

Hansa TSOs consultation on an amended capacity calculation methodology (CCM) for day-ahead and intraday



EFET response – 9 January 2021

We welcome the opportunity to provide comments on the TSOs' amended proposal for a capacity calculation methodology (CCM) in the Hansa region.

We note that the proposal aims to align the original Hansa CCM to the current legislative and regulatory context, namely:

- Regulation 2019/943, in particular the 70% rule of article 16(8);
- Decision 2020/7948 of the European Commission approving the derogation to the above-mentioned rule for the KF CGS interconnector

Comments on proposed amendments:

Article 8(1)

At EFET, we are particularly concerned with the inclusion of allocation constraints in capacity calculation processes and their application without appropriate oversight from NRAs and reporting to the market¹. There should be full transparency and justification for the application of each individual allocation constraint.

In addition, we oppose the inclusion of a general reference to article 23(3)(b) CACM (in addition to 23(3)(a)) as a possible justification for TSOs of the Hansa region to apply allocation constraints. Article 23(3)(b) CACM opens the possibility to apply allocation constraints "intended to increase the economic surplus for single day-ahead or intraday coupling". Allowing allocation constraints based on this principle means the TSOs will be able to arbitrate between this or that market and influence capacity calculation (and ultimately allocation) based on prices rather than pure system operation constraints. This goes against the role of TSOs as neutral market facilitators.

¹ See our comments on the original CCM proposal of the TSOs back in 2017, available at: https://efet.org/Files/Documents/Downloads/EFET_Eurelectric_MPP_Nordenergi-TSOs%20consultation%20CCM_22032018.pdf.

Article 8(6)

Notwithstanding our opposition to the application of allocation constraints aimed at increasing the economic surplus of the DA or ID markets in particular, we welcome the stricter conditions for the application of such constraints in the new version of the CCM: the TSOs shall inform at least two months in advance all market participants, TSOs and NRAs of the region, with a detailed description and justification of the planned allocation constraints.

However, we're still missing a procedure of approval by the concerned NRAs (or better, all Hansa NRAs) of TSO decisions to apply allocation constraints, and transparency requirements towards the market.

Comments on outstanding concerns not subject to an amendment

Article 19(1) and 19(4)

Article 19(1) and 19(4) specify that the Hansa CCM – as described in the proposed methodology – will only apply once Advance Hybrid Coupling (AHC) will be implemented in the Core and Nordic regions. According to this approach, the capacity of the Hansa interconnectors will be solely determined by the interconnectors, and this capacity will be used as an input for the Core and the Nordic flow based allocations. As a result, internal CNECs inside the Core or the Nordic region can result in limitations of cross-zonal trade across the Hansa interconnectors.

However, the Hansa CCM does not describe the actual capacity calculation method to be used before the implementation of AHC. It only describes that coordination on input data and assumptions is gradually improved. EFET reminds the TSOs that general principles and requirements regarding capacity calculation have to apply also in this implementation phase. This includes for example: “The maximum level of capacity of the interconnections and the transmission networks affected by cross-border capacity shall be made available to market participants complying with the safety standards of secure network operation” from article 16(4) Regulation 2019/943, and “Transmission system operators shall not limit the volume of interconnection capacity to be made available to market participants as a means of solving congestion inside their own bidding zone or as a means of managing flows resulting from transactions internal to bidding zones.” from article 16(8) EU Regulation 2019/943.

EFET underlines these general requirements as the lack of transparency on current capacity calculation procedures on the Hansa interconnectors does not enable market participants to assess the compliance of these procedures with article 16 of the Regulation.

At the moment, it seems obvious that the current capacity calculations take account of internal congestions in the Core and/or Nordic regions. Hence, the current procedures are likely not compliant with article 16(4) of the Regulation. Compliance with article 16 of the Regulation should therefore be sought through article 16(8).

For Hansa interconnectors linking Member States without an action plan according to article 15 of the Regulation, the 70% rule of article 16(8) applies unless a derogation has been requested at the CCR level according to article 16(9). It is extremely unclear to us at the moment which if and which derogations apply to these cables. The ACER report on the

application of the 70% rule shows nonetheless that the Cobra and SwePol cables don't meet the 70% target at all times.

For cables linking Germany (a Member State with an action plan) to other zones, we do not understand how the target values and the linear trajectory for the Hansa borders (for the implementation of the German Action plan) are being set. TenneT has indicated that the coordinated NTC approach for the Hansa borders will not foresee internal critical network elements with contingencies (CNECs) in the period until the implementation of AHC². EFET understands that the capacities are being calculated per border, however the current calculations internal congestions are impacting these calculated capacities and thus restricting cross-zonal trade. Therefore it is necessary to show to what extent such restrictions caused by internal Core and/or Nordic congestions are compliant with the linear trajectory.

EFET does not demand that the actual capacity calculation method during the implementation phase is included in the Hansa CCM. It can be acceptable to refer to "current methodologies" (like in Article 19(2)). However, the current regulatory framework of bilateral capacity calculation does not provide the right transparency framework on capacity calculation. It is not acceptable if a simple reference to current methodologies is interpreted in such way that TSOs would not have to show how internal congestions (or internal CNECs) from the Core and/or Nordic region are restricting cross-zonal trade in this implementation phase.

Therefore EFET seeks full transparency from the TSOs and regulators of the Hansa region on the existing capacity calculation methodologies, as well as the application of article 16 of the Regulation. This should include details on how possible derogations according to article 16(9) apply to Hansa interconnectors, and how the target values and linear trajectory are calculated for Hansa borders in the context of action plans according to article 15.

Transparency

We are missing a provision in the CCM obliging Hansa TSOs to provide a high level of transparency on all capacity calculation parameters. Article 25 of the Core CCM should serve as the basis in terms of minimum transparency requirements.

² See TenneT market message following the NorLink webinar of 19 November 2020, available at: <https://www.tenneT.eu/company/news-and-press/market-news>.