



## Strengthening the regional approach to system operation to boost renewables' integration

Europe needs to integrate ever-growing shares of renewable energy sources into the wholesale power market. This path is a no brainer for Europe and for the signatories of this statement.

Today however, a number of hurdles are in the way of reaching this goal. This is in particular the case for cross-border capacity allocation. **ACER data<sup>1</sup> has clearly shown that less than 50% of the “benchmark capacity”<sup>2</sup> was offered to the market in 2016** and that, on a large range of EU borders, the **part of the “benchmark capacity” offered to the market was even residual**. ACER's analysis shows that the limited amount of cross-zonal capacity made available by TSOs is one of the most significant barriers to the further integration of wholesale markets. A third of the gap is due to insufficient TSO coordination, while the remaining part is due to internal flows being prioritised over cross-border ones.

**This is clear evidence that action must be taken to maximise cross-border transmission capacity released to the markets in a cost-efficient way.** A better use of interconnections will contribute to the integration of higher shares of renewable energy sources and strengthen security of supply.

The signatories of this statement fully recognise the progress achieved by TSOs in enhancing their coordination over the past years. The implementation of network codes and guidelines is expected to bring further benefits. However, as wholesale markets are increasingly interconnected and coupled, further progress is fundamentally needed to reach the objective of a truly integrated Internal Energy Market. **A step-wise regional approach to system operation (i.e. meant to optimise regional welfare) is a key prerequisite.**

The current framework (guidelines on system operation and market) keeps on attributing all tasks related to network access to national actors, with only some level of regional coordination. This as such does not guarantee a real optimisation of social welfare at regional level.

Notwithstanding our continued support for the integration of electricity markets at pan-European level, **we welcome the principles behind the European Commission's proposal for enhanced regional coordination in the draft Clean Energy Package for All Europeans**, to the extent that it builds on what already exists (RSCs) and allows for linear progression. **We recognise that Rapporteur Karins' proposals for Regional Coordination Centres (RCCs) are a good way forward to implement this regional approach on system operation** and to reach consensus in the current legislative process.

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<sup>1</sup> [ACER Market Monitoring Report, 2016](#).

<sup>2</sup> The maximum capacity that could be made available to the market on a given border if [ACER Recommendation 02-2016](#) was to be followed.

However, we believe **there is some room for improvement:**

1. Firstly, we call for **ambitious regional methodologies for fully transparent and coordinated capacity calculation in line with the principles highlighted in the ACER Recommendation 02-2016** in order to reach the optimum level of cross-border transmission capacity allocated to the market in all timeframes and maximise regional welfare. Correspondingly, **access to interconnections through the allocation of transmission rights by the TSOs** should be granted to market participants in forward timeframes, in addition to the allocation made implicitly in day-ahead and intraday.
2. Secondly, we call for a **fully transparent and systematic justification each time that a TSO decides to derogate from RCCs' instructions**. Such derogation shall only happen in cases where the safety of the system is threatened. Transparency should be ensured not only towards the RCCs and TSOs of the system operation region concerned but also towards the NRAs and all market participants.
3. Thirdly, we call for RCCs to actively **facilitate the coordination of balancing capacity sizing and procurement**. We believe that this enhanced regional cooperation and the role of RCCs as facilitators is of utmost importance to the energy transition. Adequate balancing capacity sizing is a pre-requisite to enhance cross-border exchanges and optimise balancing capacities at regional level. Importantly, regional procurement of balancing reserves should be realised when cost-efficient, in a manner which ensures that the allocation of cross-border transmission capacity is the outcome of the markets and which prevents TSOs from practising undue reservations.
4. Finally, **consistent regional governance is necessary to allow further regional system operation**. In this regard, NRAs' regional cooperation is also a prerequisite for an effective regional approach. This should be tackled as part of the ACER Regulation, where NRAs should act in regional groups to adopt coordinated regulatory opinions, recommendations and decisions on issues of cross-border relevance.

Accordingly, **we call on European policymakers to support a consistent framework for a step-wise regional approach to system operation through:**

- Ambitious and transparent coordinated capacity calculation resulting in the allocation of the optimal volume of cross-border transmission capacity to the market (article 14 draft recast Electricity Regulation)
- A fully transparent and systematic justification when TSOs derogate from RCCs' instructions (article 38 paragraph 2 draft recast Electricity Regulation);
- A greater facilitating role given to RCCs on balancing capacity sizing and procurement (article 34 paragraph 1 draft recast Electricity Regulation);
- An enhanced regional governance framework for Member States and NRAs (article 7 draft recast ACER Regulation).