

## **EFET response to ENTSO-E consultation on all TSOs' proposal on definition of capacity calculation regions**



**18 September 2020**

The European Federation of Energy Traders (EFET) would like to thank ENTSO-E for the opportunity to comment on the updated transmission system operators' (TSOs) proposal for the determination of capacity calculation regions (CCRs), developed in accordance with Article 15(1) of Commission Regulation (EU) 2015/1222 establishing a Guideline on Capacity Allocation and Congestion Management (CACM GL). The definition of CCRs is an important topic for us, as we expect that the benefit from increased coordination will lead, over time, to more cross-zonal capacity being made available to the market by the TSOs and thus, to deeper integration of European electricity markets.

We are generally supportive of the proposal and acknowledge that the approval process will be subject to the new methodology required under Art. 5(2) of Regulation (EU) 2019/942, meaning that the proposal will be submitted directly to the Agency for the Cooperation of Energy Regulators (ACER) for endorsement.

This proposal primarily aims to update the CCRs delineation in line with recent decisions. However, in the future, we would recommend that such proposals are accompanied by a thorough impact assessment of the proposed delineation of CCRs and an evaluation of alternatives, as this would help market participants to make better-informed comments.

We understand that there are some ongoing assessments (e.g. for the Hansa and Channel CCRs) which may necessitate further amendments to the definition of CCRs and we welcome such a comprehensive approach. We would also suggest a regular/ periodic review of the overall delineation of CCRs, e.g. every four or five years, accompanied by a full impact assessment of the current situation and the potential need for changes.

Below, you can find some more concrete comments on the proposal at hand.

### **Hansa and Channel CCRs**

The Sweden-Germany border should be allocated to the Hansa CCR. This border is still not allocated, which is not acceptable. The related interconnector is operated by Baltic Cable AB, and this company was certified as a TSO last year. In fact, such an inclusion was already announced in the original proposal - the explanatory document of 2015 states the following: *"The geographical border SE4-DE/AT/LU will be included in the CCR Hansa after the legal entity operating the interconnection connecting the respective bidding zones becomes a*

*certified TSO.*<sup>1</sup> There is no reason to further postpone this inclusion and the proposal shall be amended accordingly.

Furthermore, we welcome the ongoing analysis of the optimal determination of CCRs with respect to CCR Hansa and CCR Channel, carried out by TSOs as per ACER Decision 04/2019. We also appreciate that there is a fixed deadline for the completion of this assessment report, i.e. 1 October 2020, and a requirement for an indicative timeline for the merger of CCRs, should such a need be identified.

In our view, the number of CCRs should be progressively reduced in the coming years. In particular with respect to the Channel and Hansa CCRs, we see them as “buffer regions,” which should be thought of as temporary. They isolate the interconnectors between Continental Europe and the Nordic region / the British Isles and seem to have been introduced to facilitate and speed up the adoption of specific methodologies linked to the lack of redundancies of the HVDC cables.

With respect to CCR Channel, we do not see any reference to the fact that the UK has left the EU and that the transition period will end by the end of 2020. It is likely that the status of the CCR will have to be reviewed also in this relation. This issue is of relevance to the Ireland and United Kingdom (IU) CCR as well. To continue ensuring system security and efficiency, however, we would recommend keeping bidding zone borders with the UK in the CCRs.

## **Core CCR**

Together with the merger of the CWE and CEE CCRs, ACER Decision 06/2016 also included the introduction of a new bidding zone border between Austria and Germany/Luxembourg, which took effect in October 2018. EFET is aware of the sensitivities around this decision and related appeals, decisions of the Board of Appeal of ACER and the EU General Court. As mentioned in earlier contributions and public statements, in principle, we believe that any bidding zones re-delineation should be based on a thorough and forward-looking assessment of both congestion and the market impact of such a decision. That assessment must take into account effects not only on the day-ahead market, but also on the forward market and on retail competition. The CACM GL foresees in Articles 32 to 34 a process for the review of bidding zones delineation and ENTSO-E and ACER have launched activities in that regard. We believe that this process, provided it is conducted in a professional manner, should bring balanced conclusions as to the necessity and appropriateness of a possible bidding zones re-delineation. This process also has the advantage of allowing in-depth analysis and exchange of views between regulators/ACER, TSOs/ENTSO-E, and market participants, which contributes to the consideration of all viewpoints in the final proposal to be made by ENTSO-E.

We have already expressed our opinion regarding the creation of a bidding zone border between Austria and Germany/Luxembourg in previous papers. Going forward, if a decision (based on Articles 32 to 34 of the CACM GL) is taken to change the delineation of bidding zones in Europe, TSOs should consult market parties on how to treat the resulting new bidding

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<sup>1</sup> [https://eepublicdownloads.blob.core.windows.net/public-cdn-container/clean-documents/Network%20codes%20documents/Implementation/cacm/151103\\_CCRs\\_explanatory%20document\\_approved\\_final%20and%20clean%20for%20submission.pdf](https://eepublicdownloads.blob.core.windows.net/public-cdn-container/clean-documents/Network%20codes%20documents/Implementation/cacm/151103_CCRs_explanatory%20document_approved_final%20and%20clean%20for%20submission.pdf)

zone borders at that point in time, in line with the amendment process described in Article 9(13) of CACM. This being said, and notwithstanding the comments that we made in the past, it is important to ensure that the current state of play has a firm legal basis. In this sense, we welcome the proposal of the TSOs to clarify the inclusion of this border in the Core region.

Furthermore, work needs to continue to ensure that the different parts of the Core CCR catch up to the same level of market development. This includes market coupling of the Multi-Regional Coupling (MCR) with the 4M Market Coupling (4M MC) countries (so-called interim NTC coupling) and the effective implementation of day-ahead flow-based (FB) market coupling in the whole Core region, both without further delays.

## **GRIT CCR**

We regret the decision to introduce a new zone “Calabria” as of 2021, made under the CACM review performed in 2018 and approved by the NRA in March 2019. Authorisation procedures for the necessary infrastructure interventions in Italy should be accelerated, as investments are necessary to overcome bottlenecks and ultimately, the National Single Price (PUN). In fact, the current splitting of the Italian market into multiple bidding zones, together with the existence of a system price like PUN, represents a peculiarity compared to most other European markets.

## **Non-EU TSOs**

We appreciate that point 12 of the Preamble recognises the importance of interconnected power systems operated by non-EU TSOs. However, in our view, the point is of a rather general nature and its content should be substantiated further in the body of the proposal with concrete references to borders with non-EU TSOs when those are of particular importance to the functioning of the internal energy market (IEM), such as Switzerland and Norway. The case of the UK would also need to be considered in further detail, but that may have to take place after the outcome of the ongoing negotiations on the future relation between the UK and the EU becomes clear.

We understand and acknowledge the political complexities around this issue and the need for inter-TSO or intergovernmental agreements to be established in some cases, but we would also like to remind of the importance of safeguarding against potential risks to secure system operation in the EU or in synchronously interconnected non-EU countries. To improve system security and ensure smooth and efficient electricity trading, it is therefore important for such non-EU TSOs to take part in related coordination activities for the development of methodologies and processes on a CCR level.

- Norway: As we understand, the 3<sup>rd</sup> Energy Package has been applicable in the EEA EFTA States since October 2019. Therefore, it is not clear to us why bidding zone borders with Norway are not included in the Hansa and Nordic CCRs. We would appreciate some additional information and call for the inclusion of bidding zone borders with Norway in the respective CCRs.
- Switzerland: We understand the complexities around the inclusion of Switzerland into CCR coordination processes resulting from the lack of an intergovernmental agreement between the Swiss Federation and the EU. However, in the short term we insist on ensuring the participation of Swissgrid into coordination processes and the

inclusion of Swiss CNECs into capacity calculation in the Core and Italy North region through practical arrangements. In the long term, we would also like to see the inclusion of Swiss bidding zone borders into the respective CCRs and the full participation of Switzerland in the IEM, including market coupling.

- Serbia: We understand that it is not feasible to include bidding zone borders with Serbia into the CCRs until CACM is implemented in Serbia. As this will take some time, we would recommend in the short term to consider including Serbian CNECs into capacity calculation in the Core and SEE regions through practical arrangements. In the long term, we would also like to see the inclusion of Serbian bidding zone borders into the respective CCRs and the full participation of Serbia in the IEM, including market coupling.
- The UK: The status of CCRs Channel and IU would have to be reviewed in view of the UK decision to leave the EU and the forthcoming end of the transition period at the end of 2020, which would change the status of UK TSOs to non-EU TSOs. However, in our view it would be important to maintain the inclusion of bidding zone borders with the UK into the respective CCRs.