Methodology for application of Redispatching and Countertrading cost-sharing for the SWE Region in accordance with Article 74 of Commission Regulation (EU) 2015/1222 of 24 July 2015

EXPLANATORY NOTE

November 2018

SWE TSOs response to the RfA received from SWE NRAs on 12th September 2018

Content

1 Introduction

Article 74 of the Commission Regulation 2015/1222 establishing a Guideline on Capacity Allocation and Congestion Management (hereinafter referred to as ”CACM Regulation ”) requires that, by 16 months after the entry into force of the CACM Regulation, each TSO, in coordination with all the other TSOs in the capacity calculation region, shall develop a proposal for a common methodology for coordinated redispatching and countertrading. The proposal shall be subject to consultation in accordance with Article 12.

This document is an explanatory note accompanying the common proposal developed by all Transmission System Operators (hereafter referred to as “TSOs”) within the South West Europe Capacity Calculation Region (hereafter referred to as “SWE CCR”) for common methodology for redispatching and countertrading cost sharing (hereafter referred to as the “**Cost Sharing Methodology**”).

In this document, all definitions of SWE Cost Sharing Methodology shall apply.

2 Common Responsibility Zone

In order to clarify on which network elements the socialization principle will apply, TSOs have defined a Common Responsibility Zone (CRZ), which is a subset of Critical Network Elements as defined in the Capacity Calculation Methodology. The criteria to determine which elements will be in the CRZ have to be further investigated by TSOs and will be discussed with the relevant National Regulatory Authorities. The criteria will be defined no later than 3 months after the approval of the Cost Sharing Methodology.

3 Cost Sharing

The eligible costs of countertrading shall be the incurred costs to solve a constraint and could be either:

- the weighted average price of the activated offers where they can be transparently and clearly identified or
- the imbalance costs where the TSO is treated as any other Balance Responsible Party and therefore the countertrading activation will incur imbalance costs for the TSO involved in this situation.

These costs of countertrading shall be auditable and transparent.

The cost-sharing arrangements for countertrading measures considered in Article 7a) and activated on SWE borders:

- France – Spain border - 50% of the eligible cost in each border
- Spain – Portugal border - 50% of the eligible cost in each border

has been defined in accordance with current practice in SWE borders.
So far, due to the difficulty in identifying the exact causes of the physical constraint that lead TSOs to activate countertrading measures, it was considered the same partition used in the cost sharing process of congestion rents in each border.

In accordance with Article 74 of CACM, only the costs of remedial actions with cross border relevance have to be shared. Therefore, the costs of countertrading are shared in the situations considered in Article 7a) of SWE Cost Sharing Methodology where countertrading is due to physical constraints on an element included in the Common Responsibility Zone (CRZ)..

In order to clarify this cost sharing, please see the following example:

Example 1
Control Area A is exporting energy to Control Area B. A physical constraint occurs between the two areas and a 100MWh countertrading action is activated, from B to A, in order to relieve it and for guaranteeing the already accepted exchange programs in order not to modify the users' exchange programs
Assuming both control areas are balanced and have equal balancing energy prices, the countertrading costs would be the following:

	Control Area A	Control Area B
Downward balancing energy price (€/MWh)	20	20
Upward balancing energy price (€/MWh)	70	70
Countertrading energy (MWh)	-100	100
Imbalancing costs (€)	-100 x 70 = -7 000	100 x 20 = 2 000
Total countertrading cost (to be shared by the two control areas) (€)	(-7 000 + 2 000) x 50% = - 2 500	
Cost to be paid by Control Area A to Control Area B (€)	4 500	-4 500
Final result (€)	-7 000 + 4 500 = -2 500	2 000 + (-4 500) = -2 500

For any other reason, countertrading measures activated on the France-Spain border or on the Portugal-Spain border considered in Article 7 b) of the SWE Cost Sharing Methodology, the requester pays principle shall apply.