

## **CREG consultation on the adaptation of the intraday capacity calculation methodology**



EFET response – 11 January 2016

The European Federation of Energy Traders (EFET)<sup>1</sup> thanks CREG for the opportunity to provide its views on its draft decision on the Elia proposal to improve the methodology for intraday capacity calculation at the Belgian-French and Belgian-Dutch borders in order to release more capacity to the market.

Over past years EFET has warned the CWE flow-based Project Parties of the inevitable impact of day-ahead flow-based market coupling on the availability of capacities in intraday and on the need to recalculate the available capacities after the day-ahead market results - before the opening of intraday markets – to avoid capacity reductions in intraday.

Experience from post CWE flow-based market coupling (FBMC) go-live over the past five months has confirmed that the market coupling algorithm finds an optimal solution in a “corner” of the flow-based capacity domain during more than 20% of the time (or more generally on the edges of the flow-based domain). As a consequence, cross-border exchanges during the intraday timeframe are limited – in all directions – by constraints calculated from assumptions in D-2, whereas D-1 market results are already available and additional capacity is likely to be available in many more directions than the reduced domain would suggest.

EFET takes note of the detailed summary provided by CREG of its discussions and interactions with Elia on the subject of cross-border intraday capacity calculation and allocation in Chapter II of the draft decision. Of particular interest are paragraphs 36 to 47, which describe how CWE FBMC Partners – i.e. TSOs and power exchanges – have mentioned as early as December 2013 risks of reduced cross-border transmission capacities available in intraday following the switch to flow-based capacity calculation in day-ahead if the calculation of ATCs in intraday was not amended. Follows a series of exchanges, requests and commitments by and from regulators and TSOs to tackle this problem, culminating in the March 2015 request to all CWE TSOs in the regulators FBMC approval package for *“intraday capacity recalculation to be properly implemented in ATC by the beginning of November 2015. This interim solution is intended to allow for more capacity at this timeframe, taking stock of more accurate information on grid, consumption and generation parameters”*.

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<sup>1</sup> The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at [www.efet.org](http://www.efet.org).

**We note that the methodology proposed by Elia cannot be considered a proper capacity recalculation in intraday yet.** We therefore understand this solution as only a partial answer to the CWE regulators' request. Indeed:

1. Not all updated information concerning *“grid, consumption and generation parameters”* would be taken into account: the new methodology seems to be limited to the release of some of the external constraints imposed by TSOs in D-2. While we understand that security margins may be needed in D-2, we would argue that these margins should be decreased in intraday when information and assumptions can be updated, especially after the day-ahead market coupling results and when we get closer to real time.
2. The “release of external constraints” in intraday and the ability to enlarge the security domain while remaining in the initial D-2 Flow Based security domain also calls for additional explanations on the external constraints applied in D-2 already.
3. While CWE regulators requested a coordinated process, the proposed methodology is still decentralised, and only partially coordinated. As a consequence, larger than needed security margins will continue to be taken into consideration.
4. The process as described in the Elia proposal will require the approval of the other TSOs to release capacity in intraday. As a consequence, we cannot assess the frequency at which additional intraday capacity would actually be released, which will likely not reach the 95% of cases mentioned in the proposal; it is also impossible for EFET to understand the amount of cross-border capacity that would be released (in volume). We would like to see a proper analysis to clearly understand Elia and the other CWE TSOs' assessment of the expected efficiency of the proposed methodology.
5. It is also unclear whether Elia and the other CWE TSOs will set pre-defined limits to the intraday capacity calculation releases, and if so, what these limits would be.
6. Finally, as day-ahead flow-based implementation has already evidenced, a continuous variation of available cross-border capacities without the adequate level of transparency on TSO data and margins is problematic. Capacity recalculations can also be used for capacity curtailments and we raise CWE TSOs and regulators' attention on the importance of an adequate and reliable market interface to allow for the development and well-functioning of intraday markets.

As the elements above indicate, we consider that **the proposed improvement proposed by Elia is very insufficient. However, we think it ill advised that CREG refuses to approve the proposed methodology.** We believe that the Elia proposal, though insufficient and disappointing considering the repeated requests of the regulator and market participants to implement a full recalculation of cross-border intraday capacities, is a first step in the right direction.

Though we support the implementation of the Elia proposal – provided that market participants get appropriate reassurance on the above-mentioned elements – **we still call on TSOs to put in place much before the announced date of end 2017 a methodology for the recalculation of intraday ATC capacities after day-ahead results are known and based on all available information in D-1.** Such a solution would maximise available capacities both in day-ahead and intraday, and improve network security. This capacity recalculation should be fully coordinated. **In a longer-term perspective, we expect the Project Parties to present a clear timeline to inform market participants on the expected transition towards flow-based capacity calculation for intraday.**