

EFET response to the TSOs consultation on the forward capacity calculation methodology proposal for CCR Hansa



EFET response – 15 May 2019

The European Federation of Energy Traders (EFET) welcomes the opportunity to provide comments on the draft methodology for long-term capacity calculation (LT CC) proposed by the TSOs of the Hansa capacity calculation region (Hansa CCR).

As previously mentioned in our responses to other CCRs' forward capacity calculation methodology proposals¹, forward capacity calculation and allocation is critical to allow market participants to hedge their long-term positions across borders and make sure that they are not exposed to short-term price volatility and imbalance costs. Hence, it is crucial that the calculation methodology for the forward timeframe is robust. As we see it for the moment, the draft proposal should be more detailed in the description of capacity calculation methodology. It should also avoid reproducing some of the inconsistencies with existing regulation already observed in the day-ahead and intraday CCMs for the region.

General considerations

We welcome that the Hansa TSOs' proposal abandoned the "Advanced Hybrid Coupling". However, we believe that there still many provisions that are equivalent but in name to the "Advanced Hybrid Coupling", particularly in Article 6.

Apart from this, we would like to see more transparency regarding the components of the cross-zonal capacity and the scenarios for the year-ahead and month-ahead capacity calculation.

We strongly believe that costly remedial actions should be systematically considered in the capacity calculation. Where economically efficient, costly remedial actions should

¹ EFET response to the TSOs consultation on SWE Splitting Rules for forward capacity allocation methodology, dated 30 April 2019 and available at:

https://efet.org/Files/Documents/Downloads/EFET_SWE%20Splitting%20Rules_16042019.pdf

be taken in order to allocate the maximum of cross-zonal capacity to the market. Dismissing them in a dedicated article is unacceptable.

Comments on individual articles

- **Article 3.4.a:** *Identification of sources of uncertainty for each TTC calculation. The TTC calculation is based on the CGM **which includes assumptions of cross-border exchanges** [our highlight] between third parties and forecasts for wind and solar infeed which impact the generation and load pattern as well as the grid topology;*

We consider that a clearer explanation to “assumptions of cross-border exchanges” should be given. What we want to avoid is the inclusion of market behaviour into the assumptions. Forward capacity calculation should solely be based on technical requirements. The behaviour of market participants should not influence in any way the quantity of forward capacity calculated and allocated, as it has no relevance to the operational security limits and contingencies at the moment of allocation.

Hence, we request more details on the assumption used in this article. To note, the article below, 4.b., discusses time series from an existing database, without bringing further clarifications on the type of assumptions.

- **Article 4.4:** *CCR Hansa TSOs can assess individually the operational security limits which cannot be reflected in the linearized security domains of the adjacent CCRs, including but not limited to: voltage stability limits, short-circuit limits and dynamic stability limits. Additionally in accordance with Article 12 of the FCA Regulation, in combination with the Articles 23(1) and 23(2) of the CACM Regulation, the CCR Hansa TSOs may use operational security limits and contingencies for capacity calculation which are not the same as those used in operational security analysis, but take into account the needs of operational security analysis how to deal with uncertainties of generation and load. Such operational security limits shall be modelled as a constraint on bidding-zone import/export limits (the sum of all cross-zonal exchanges for a certain bidding zone), thus limiting the net position of the respective bidding zone.*

We consider that this article is diluting the value of a common capacity calculation methodology. Allowing TSOs of the capacity calculation region to assess individually operational security limits, with practically no limits, “*but not limited to*”, goes against the harmonisation of rules for long-term capacity allocation.

- **Article 6.1:** *For the TTC calculation of the radial AC lines, as described in Article 8, the GSKs of the relevant bidding zones are to be defined in the CCMs of adjacent CCRs applying a CNTC capacity calculation approach. These GSKs are applied to represent the distribution of the power flow on the interconnectors in CCR Hansa.*

- **Article 6.2:** *Flow interactions between the CCR Hansa interconnectors and the adjacent AC grids are to be reflected in the corresponding LT CCM parameters of adjacent CCRs.*

It seems that the CCM for the CCR Hansa is made subordinate to the CCM of the CCRs Core and Nordic. Which could mean that available capacities in the CCR Hansa are reduced to manage congestions in the Core and Nordic region.

In effect, congestions in the Core and Nordic region are managed by limiting cross-zonal trade through the Hansa interconnectors, which is not acceptable and goes against Regulation 714/2009.

We refer to our response to the ACER consultation on the delineation of CCRs suggesting the suppression of the “buffer regions” Hansa and Channel in order to solve this problem².

- **Article 7.1:** *Costly RAs shall not be considered in capacity calculation.*

We believe that costly remedial actions should be systematically considered in the capacity calculation, to the same extent that they are considered in coordinated security assessment. Where economically efficient, costly remedial actions should be taken in order to allocate the maximum of cross-zonal capacity to the market. Congestion “rents” and redispatch “costs” are both financial redistributions elements that should be considered on an equal footing in order to optimise regional welfare.

Hence, we suggest replacing this article by: “Costly RAs shall be systematically considered in the capacity calculation when economically efficient at CCR level”.

- **Article 9.1:** *Cross-zonal capacities shall be reduced, where appropriate, by the amount of previously allocated capacities for already allocated transmission rights. In case previously allocated capacities are bigger than cross-zonal capacities on a bidding-zone border, defined in accordance with Article 8, the relevant CCR Hansa TSO(s) shall provide zero cross-zonal capacity for the capacity allocation and use RAs to ensure operational security.*

As mentioned in our comment on article 7.1, we believe that costly remedial actions should be considered in the capacity calculation, as they optimise regional welfare.

Hence, we request the modification of articles 9.1 as follows:

- Article 9.1: Cross-zonal capacities shall be reduced, where appropriate, by the amount of previously allocated capacities for already allocated transmission rights. In case previously allocated capacities are bigger than cross-zonal capacities on a bidding-zone border, defined in accordance with Article 8, the relevant CCR Hansa TSO(s) shall provide zero cross-zonal capacity for the capacity

² EFET response to ACER consultation on the definition of capacity calculation regions, dated 20 July 2016 and available at:

https://efet.org/Files/Documents/Electricity%20Market/Market%20access%20and%20transparency/EFET_ACER-consultation-CCRs.pdf

allocation and use RAs, *including costly RAs*, to ensure operational security.

- **Article 13.3** *Capacity values, resulting from the capacity calculation for each scenario, shall be published.*

We believe that more than the capacity calculation for each scenario should be published.

Firstly, we would like to see the description and structure of scenarios from the Explanatory document included in the Hansa CCR LT CC guideline. We only know from the proposal that: (5) *Eight scenarios shall be created within the CGM for the year-ahead capacity calculation, and two scenarios for the month-ahead capacity calculation and the provisions of Article 13.*

Secondly, we believe that more data than capacity values can be shared with market participants. For example, all components of the cross-zonal capacity, *i.e.* TTC, NTC, ATC, AAC, and TRM, for each bidding-zone border could be published.

- **Article 17.1** *Information for each forward capacity calculation, and in accordance with article 9 of the FCA Regulation, at least on annual and monthly time frames, which shall include the following: a) cross-zonal capacity for each bidding-zone border; b) all components of the cross-zonal capacity, i.e. TTC, AAC, and RM, for each bidding-zone border.*

The term used throughout the proposal was TRM, Transmission Reliability Margin (TRM). We suggest using the same term, for reasons of consistency.

While the other measures may be calculated from those components, we suggest, for reasons of transparency, to publish the other measures as well: NTC (Net Transfer Capacity) and ATC (Available Transfer Capacity).

Hence, we request the modification of articles 17.1 as follows:

- Art 17.1 Information for each forward capacity calculation, and in accordance with article 9 of the FCA Regulation, at least on annual and monthly time frames, which shall include the following: a) cross-zonal capacity for each bidding-zone border; b) all components of the cross-zonal capacity, *i.e.* TTC, NTC, ATC, AAC, and TRM, for each bidding-zone border.