

## RTE consultation on the adaptation of the intraday capacity calculation methodology



EFET response – 6 November 2015

The European Federation of Energy Traders (EFET)<sup>1</sup> thanks RTE for the opportunity to provide its views on the proposal to improve the methodology for intraday capacity calculation at the French-Belgian and French-German 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 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 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.

The proposal presented by RTE goes in the direction of market expectations in that it looks for a solution to free up available capacities for the intraday timeframe. The amount of capacity that could be potentially released (between 100 to 200 MW) is not negligible and would certainly be beneficial for the development of intraday markets.

**However, we note that the proposed methodology 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 (in their March 2015 position paper on flow-based market coupling) 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).

While CWE regulators requested a coordinated process, the proposed methodology is decentralised, and only coordinated on a bilateral basis. As a consequence, larger than needed security margins will be taken in consideration.

Also, 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.

We therefore consider that the proposed improvement is **welcome but very insufficient**, since a proper capacity recalculation in intraday would take into account all the available updated information (as requested by market participants and CWE regulators) and would have a greater potential to allow for more capacities being released for the well-functioning of intraday markets.

This means that although the proposal goes in the right direction, **we still call on TSOs and regulators to put in place 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 roadmap to inform market participants on the expected transition towards flow-based capacity calculation for intraday.**

As a consequence of the above, we consider that the November 2015 delivery is not completely fulfilled, and we ask CWE TSOs to inform market participants on the expected timeline for completing the full intermediate step of capacity recalculation. We intend to further discuss this subject at the next CCG meeting and would like to already highlight the following points:

- We understand that the amended capacity calculation methodology would intervene only after day-ahead clearing, i.e. that the results of capacity calculation in day-ahead would in no way be affected by the new capacity calculation methodology in intraday. However 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 – as noted above, market participants expect TSOs to take account of all available information following the market results in D-1;
- The proposed methodology is based on the one currently used at the Dutch-Belgian and Dutch-German borders. However, the situation at both these borders is still problematic. Indeed, market participants did not see significant improvement in terms of available intraday capacity post-day-ahead clearing. This put in question the actual effectiveness of the proposed methodology. We would like to see the analysis to clearly understand RTE’s assessment of the expected efficiency of the proposed methodology. We therefore ask for the disclosure of the assessment made by RTE over the period 21 May to 30 September, as mentioned in the consultation document;
- It is unclear whether RTE will set limits to the intraday capacity calculation increases like at the Dutch-Belgian and Dutch-German borders, and if so, what these limits would be;
- The process as described in the RTE consultation document will require the approval of the other TSOs to release capacity in intraday. As a consequence, market participants cannot

assess the frequency at which additional intraday capacity would actually be released, which will likely not reach the 95% of cases mentioned by RTE in its consultation document;

- We would also like to hold additional discussions with the Project Parties concerning the implementation of intraday capacity recalculation (Target Model). It seems indeed from the last CCG meeting (29/06) that CWE TSOs are proposing to skip the very important step of a proper D-1 capacity recalculation in intraday in order to develop a methodology which was not discussed, nor consulted, and that would only be available by the end of 2017 or 2018. We consider this change of agenda as inappropriate. We request further discussion on the implementation of the flow-based Target Model and the assessment of its compatibility with the future intraday platform, both for explicit and implicit access;
- Finally, as day-ahead flow-based implementation has already evidenced, a continuous variation of available cross-order 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' attention on the importance of an adequate and reliable market interface to allow for the development and well-functioning of intraday markets.

As an additional note, we would like to stress that EFET is also eagerly awaiting progress to extend continuous explicit and implicit capacity allocation at the borders which do not yet benefit from it, together with closer to real time gate closure times (both for nominations and programming), and with the possibility to nominate 30 minutes products across borders. These measures are needed to allow for an efficient and flexible access to all intraday capacities at the various bidding zones borders.

To that extent we would like to highlight that while we expect positive improvements on the French-Belgium border, progress on flexible cross-border intraday access seems to be on hold at the French-UK, French-Italian and French-Spanish borders and we invite RTE and its counterparts to act swiftly to present their plans to improve the situation at these borders.