



Mr. Alberto Pototschnig
Director
ACER

cc: Mr. Klaus-Dieter Borchardt
Director
IEM, DG ENER
European Commission

cc: Mr. Garrett Blaney
Chairman
Energy Regulators' Forum

cc: Mr. Carsten Pflanz
Chairman
Core TSOs

20 July 2018,

Dear Alberto,

I am writing to you on behalf of the Regulatory Authorities in the Core Capacity Calculation Region (hereafter Core NRAs) with regard to the Core Transmission System Operators' (hereafter Core TSOs) Day-Ahead and Intraday Capacity Calculation Methodologies (hereafter DA and ID CCMs) for the Core region in accordance with Article 21 et seqq. of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (hereafter CACM Regulation).

Core TSOs submitted the DA and ID CCM proposals in accordance with Article 9(6) of the CACM Regulation to the last NRA on 20 September 2017.

Article 9(10) of the CACM Regulation requires Core NRAs to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make a decision within six months following receipt of submission of the proposal to the last NRA. A decision was therefore required by each NRA by 20 March 2018.

The proposed DA and ID CCMs did not take into consideration most of the comments made by Core NRAs in their Shadow Opinions during the public consultation phase of the CCMs. The DA and ID CCMs therefore were deemed not to be compliant with the CACM Regulation. Important sub-methodologies such as the selection of the Critical Network Elements and Contingencies (hereafter CNECs), the Generation Shift Keys, the Flow Reliability Margin (hereafter FRM), the Remedial Action Optimization for both DA and ID CCM and the frequency of re-calculation within the ID timeframe were not included in the proposals. Consequently, in their teleconference on the 9 March 2018, the Core Energy Regulators' Regional Forum (hereafter CERRF) unanimously agreed to request amendments (hereafter RfAs) on both DA and ID CCM in accordance with Article 9(12) of the CACM Regulation which requires Core TSOs to submit amended proposals within two months.



On 19 June 2018, the last Core NRA received the amended DA and ID CCM proposals which had improved in several sections but still do not fulfil all requests from Core NRAs' RfAs. In a meeting on 10 July 2018, Core NRAs discussed their opinions on the amended proposals. Core NRAs could not agree on their view on several substantial points – the range of the opinions on the same issue varied between “approvable” and “red flag”. In the process of the meeting, there were different understandings between some Core NRAs on how to avoid undue discrimination between internal and cross-zonal exchanges in accordance with Article 21(1)(b)(ii) of the CACM Regulation that they did not overcome.

Firstly, Core NRAs could not agree on whether grid security concerns addressed in Article 16(3) of Regulation (EC) No 714/2009 and Article 1.6. lit. a of Annex I of that Regulation, or economic efficiency concerns – in the context of a zonal system – addressed in Article 1.5. lit. a of Annex I of that Regulation, allow for a proportional and legally justified unequal treatment between internal and cross-border flows and/or trade. Consequently, Core NRAs could not agree on indicators to measure undue discrimination to identify whether a CCM is compliant with European legislation or not.

Secondly, no agreement was found on how a CCM could be designed in order to be compliant with relevant articles of the CACM Regulation. For different Core NRAs the proposed selection of CNECs described in Article 5 of the DA CCM and the use of a minimum Remaining Available Margin (hereafter minRAM) described in Article 13a of the DA CCM are sufficient to avoid undue discrimination, or can at least be taken as a reasonable starting point in order to mitigate the effects of the discrimination. For some other Core NRAs the 5% threshold for the Power Transfer Distribution Factor for all lines (cross-border and internal) and the uniform 20% minRAM requirement are not sufficient in this respect. Their reason for this is that those measures do not prevent loop flows from severely limiting cross-border flows and internal lines from pushing congestion to the border. In addition, having loop flows and internal flows in the base case leads to discrimination between internal and cross-border flows, since flows in the base case get unjustified priority. Those same NRAs have also stated that TSOs have not motivated why above values are sufficient to avoid undue discrimination.

Thirdly, there was a discussion on the definition of the FRM, whether it is the uncertainty on the observed flows, or the uncertainty of the observed flows in the case the respective critical branch would suffer from the worst case contingency along all hours of the year – calculated by Core TSOs through simulations in N-1 state.

Some of the other controversial points were the approach to external constraints and which level of transparency – with regard to European and national legislation – can and shall be provided to NRAs and market participants in the methodology.



On 16 August 2018, the members of CERRF did not reach a unanimous agreement to either approve the proposals, to request the Agency to extend the deadline for decision or to request the Agency to adopt a decision on the Core DA and ID CCMs pursuant to Article 21 et seqq. of the CACM Regulation. In that case, the Rules of Procedure of CERRF require the CERRF Chair to refer the decision to the Agency - in accordance with Article 9(12) of the CACM Regulation – on behalf of the Core NRAs.

Furthermore, Core NRAs would welcome comfort of the Agency to Core TSOs to continue working on the internal parallel run in order not to hinder the progress of the processes on the TSOs' or NEMOs' side.

Core NRAs anticipate that the Agency will, when adopting its decision, give utmost consideration on Core NRAs' assessment of the key elements of the proposal for DA and ID CCMs that were identified and presented in this letter. More details and further issues will be presented in a separate document within the next weeks. Core NRAs are ready to assist the Agency to develop and adopt its decision and would highly welcome the set-up of a dedicated taskforce to facilitate a continuous exchange between NRAs and the Agency throughout the decision process.

On behalf of Core NRAs,

Yours sincerely,

Mathieu Fransen
Chairman of the Core Energy Regulators' Regional Forum