (“NRAs”) of the Capacity Calculation Region Baltic (“CCR”), on requesting a second amendment for the Baltic CCR Transmission System Operators’ (“TSOs”) proposal for a methodology for a market-based allocation process of cross zonal capacity for the exchange of balancing capacity or sharing of reserves, in accordance with Article 41 of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (EBGL) (“MB Proposal”).

The MB Proposal was received by the last NRA on 20 December 2019. Article 5(6) of the EBGL requires relevant Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make decisions within six months following receipt of submissions of the last relevant National Regulatory Authority (NRA) concerned, i.e. by 20 June 2020.

The NRAs reached an agreement on 18 June 2020 to request an amendment to the MB Proposal. The amended MB Proposal was received by the last NRA on 31 August 2020.

This agreement of NRAs shall provide evidence that a decision on the MB Proposal does not, at this stage, need to be adopted by ACER pursuant to Article 5(7) of the EBGL. However, at the same time the MB Proposal is not approvable by the NRAs. The Baltic CCR NRAs note that the TSOs have failed submit the amended proposal in line with the first request of amendment. The NRAs note that the requested amendments have not been made.

Regulation (EU) 2019/942 (ACER regulation) grants according to Article 5(6) the regulators an obligation to revise the methodologies themselves where necessary in order to ensure that they are in line with the purpose of the network code or guideline and contribute to market integration, non-discrimination, effective competition and the proper functioning of the market. However, at this stage NRAs see that additional amendments are needed from TSOs side and TSOs should be capable of introducing the needed improvements to the proposal. Therefore, this agreement is intended to constitute the basis on which NRAs will each subsequently request additional amendments to the MB Proposal pursuant to Article 6(1) of the EBGL.

The legal provisions that lies at the basis of the MB proposal and this NRAs’ agreement on the request for amendment can be found in Articles 3, 38, 41 of the EBGL and Article 5(6) of the ACER regulation.

2. THE PROPOSAL and PROCESS

The NRAs have closely cooperated in assessing the TSOs’ amended MB proposal and as a result of this assessment have together come to the conclusion that the all Baltic CCR TSOs’

¹ Energy Authority of Finland (EV), Swedish Energy Markets Inspectorate (EI), Estonian Competition Authority (ECA), Public Utilities Commission of Latvia (PUC), National Energy Regulatory Council of Lithuania (NERC), Energy Regulatory Office of Poland (ERO)

proposal cannot be approved due to the issues detailed in this document. In some aspects TSOs have failed preparing the amended proposal in line with the first request of amendment.

The NRAs, request all Baltic CCR TSOs´ to amend the proposal second time pursuant to Article 6(1) of EBGL and to revise the MB Proposal in line with the comments below.

2. BALTIC CCR NRAs COMMENTS on the PROPOSAL

General comments

- 1) According to EBGL Article 5(5), each proposal shall include a proposed timescale for their implementation. The implementation timescale shall not be longer than 12 months after the approval by the relevant regulatory authorities, except where all relevant regulatory authorities agree to extend the implementation timescale or where different timescales are stipulated in EBGL. Further, NRAs would like to point out that the “application” of the methodology in accordance with EBGL Article 38(1) is out of scope of this specific proposal, as this follows from a separate proposal for application of the methodology.

Additionally, article 38(5) in the EB GL does not allow TSOs to use MB Proposal before capacities are calculated using FB/CNTC methodologies according CACM art 20(2). This should be taken into account in implementation timescale as general principle.

Therefore, NRAs ask TSOs once again, as already done in first request of amendment, to include a separate Article to the MB proposal regarding the implementation that would include at least a general timescale and principles for the implementation of the proposal which ensures that the methodology for CZCA is implemented and available for the potential usage in future balancing capacity cooperation processes.

Comments to specific articles of the proposal

Article 6

The NRAs would like to inform the TSOs that the methodology shall include the process to define the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves. Thus, the article should include the rules that will be applied in the Baltic CCR, and not reiterate the EB regulation. Part of this should be to, within this methodology, set the maximum capacity that may be allocated.

In the first request of amendment NRAs asked that Paragraph 6 and 7 should be amended to add that any additional limits shall be set out in the MB methodology taking into account the requirements pursuant to the EU Regulation (EU) 2017/1485 (SOGL) Articles 157(2)(g), 167, 169 and 165(3)(g).

NRAs see that TSOs have amended the paragraphs accordingly. However, taken into account, that SOGL articles 157(2)(g), 167, 169 and 165(3)(g) do not apply to Estonia, Latvia and Lithuania according SOGL Article 2(4) and Annex I, these limits have not been defined yet. Therefore, in order the methodology to be approvable, additionally to the reference to SOGL relevant articles, the methodology should include these limits or clear principles for

determination of these limits. It is important that all TSOs in the CCR decides on the additional limitations because the limitation on one interconnector might have an impact on the flows on the other interconnectors in the CCR. Therefore, any limits concerning the exchange of balancing capacity or sharing of reserves as determined by the cross-zonal capacity allocation optimisation function shall be clearly defined within this methodology.

NRAs would like to point out that in case in future the limits determined according the SOGL relevant articles to not match with the limits determined in MB CZCA, the MB CZCA should be amended accordingly. However, this future possible uncertainty should not be the reason currently not to include the clear limits to the methodology.

NRAs also suggest to look for guidance the Nordic CCR MB CZCA approach and align with it if possible.

Article 7

NRAs would like to clarify to TSOs that a detailed description of the forecasting methodology and the determination and use of the adjustment factors, in case these are planned to be used, must be included in this methodology in order to be compliant with Article 41(1)(b) in EBGL.

NRAs ask TSOs to describe the determination of the forecasted market value in detail. The description for uncongested direction is added, however the description for congested direction is not detailed enough. There are following questions:

- 1) It is said that “*Each forecasting shall use at least day ahead prices of reference period in the congested direction.*” It raises question that something else additional to day ahead prices might be used. It must be clear what are the parameters that are used.
- 2) It is said that: “*The reference period will be the day prior to the day the balancing capacity bids will be valid unless the market conditions are known to be completely different.*” It must be clear when the market conditions are counted to be different and what reference period or what else approach will be used in this case.
- 3) The possible use of adjustment factors must be described in case adjustment factors are foreseen to be used. It must be clear when these factors are used and how these are determined.

NRAs ask TSOs to present example how the forecasted market value will be calculated exactly in case of congested direction. This can be done in a separate explanatory document.

NRAs also suggest to look for guidance of the detailed description of the forecasting market value the Nordic CCR MB CZCA approach and align with it if possible.

Article 9

In paragraph 4, the wording is not clear and might be interpreted as such as it will be the true value of economic surplus for SDAC, when in reality, it will be an estimation. This is misleading. NRAs ask to improve the wording.