Response of EFET, EURELECTRIC, NORDENERGI and MPP to the Energitilsynet consultation on the Hansa Capacity Calculation Methodologies

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The European Federation of Energy Traders (EFET), EURELECTRIC, NORDENERGI and the Market Parties Platform (MPP) thank the Danish NRAs Energitilsynet for the opportunity to comment on the updated draft capacity calculation methodologies (CCM) proposed by the TSOs of the Hansa region.

The Hansa CCM proposal submitted to the NRAs of the region has been reviewed since the initial proposal in June, and is accompanied by a more thorough Explanatory Document. We recognise the TSOs effort to elaborate on their proposal and to provide explanations to market participants on their remarks to the TSOs consultation. However, despite these efforts we still believe that the proposal falls short of our expectations, and that the tentative explanations provided by the TSOs in the Explanatory Document do not justify the approach taken by the TSOs in a number of provisions of the Hansa CCM.

In particular, the updated CCM proposal and the explanatory document did not provide us any comfort with regard to:

- The choice of an advanced hybrid coupling (AHC) model, which effectively subordinates Hansa capacity calculation to cross-border and internal congestions of the CORE and Nordic regions, compared to the maximum permanent technical capacity (MPTC) approach of the Channel CCM.
- The absence of clear limitations to the use of allocation constraints
- The absence of an obligation to consider costly remedial actions, if they make economic sense from a welfare perspective, alongside non-costly remedial actions

In any case, the chosen CCM should also ensure no discrimination between AC and DC lines.

As it stands, we do not believe that the Hansa CCM should be approved by the concerned NRAs. The general approach of the TSOs with the use of advanced hybrid coupling is questionable with regard to the principle of non-discrimination of cross-border transaction vs. internal transaction and with regard to the unjustified management of internal congestions by limiting cross-zonal exchanges of Regulation No 714/2009 and Regulation No 2015/1222.

You will find below detailed remarks on the TSOs' reply to our initial comments[1] of June, using the useful table provided by the TSOs of the Explanatory Document. Our four organisations are at the disposal of Energitilsynet and any other interested party for follow-up questions or clarifications:

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[1] See Response of EFET, EURELECTRIC, NORDENERGI and MPP to the TSOs' consultation on Capacity Calculation Methodologies, dated 19 July 2017, available at: http://www.efet.org/Files/EFET_Eurelectric_MPP_Nordenergi-TSOs%20consultation%20CCM_IU%20CCM_28082017.pdf

Comments received	Hansa TSOs' reply	Market comments (October update)
The methodology for the DA timeframe is not sufficiently well described in Chapter 1. It starts with a "mathematical description" in **Article 3**. However, then the article 5 contains a general description of some issues that seem to incline that the capacities can be reduced, but that are not covered by the mathematical description. **Article 5.2** allows TSOs to reduce the capacity based on individual assessment. There is no method described that explains how these reductions are calculated. The impact of article 5.1 on the capacity is unclear. However, article 5.2 refers to article 5.1 and therefore it seems that article 5.1. can also result in reductions of the capacities. In particular, it seems that the CCM for the CCR Hansa is made subordinate to the CCM of the CCRs Core and Nordic. Which could mean that available capacities in the CCR Hansa are reduced to manage congestions in the Core and Nordic region. Moreover, article 5 does not contain precise	In order to increase transparency, the reasoning behind Article 5 has been rewritten including clear examples. Whereas numbers 7 and 8 have been rewritten to clearly state that the application of AHC ensures that CCR Hansa bidding zone borders will be treated equally to bidding zone borders in the flow-based capacity calculation methodologies, thus ensuring that the CCR Hansa bidding zone borders are not given preferential treatment nor are they discriminated against compared to CCR Core or CCR Nordic bidding zone borders. As CCR Hansa consists of only radial lines, and because the methodology aims at giving maximum capacity to the market, remedial actions are only taken into account when they can influence the flow distribution on the tielines on the AC border. Article 7 has been rewritten to clarify this.	Regarding Article 3: Our understanding of the capacity calculation methodology is a bit clearer thanks to the additional details provided by the TSOs. However we feel that the proposed AHC solution imbeds potential discrimination of flows within the Hansa region versus flows within the Nordic and Core regions. For more details on this, see our comment below. Regarding Article 5: No justification is provided by the TSOs to the concerns we initially expressed. The re-writing of Article 5 has resulted in moving the former 5.2 to 5.4, but there remains the possibility for individual TSOs to reduce capacity in the region. Article 5.5 further extends the realm of Allocation Constraints can possibly be taken into account with too much leeway (especially point i., ii. and iii.). Generally, Article 5 grants individual TSOs the right to apply constraints on capacity calculation without these constraints being consulted with, justified to and approved by the other TSOs and NRAs of the region. Regarding Article 7: Even after the re-writing, Article 7 still does not describe a methodology for determining remedial actions to be considered in the capacity calculation. We urge the TSOs and NRAs of the region to take example on Article 11 of the Ireland & UK methodology consulted in August (also a methodology for capacity calculation on radial interconnectors) that clearly describes how and which remedial actions should be mandatorily considered by the TSOs (including, of course costly remedial actions). More

methods to calculate capacities. The title of **Article 7** says that it describes the methodology for determining remedial actions, however it does not. It only says that the CCC can consider remedial actions.		details at https://consultations.entsoe.eu/markets/capacity-calculation-methodology-iu-ccr/supporting_documents/DA_ID%20Capacity%20Calculation%20Methodology_IU_20170721_final.pdf (note that the article was changed to Article 12 in the latest version). There is no explanation why the Hansa CCM should deviate strongly from the UI CCM. The general objective of the EU Network Codes and Guidelines is to harmonise key methods important to ensure a truly single internal energy market The CCM is one of these key methods.
The definition of "Advanced Hybrid Coupling" in Article 2(1.a) is unclear. The term AHC is only used in **Article 13**. Article 13(c) suggests that the capacity for the lines in the CCR Hansa are determined by the CCM of CCR Nordic and CCR Core. It suggests that congestions in the Core and Nordic region are managed by limiting cross-zonal trade through the Hansa interconnectors. This is not acceptable. In the Whereas, number 12 (page 3) it is mentioned that AHC is needed to avoid undue discrimination between flows within CCR Hansa or adjacent regions and between bidding zone	In order to minimise concerns about discrimination of flows, which is not the case of AHC, CCR Hansa has prepared an additional annex to the explanatory document, which explains AHC in depths and its benefits for capacity calculation in CCR Hansa. As well, the capacity will be reassessed in ad-hoc basis, in case of unexpected events.	While we appreciate the TSOs' efforts to elaborate on their concept of Advanced Hybrid Coupling, it actually confirms our view that the proposed approach means that the Hansa CCR is made subordinate to the Core and Nordic CCRs and that it allows shifting internal congestions from these two regions to the Hansa CCR without economic justification. As we understand, this methodology is apparently intended to treat radial Hansa region interconnectors as virtual injection/withdrawal points in the Core and Nordic regions, respectively. This leads us to the following views: 1. This solution is apparently intended to avoid prioritising the interconnectors of the Hansa region over internal and cross-zonal lines in the Core and Nordic regions. However, from a pure Hansa region perspective, this means that capacity calculation will be constrained by the internal flows of the Nordic and Core region.

borders within CCR Hansa. However, there is no justification for this statement. Actually the opposite seems true. By applying AHC, cross-zonal trade between the Nordic and Core regions is discriminated against trades within the Nordic CCR and against trades within the Core CCR.		Applying the AHC model does result in shifting internal bottlenecks of the Nordic and Core regions to the border, constraining the available capacity in the Hansa region. As the proposed Nordic and Core CCMs provide no economic justification for labelling internal network elements as critical network elements, this would be an unacceptable outcome. 2. As a consequence of this, if the interconnectors of the Hansa region are not treated as stand-alone lines but as nodes in the Nordic and Core region, we wonder what the point is to have a capacity calculation region for Hansa in the first place.
The methodology for the ID timeframe has similar shortcomings as for the DA timeframe. It starts with a mathematical description in **Article 8**. But then article 10 introduces the same possibilities to reduce capacities without a method being described.	Similar changes as proposed for day-ahead have also lead to adjustments in the intraday section.	Similar follow-up comments as for Articles 3 to 7.
Article 9 does not specify the frequency of reassessment of capacity in the intraday timeframe. This is not compliant with Article 21(2).	Article 9 is rewritten, to make this clearer.	The re-writing of Article 9 is satisfactory.
Article 11 gives additional possibilities to TSOs to reduce the capacities. Again there is no method described.	CACM Regulation gives the TSOs the obligation to validate the cross-zonal capacity calculated by the CCC, and the TSOs do also have the right to correct the cross-zonal capacities.	Though we are aware of the CACM provisions requiring TSO to validate the cross-zonal capacities, Article 11 grants individual TSOs the right to apply constraints on capacity calculation without these constraints being consulted with, justified to and approved by the other TSOs and NRAs of the region.

Article 3 (top of page 5) mentions the application of a TRM for a DC line. Article 4 however mentions that the methodology for determining the TRM applies solely to the AC lines. This is unclear.	This is an unfortunate mistake, and Article 3 and 8 have been rewritten.	The correction is satisfactory.
In conclusion: The proposed CCM is a general description of the status quo. Approving this proposal would mean a formal endorsement of the current "black-box" approach in calculation capacities in the Hansa region. This method entails a clear risk that TSOs will "calculate" low capacities in order to manage internal congestions. There is no indication at all that the proposed "method" will result in justified (in terms of efficiency and non-discrimination) results. This proposal could even be labelled as "misleading" as the mathematical description with formulas in articles 3 and 8 does not cover the full calculation process. Finally the proposal is not sufficiently detailed. The proposal does not meet the CACM requirements.	With the corrections/ adjustments made to the methodology, and together with a new annex to explain AHC, the TSOs of CCR Hansa seek to de-mystify the "black-box" and to provide a more transparent capacity calculation methodology. The CCR Hansa TSOs are aiming at giving as much capacity as possible to the market.	See our comments above. We do not believe that the corrections included in the document provide for an appropriate level of detail to be qualified as a methodology. The explanations of the AHC model in the supporting document only support our view that the proposed approach is not compatible with of Regulation No 714/2009 and Regulation No 2015/1222. It also bears the question of the relevance of a capacity calculation methodology for the Hansa region in the first place.
This method must be completely	The TSOs of CCR Hansa have prepared a	See our comments above. The explanations of the AHC model in

revised and needs elaborated. It is proposed to take a similar principle as proposed by the Channel region. In this approach, the capacity is set as the "MPTC" (maximum permanent technical capacity which is the maximum continuous active power which a network element (interconnector/HVDC system) is capable of transmitting). Basically, this would mean that Articles 3 and 8 are kept, but that most other articles (like 5 and 11) are removed.	methodology which will seek to maximise the cross- border capacity and in close coordination with the capacity calculation methodologies of CCR Core and CCR Nordic. CCR Hansa TSOs do not see a significant difference in the treatment of DC cross-zonal capacity in CCR Hansa and CCR Channel.	the supporting document only support our view that the proposed approach is not compatible with of Regulation No 714/2009 and Regulation No 2015/1222. It also bears the question of the relevance of a capacity calculation methodology for the Hansa region in the first place. The significant difference between the MPTC model proposed in the Channel CCM and the AHC model proposed in the Hansa CCM is that the former is a stand-alone capacity calculation method that seeks to maximise the available transmission capacity for the radial DC interconnections, while the former makes available capacity in Hansa subordinate to cross-border and internal flows with the neighbouring regions of CORE and Nordic. For a similar type of CCR (radial interconnectors, mainly DC), two fundamentally opposed models will apply.
General comments as stated in chapter 1 of the reviewers' consultation document.	CCR Hansa TSOs believe that the methodology consulted on is in compliance with the CACM Regulation, but there may be areas of the methodology that are not sufficiently explained and therefore, was in need of elaboration and adjustment. To overcome this the CCR Hansa TSOs have, to the greatest extend, taken the comments on board where they are found to be helpful in the endeavour to submit a capacity calculation	We thank the TSOs for their careful consideration of our comments, and for providing feedback on them in the Explanatory Document. However, as stated above, a few key elements of the CCM remain problematic from a variety of perspectives, including efficiency of the use of interconnections, availability of interconnections for cross-border trades without discrimination vis-à-vis internal trades, and compliance with existing EU legislation.

	methodology for the bidding zone borders in CCR Hansa which fulfills the objectives and meets the requirements as set out in the CACM Regulation. CCR Hansa finds that a significant part of the comments received are justified and will lead to improvements of the methodology described. Some comments are found to be caused by misunderstandings of the legal proposal which means that CCR Hansa TSOs improved and elaborated on the descriptions and explanations given.	