

CONSULTATION RESPONSE



EFET response to the TSOs' proposal to amend the determination of capacity calculation regions (CCRs) methodology

Brussels, 10 November 2023 - The European Federation of Energy Traders (EFET) takes the opportunity of the TSOs consultation on amending the capacity calculation regions (CCRs) methodology to underline the necessary conditions for a successful merger of the Core and Italy North CCRs.

Key messages

We understand and agree in principle with the idea of the merger of the Core and Italy North CCRs to create a new CCR "Central Europe".

However, a number of pre-requisites should be met to initiate this process:

1. Overall economic welfare is maximised in the new CCR
2. The impact on SDAC quality and performance is publicly monitored and considered reasonable
3. TSOs perform a full cost-benefit analysis on the impact of Italian allocation constraints on the other bidding zones of the new CCR
4. Swiss CNECs are considered in the capacity calculation of the new CCR, similarly the model of the Italy North agreement with Suissegrid
5. Transparency requirements are set at least at the level of the Core CCR provisions, including a proper and long enough parallel run
6. Reasons for the differentiated speeds for the CCRs merger for day-ahead and intraday, respectively, are clarified, and implications on stakeholder involvement
7. The merger timeline is set according to the projects prioritisation framework agreed between ACER, market participants, TSOs and NEMOs in the MESC¹

¹ https://eepublicdownloads.blob.core.windows.net/public-cdn-container/clean-documents/Network%20codes%20documents/MESC/2023%20MESC%20documents/231018_MESC_2.4_ProjectPrioritisationFramework.pdf

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Detailed comments

Aiming for a common capacity calculation methodology (CCM) and other rules organising spot markets across the EU is an objective that EFET has always supported. In this sense, we support the gradual merger of CCRs.

It is nonetheless important to acknowledge that the development of CACM-based methodologies by CCRs have generally preserved regional specificities since 2015. Merging CRRs, and ultimately reaching common rules throughout the EU, will necessitate bridging significant gaps in the existing models applied across Europe.

Welfare maximisation should be the guiding principle to progress on the harmonisation of methodologies and the merger of CCRs. In the specific context of the Core and Italy North CCRs merger, this will require a thorough gap analysis of the respective CCMs, in particular a cost-benefit analysis of the impact of Italian allocation constraints on the whole Central European region. This impact assessment should also monitor all indicators of the SDAC algorithm described in the Annex 3 to the Algorithm methodology, Title 3-5, with an open publication.

Additionally, with Switzerland at the heart of the new Central Europe CCR, the impact of flows on the Swiss network will have to be taken fully into account. The spirit of the agreement between Swissgrid and the Italy North TSOs to take account of Swiss CNECs in the day-ahead capacity calculation will need to be extended to the whole Central Europe CCR. This will be essential for a meaningful calculation of capacity in the new CCR, and hopefully a stepping stone towards the integration of Switzerland into market coupling as soon as bilateral negotiations with the EU allow it.

Transparency on day-ahead flow-based parameters will need to be harmonised on the highest standard possible. At the moment, we would request that they be at least at the level set in the Core CCR, and we look forward to possibly improving these standards even further. These transparency requirements should be discussed in a merged version of the existing consultative groups for Core and Italy North will need to be merged – at least for day-ahead discussions. Furthermore, a proper and long enough parallel run should be performed. Market participants would also need clarifications on how the Savoy-Piedmont HVDC interconnector will be managed (i.e. with virtual zones like ALEGrO?).

It is not fully clear to us why the merger between the Core and Italy North CCRs will only concern day-ahead methodologies. Additional details on this point would be welcome, including projections when a full merger of the two CCRs for both day-ahead and intraday – and even forward – related methodologies will be feasible. It will also be necessary to think about how to organise stakeholder engagement between day-ahead and intraday subjects in a two-speed CCR merger context.

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A new regional governance will be initiated for the development of the new Central Europe DA CC, which will be a major project with many challenges. As a consequence, all NRAs and TSOs will have to discuss reprioritisation of activities in the Core and Italy North CCRs, as well as across CCRs. It is essential that this project does not endanger progress on other ongoing implementation work at regional or European levels (i.e. ROSC, export corner, continuous explicit ID allocation at CH-IT border).

Hence, the timeline of the merger needs to be set according to the new projects prioritisation framework agreed between ACER, market participants, TSOs and NEMOs at the MESC meeting of 18 October 2023. We therefore request that the deadline currently proposed in the methodology amendment be replaced by a neutral placeholder referring to this process.

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