



## Open letter to CWE regulators regarding the rule guaranteeing 20% of minimum RAM in flow-based market coupling and its application



**31 October 2018**

Dear CWE NRAs,

In May 2018, CWE TSOs started applying the rule guaranteeing that a minimum remaining available margin (RAM) of 20% on critical lines included in the flow-based algorithm parameters will be made available to the market in day-ahead. The rule, requested by the CWE regulators, was included in the CWE flow-based approval package during the summer (paragraph 4.2.5). It may, however, be suspended by one or more TSO(s), for reasons not clearly defined in the rules.

In the course of September and October 2018, the number of days when the 20% minimum RAM rule was suspended grew significantly. You will find below a table summarising these days, as well as the information that was issued by the concerned TSOs to inform market participants:

Date	TSO	Lines	Root cause	Justification details beyond root cause
25/05/18	Amprion	unclear, likely all Amprion CBCOs	IT problem	none
21/06/18	Elia	unclear, likely all Elia CBCOs	Security Assessment	none
21/09/18	TransnetBW, TenneT DE and Amprion	all TenneT DE and TransnetBW CBCOs, unclear for Amprion but likely all Amprion CBCOs	Security Assessment	none
22/09/18	TransnetBW, TenneT DE and Amprion	all TenneT DE and TransnetBW CBCOs, unclear for Amprion but likely all Amprion CBCOs	Security Assessment	none
24/09/18	TransnetBW, TenneT DE and Amprion	all TenneT DE and TransnetBW CBCOs, unclear for Amprion but likely all Amprion CBCOs	Security Assessment according to TenneT DE and TransnetBW, IT problem according to Amprion	none
27/09/18	TransnetBW	all TenneT DE CBCOs, unclear for Amprion and TransnetBW but likely all Amprion and TransnetBW CBCOs	Security Assessment according to TenneT DE and TransnetBW, IT problem according to Amprion	none
11/10/18	TransnetBW	unclear, likely all Amprion, TenneT DE and TransnetBW CBCOs	Security Assessment	none

Due to the increasing frequency of the suspension of the 20% minimum RAM rule, EFET, IFIEC Europe and the Market Parties Platform would like to share a number of concerns and suggestions with the CWE NRAs:

- **Improving the clarity of the 20% minimum RAM rule and its exemptions:** as expressed at a number of occasions (CCG meeting of 10 April 2018, MESC meeting of 8 June 2018), our biggest worry concerning the 20% minimum RAM rule is the lack of precision of its exemption framework. The approval package – in paragraph 4.2.5 of its 2018 version – foresees the following:

*“A TSO may decide to not apply the AMR in certain circumstances on specific CBCOs or the full set of the TSOs’ CBCOs, justified to regulatory authorities.”*

The NRA-approved rules do not include a precise and restricted list of conditions for TSOs to suspend the rule, nor do they precise the information that should be disclosed to the market and its level of detail. There is no indication that the justification TSOs have to provide to the regulators should also be made public to the market.

As a result, the approval package provides very limited certainty to market participants as to the application of the 20% minimum RAM rule: there is no legal limit to the conditions under which TSOs may suspend the rule, and there is no guarantee about the level of information that the market receives in cases of suspension.

**We urge regulators to amend the CWE flow-based approval package to include the following in paragraph 4.2.5:**

1. An exhaustive list of conditions for which the 20% minimum RAM rule can be suspended;
  2. A clear obligation on TSOs to inform market participants about the suspension at the moment of the decision, with all the details available on the reasons for the suspension at that moment;
  3. An obligation on TSOs to issue a yearly report to regulators and the market on the application of the 20% minimum RAM rule, with extensive details on the reasons leading to its suspension.
- **Refining the level of information currently made available to the market in cases of suspension:** in each case of suspension of the 20% minimum RAM rule so far, the TSOs informed market participants of the suspension. As far as we can judge, this information was disclosed rapidly after the decision was made, and we thank the TSOs for this.

However, we see a number of improvements needed to the information provided by the TSOs in cases of suspension of the 20% minimum RAM rule. As we trust TSOs care to inform the market as thoroughly as possible, we hope these improvements can be implemented as soon as possible, without waiting for a formalisation of these requirements in the approval package:

1. **Clear and precise wording to qualify which critical branches, are affected by the suspension:** at the moment, the wording used by TSOs is unclear in 50% of cases, and never mentions whether cross-zonal branches are affected (see detailed examples in the table in Annex 1). It only lets market participants guess which lines are affected.

Clear and standard wording should be used by all TSOs to avoid confusion in the market. For instance, when all critical branches managed by a TSO, including cross-zonal ones, are affected, the following wording should be used: “For business day xx/xx/xx, the 20% min RAM was suspended for all critical branches of TSO xx, including cross-zonal branches. [Followed by justification.]”

2. **Clear justification beyond mere mentioning of the root cause leading to the suspension:** until now, TSOs are only mentioning the root cause that led to suspending the 20% minimum RAM rule. The only two causes invoked so far are IT problems, and the results of the security assessment. The justification for a suspension is never longer than two words.

First, the root causes disclosed for suspension of the 20% minimum RAM rule are sometimes incoherent from one TSO to the other for suspensions on the same day. On 24 and 27 September 2018, Amprion, TenneT DE and TransnetBW suspended the rule for their respective networks, claiming an IT problem for the former, and a security assessment issue for the two latter. We would appreciate more clarity on what really happened on those days.

Second, we believe that TSOs should go much further in the level of detail that they provide to the market. As repeatedly explained in CCG, MESC meetings and other forums, market participants do not only trade on the day-ahead market. To help market participants improve their operational decisions and hence increase social welfare, they need to be enabled to model flow-based results and predict prices to the best of their abilities. Understanding the reasons behind a suspension of the 20% minimum RAM rule, e.g. what lies behind a cryptic “security assessment” problem, would allow market participants to perform probabilistic analysis on the occurrence of specific situations that would result in a suspension of the 20% minimum RAM rule, and adjust hedging strategies or maintenance operations.

We believe that the two elements addressed in this letter – clarification of the 20% minimum RAM rule and exemptions; improvement of the quality of information provided to the market in cases of suspension – are essential to guarantee the optimal application of this rule. This is essential right now in CWE, but also for the future in the rest of Europe, as the rules and practices put in place in CWE will serve as a benchmark in the CCRs that will apply flow-based market coupling going forward (Core and Nordic CCRs in the near future).

We remain at the disposal of the CWE regulators to discuss further on this subject.

## ANNEX 1: Detailed table of suspensions of the 20% minimum RAM rule as of 17 October 2018

Date	TSO	Lines	Root cause	Justification details beyond root cause	Message
25/05/18	Amprion	unclear	IT problem	none	For business day 2018-05-25, following an IT issue during the capacity calculation process, the min 20% RAM could not be applied for the critical branches of Amprion, which will impact the available capacities compared to the situation where the min 20% RAM would be applied.
21/06/18	Elia	unclear	Security Assessment	none	For business day 2018-06-21, following the security assessments it was concluded by Elia System operator S.A. that the 20% minRAM could not be applied for all lines which might impact the available capacities for the CWE day-ahead market coupling compared to the situation where the 20% minRAM would be applied.
21/09/18	TransnetBW	unclear	Security Assessment	none	For business day 21.09.2018, following the security assessments it was concluded by TransnetBW that the 20% minRAM could not be applied for all lines of TransnetBW, which might impact the available capacities for the CWE day-ahead market coupling compared to the situation where the 20% minRAM would be applied.
21/09/18	Amprion	unclear	Security Assessment	none	For business day 2018-09-21, following the security assessments it was concluded by Amprion that the min 20% RAM could not be applied for the critical branches of Amprion which might impact the available capacities compared to the situation where the min 20% RAM would be applied.
21/09/18	Tennet DE	All Tennet DE CBS	Security Assessment	none	MinRAM application for Business Day 21-09-2018 is suspended for Tennet TSO GmbH critical branches due to results of the security assessment.
22/09/18	TransnetBW	All TransnetBW CBS	Security Assessment	none	MinRAM application for Business Day 22-09-2018 is suspended for all TransnetBW CBCOs due to results of the security assessment.
22/09/18	Tennet DE	All Tennet DE CBS	Security Assessment	none	MinRAM application for Business Day 22-09-2018 is suspended for Tennet TSO GmbH critical branches due to results of the security assessment.
22/09/18	Amprion	unclear	Security Assessment	none	For business day 2018-09-22, following the security assessments it was concluded by Amprion that the min 20% RAM could not be applied for the critical branches of Amprion which might impact the available capacities compared to the situation where the min 20% RAM would be applied.
24/09/18	TransnetBW	All TransnetBW CBS	Security Assessment	none	MinRAM application for Business Day 24-09-2018 is suspended for all TransnetBW CBCOs due to results of the security assessment.
24/09/18	Amprion	unclear	IT problem	none	For business day 2018-09-27, following an IT issue during the capacity calculation process, the min 20% RAM could not be applied for the critical branches of Amprion, which might impact the available capacities compared to the situation where the min 20% RAM would be applied.
24/09/18	Tennet DE	All Tennet DE CBS	Security Assessment	none	MinRAM application for Business Day 24.09.2018 is suspended for Tennet TSO GmbH critical branches due to results of the security assessment.
27/09/18	TransnetBW	unclear	Security Assessment	none	For business day <2018-09-27>, following the security assessments it was concluded by TransnetBW that the 20% minRAM could not be applied for all lines of TransnetBW, which might impact the available capacities for the CWE day-ahead market coupling compared to the situation where the 20% minRAM would be applied.
27/09/18	Amprion	unclear	IT problem	none	For business day 2018-09-27, following an IT issue during the capacity calculation process, the min 20% RAM could not be applied for the critical branches of Amprion, which might impact the available capacities compared to the situation where the min 20% RAM would be applied.
27/09/18	Tennet DE	All Tennet DE CBS	Security Assessment	none	MinRAM application for Business Day 27.09.2018 is suspended for Tennet TSO GmbH critical branches due to results of the fallback solution of the security assessment.
11/10/18	TransnetBW	unclear	Security Assessment	none	For business day 2018-10-11, following the security assessments it was concluded by TransnetBW that the 20% minRAM could not be applied for all lines of TransnetBW, which might impact the available capacities for the CWE day-ahead market coupling compared to the situation where the 20% minRAM would be applied.
11/10/18	Amprion	unclear	Security Assessment	none	For business day 2018-10-11, following the security assessments it was concluded by Amprion that the min 20% RAM could not be applied for the critical branches of Amprion which might impact the available capacities compared to the situation where the min 20% RAM would be applied.
11/10/18	Tennet DE	unclear	Security Assessment	none	For business day 2018-10-11, following the security assessments it was concluded by Tennet TSO GmbH that the 20% minRAM could not be applied for all lines, which might impact the available capacities for the CWE day-ahead market coupling compared to the situation where the 20% minRAM would be applied.