

ACER



Agency for the Cooperation
of Energy Regulators

Implementing and monitoring Article 16(8) of the recast Electricity Regulation

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MESC

- ✓ Legal framework and context
- ✓ Methodology for computing and monitoring the margin available for cross-zonal trade (MACZT)
- ✓ Next steps

- ✓ **The calculation and allocation of cross-zonal capacity is crucial for the internal electricity market.** It should ensure the efficient management of network congestion, along with the management of remedial actions, network investment, and the definition of bidding-zones
- ✓ Although significant progress was achieved in this area over the years, the level of efficiency, transparency and non-discrimination expected by the European legal and regulatory framework has not fully been reached.
- ✓ **The recast Electricity Regulation provides a new opportunity to improve congestion management methodologies.**

- ✓ The **recast Electricity Regulation** introduces additional requirements to ensure that *“Transmission system operators shall not limit the volume of interconnection capacity to be made available to market participants as a means of solving congestion inside their own bidding zone or as a means of managing flows resulting from transactions internal to bidding zones.”*
- ✓ According to the same Article, the above requirement is considered to be complied with, if *“...the following minimum levels of available capacity for cross-zonal trade are reached:*
 - a) *for borders using a coordinated net transmission capacity approach, the minimum capacity shall be 70% of the transmission capacity respecting operational security limits after deduction of contingencies [...]*
 - b) *for borders using a flow-based approach, the minimum capacity shall be a margin set in the capacity calculation process as available for flows induced by cross-zonal exchange. The margin shall be **70% of the capacity respecting operational security limits of internal and cross-zonal critical network elements**, taking into account contingencies [...]*
- ✓ This Article also mentions that *“The total amount of 30% can be used for the reliability margins, loop flows and internal flows on each critical network element.”*

- ✓ Member States (MSs) need to know how much margin they offer for cross-zonal trade (MACZT), to understand whether further action is needed before the entry into force of this provision on 1 January 2020.
 - ➔ **need for quick guidance on how to compute MACZT, and an overview of the current situation**
- ✓ During the March cross-border committee, the EC and MSs asked ACER to develop a common methodology to monitor this provision

- ✓ ACER and NRAs set up an expert group in close collaboration with the EC, ENTSO-E and TSOs

- ✓ The expert group focuses on
 - ✓ Setting up a **methodology to compute MACZT**
 - ✓ Measuring MACZT over 2016-2018
 - ✓ Defining **monitoring principles** to apply by 2020
 - ✓ Discussing prospective **enforcement principles** (e.g. whether being below 70% may be acceptable in some specific cases)

- ✓ **Compute MACZT at CNEC-level** for both CNTC and FB CCRs
 - ✓ Allows for a uniform, robust approach, but requires defining CNECs within all CCRs

- ✓ **MACZT is defined as**
 - ✓ The margin offered within coordinated capacity calculation (including capacity reserved for balancing)
 - ✓ The flows induced by other cross-zonal exchanges (beyond coordinated capacity calculation)
 - ✓ The capacity nominated from previous (e.g. LT) timeframes is included
 - ✓ FRM (including uncertainty related to cross-zonal exchanges), loop flows and internal flows are excluded

- ✓ **Main remaining open methodological points**
 - ✓ How to take flows induced by exchanges with 3rd countries into account?
 - ✓ How to take contingencies into account?
 - ✓ How to assess allocation constraints?
 - ✓ How to monitor NTC bidding-zone borders

- ✓ **MACZT should reach 70% of Fmax for every CNEC and market time unit in DA** (but may exceptionally be shifted to ID)
 - ✓ 70% should be offered in the same timeframe by all TSOs/MSs to avoid undesired consequences on the market
 - ✓ MACZT would likely be monitored for both DA and ID, but ID would be less crucial

- ✓ **Allocation constraints shall not limit MACZT below 70% on any CNEC**
 - ✓ Allocation constraints may however restrict capacity allocation on CNECs with MACZT above 70%

- ✓ Additional information would be requested from TSOs for non-fulfilling CNECs, including
 - ✓ Network situation (including e.g. outages, exceptional circumstances...)
 - ✓ Flow decomposition
 - ✓ Impact on the market

- ✓ **ACER intends to compute MACZT for MSs/TSOs for 2016-2018** (see timeline at the end)

- ✓ Given that many data items are missing, the calculation will cover the synchronous area of Continental Europe, will be **simplified** and will rely on
 - ✓ One Fmax and PTDFs calculation from a representative CGM (with sensitivity analyses if time allows)
 - ✓ CNECs defined by TSOs
 - ✓ Hourly schedules, (CWE) RAMs, NTCs(Missing CGM data prevents calculations for the Nordic and Baltic CCRs)

- ✓ ACER would need to receive CGM and CNEC data by mid July to ensure that results would be delivered by September

- ✓ **ACER intends to monitor MACZT for all TSOs/MSs**
 - ✓ ACER expects improvements compared to the 2016-2018 study, e.g. more (but likely not hourly) CGMs
 - ✓ TSOs should provide the required data to ACER (many CCMs are likely to need to be updated)

- ✓ TSOs/NRAs may also monitor their own fulfilment in parallel with ACER monitoring

- ✓ **ACER will regularly provide detailed information about non-fulfilment**
 - ✓ It would then be up to the enforcing authority to further investigate and decide whether the action was in breach of the Regulation

- ✓ EC and NRAs are the enforcing authorities for Article 16(8)

- ✓ Some **issues** were raised within the expert group about
 - ✓ Would a pre-defined number of hours of non-fulfilment be acceptable?
 - ✓ How to handle the economic impact of non-fulfilment?
 - ✓ How to take network maintenance into account?
 - ✓ How to deal with forecast uncertainties?

- ✓ **Additional investigations and experience from implementation are required** in order to lead to robust enforcement principles

1. **Recommendation** by end of July
2. **2016-2018 MACZT values will be provided** by ACER to the EC, MSs, NRAs and TSOs **in September** (e.g. through the cross-border committee)
3. MSs/NRAs to decide whether to go for action plan/derogation before the end of the year
4. NRAs/ACER will further discuss enforcement principles in parallel
5. The requirements will enter into force on 1 January 2020 (subject to derogations/action plans)

Thank you for your attention

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MMR link

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