

EFET response to the TSOs consultation on the determination of Capacity Calculation Regions



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The European Federation of Energy Traders (EFET)¹ welcomes the opportunity to comment on the TSOs' draft proposal for Capacity Calculation Regions (CCRs) and thanks ENTSO-E for the coordination – including the workshop organised on 14 September 2015 – facilitating stakeholder involvement on this matter. We would welcome a similar role of ENTSO-E throughout the development of the other “all TSOs” proposals foreseen in the CACM Guideline and we invite ACER to mirror this approach when coordinating the NRAs' approval process.

Over time EFET expects that the benefit from increased coordination will lead to more capacity available to the market and thus to a deeper integration of the European energy markets. EFET takes good note of the proposed definition of 11 CCRs in the main body of the TSOs proposal, based on existing bidding zone border interconnection between EU Member States, following the entry into force of the Capacity Allocation and Congestion Management Guideline (CACM GL) on 14 August 2015. Regarding this delineation, we would like to raise the following concerns:

- First and foremost, we note that the TSOs proposal lacks a thorough impact assessment of the proposed delineation of CCRs, as well as an analysis of possible alternatives. While we are conscious that time is pressing to designate the CCRs in compliance with the deadline set in the CACM Guideline (EU Regulation 2015/1222), it is uneasy for market participants to give an informed view on the TSO proposal.

¹ 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.

In addition, we note that the CACM Guideline does not foresee a review process for the CCRs. It is unclear to us when and on which grounds CCRs may be reviewed and potentially modified. Periodical reviews will help identify the CCRs that can be joined to form a common CCR. The TSO proposal could contain suggestion to fill the gap left by the CACM Guideline on this matter.

We call on TSOs to clarify the timeline and triggers for a review and possible re-delineation of CCRs. We suggest a periodical review of the CCRs – every four or five years – accompanied by a full impact assessment of the current situation and of possible changes to the CCRs.

- CCRs are defined according to bidding zone borders, while historic coordinated congestion management regions were defined per Member States in Annex 1, point 3.2 of EU Regulation 714/2009. The two concepts are however related, as Art. 15.2.a of the CACM GL provides that the CCR proposal shall take into account the regions specified in Annex 1 of EU Regulation 714/2009. In accordance with the Regulation, a bidding zone border should only belong to one CCR. This also implies that one bidding zone may have borders linked to several CCRs, and as a consequence may be directly influenced by actions taken in different CCRs. Therefore, coordination between CCRs is important. It is however unclear at the moment how this coordination will be ensured.

EFET calls on the TSOs to establish a transparent process for inter-CCR coordination, in accordance with the provisions of the Regulation.

- We note that the number of CCRs in the proposal is greater than the number of coordinated congestion management regions in EU Regulation 714/2009. As explained above, we understand that the two concepts are different; they are however related. While one of the additions corresponds to the inclusion of the SEE region (CCR #11) that the Regulation did not take into account, other additions seem have been introduced to facilitate and speed up the adoption of various methodologies to be applied in the different CCRs. This is notably the case for the Hansa (CCR #2) and Channel (CCR #9) regions, which isolate the interconnector between continental Europe and the Nordic region / the British Isles, and the separation of the Italian bidding zone borders in two CCRs (#4 and 5).

EFET is not opposed to a definition of CCRs that would facilitate the implementation of CACM GL. However, TSOs must keep in mind the fundamental objective of the CACM GL and EU Regulation 714/2009, i.e. the harmonisation of rules on capacity allocation, congestion management and trade in electricity. It

therefore appears to us that the CCRs such as the “buffer regions” #2 and #9 should be thought of as temporary, and that the number of CCRs should be progressively reduced in the coming years.

EFET calls on TSOs to clarify the reasons for the inclusion of the “buffer zones” CCR #2 and #9, and to publish an indicative timeline identifying the projected mergers of CCRs in the coming years, according to the available information on the evolution of the various coordination projects on-going in Europe.

- The status of the Slovenian-Croatian, Croatian-Hungarian and Hungarian-Romanian bidding zones borders seems rather complex. In the TSO proposal, these three borders are included in the SEE region (CCR #11) until flow-based day-ahead market coupling is in place in Central and Eastern Europe, at which point these borders will be included in the CEE region (CCR #6).

The rationale for including these bidding zones borders in the CCR #6 only after flow-based market coupling is in place in CEE remains unclear, especially as concerns the Hungarian-Romanian border since it links two bidding zones that are part of 4M market coupling.

Besides, once the three bidding zones borders leaving CCR #11, the decision making rules for the adoption of methodologies in the SEE region will change from qualified majority to unanimity as the CCR will only comprise three TSOs. This leaves the door open to potentially unforeseen changes in capacity calculation methodologies in CCR #11 once the three above-mentioned bidding zones borders join CCR #6.

EFET calls on the TSOs to clarify the rationale for their complex treatment of the Slovenian-Croatian, Croatian-Hungarian and Hungarian-Romanian bidding zones borders, and to present their expectations as to the potential effects on the governance of CCR #11 of a switch of these borders to CCR #6.

EFET also welcomes the inclusion of Annex 1, tackling the treatment of existing interconnected bidding zones borders between EU Member States and countries not yet subject to the CACM GL. While this annex is not officially part of the approval process requested in the CACM GL, we would like to point out a number of elements:

- We appreciate that the EU TSOs have collaborated with their non-EU counterparts on Annex 1, beyond the pure legal requirements of the CACM GL. We believe that the non-inclusion of the bidding zones borders between EU Member States and

the Swiss or Norwegian bidding zones will be detrimental to the functioning of the relevant CCRs. EFET encourages TSOs to pursue their efforts and facilitate the inclusion of these borders in the proposed CCRs.

As mentioned in earlier contributions and public statements, EFET is opposed to the CACM GL provisions discriminating against non-EU TSOs and non-EU market participants which may participate to the European single day-ahead coupling and single intraday coupling. These provisions interfere with EU external energy policy since most non-EU countries which are able to participate to day-ahead and intraday market coupling have already formalised their external energy policy with the EU or are in the process of formalising it. Non-EU TSOs and non-EU market participants should participate in the single day-ahead coupling and in the single intra-day coupling as fast as possible since this would effectively contribute to creating an integrated European electricity market, to enhancing security of supply and to increasing flexibility within Europe and allow for cross-border electricity exchange between non-adjacent EU Member States.

EFET calls for a swift adoption of the CACM GL provisions in EEA Member States and a resolution of the political hindrance to the full inclusion of Switzerland in the European electricity market integration projects, including through the integration of their bidding zones borders in the proposed CCRs.

EFET has no specific comment on Annex 2 on the future bidding zones borders resulting from new interconnections.