

Response of Energy Traders Europe to the TSOs' consultation on amendments to the SEE long-term CCM

Energy Traders Europe takes the opportunity of this TSOs consultation on amendments to the SEE long-term capacity calculation methodology to reiterate the importance of a fully transparent capacity calculation process.

As previously mentioned in response to a consultation on the original SEE long-term capacity calculation methodology¹, forward capacity calculation and allocation is critical to allow market participants to hedge their long-term positions across borders. Long-term transmission rights (LTTRs) allocated on the basis of the CCM make sure that market participants reduce their exposure to short-term price spread volatility and imbalance costs. Hence, it is crucial that the calculation methodology for the forward timeframe is robust.

In this amendment proposal, the SEE TSOs propose important changes in the field of:

- **Reliability margins** – by thankfully moving away from pre-determined reliability margins, though more changes are needed to ensure that dedicated reliability margins are calculated for the forward timeframe;
- **Remedial actions** – while interesting modifications are proposed to the establishment of the calculation scenarios in case of concomitant planned outages, the methodology still fails to ensure that TSOs considerate costly remedial actions in the calculation process;
- **Capacity calculation** – we still challenge concept of splitting capacity between the borders of the region and worry in particular about the potential discriminatory effect this may have between internal and cross-border flows.

You will find below our detailed comments on individual articles of the draft methodology.

¹ EFET response to the original SEE long-term capacity calculation methodology proposal, dated September 2019:
https://data.efet.org//Files/Documents/Downloads/EFET_TSOs%20consult%20SEE%20LTCC_02092019.pdf.

Comments on individual articles:

- **Reliability Margins - Article 5.3:** *SEE TSOs will use for the long-term common capacity calculation, the same RM used for day-ahead capacity calculation as described in the SEE DA&ID CCM.*

We **generally welcome the removal of the fixed 100MW reliability margin** and the rationalisation of the reliability margins methodology in article 5, as initially planned in the 2020 methodology.

While the formulation of the proposed article 5.3 does not fundamentally change compared to the existing article 5.4, **we continue to contest using the exact same reliability margins in the forward and the day-ahead/intraday timeframes.** According to article 22.2 of the CACM Regulation, referred to in article 11 of the FCA Regulation, "The methodology to determine the reliability margin shall set out the principles for calculating the probability distribution of the deviations between the expected power flows at the time of the capacity calculation and realised power flows in real time." This means that reliability margins serve to cover uncertainty between the time of calculation and the time of delivery. Hence, **we would welcome using the same methodology** to determine reliability margins in day-ahead and forward would be welcome, but using the *exact same margins* does not seem appropriate: a specific calculation should be performed for each timeframe.

- **Remedial actions – article 8.1:** *The RAs defined by each SEE TSOs shall be either preventive (pre-fault) or curative (post-fault), i.e. affecting all CNECs or only pre-defined contingency cases, respectively. The capacity calculation process may only take into account those non-costly RAs which can be modelled. The SEE TSOs may use the following non-costly RAs, but are not limited to:*
 - changing the tap position of a PST,*
 - topological action: opening or closing of one or more line(s), cable(s), transformer(s), bus bar coupler(s), or switching of one or more network element(s) from one bus bar to another, connection/disconnection of reactor(s), capacitor(s),*
 - changing the time interval for planned outages in the SEE CCR, after agreement with involved TSOs. The SEE TSOs shall use the RA during updates of CGMs with the latest available outage plan in line with Article 9 or during local validation in line with Article 11;*

We welcome the **addition of point c) to article 8.1: it gives the SEE TSOs an incentive to look into the coordination of their outage plans** to increase available cross-zonal capacity.

However, just like the existing version of article 8, the amendment proposal does not introduce a mandate for the SEE TSOs to consider costly remedial actions. We believe that **costly remedial actions should be systematically considered in the capacity calculation**, to the same extent that they are considered in the coordinated security assessment. Where economically efficient, costly remedial actions should be taken in order to allocate the maximum of cross-zonal capacity to the market. Congestion “rents” and redispatch “costs” are both financial redistributions elements that should be considered on an equal footing in order to optimise regional welfare.

- **Scenarios for the Common Grid Model - Article 9.4 to 9.7:**

4) *The SEE CCC shall implement the latest available outage plans, together with the associated default RAs related to the scenarios mentioned in this Article for each selected timestamp in order to use the most recent capacity calculation inputs. The timestamps shall be selected following the largest number of simultaneously planned outages in the synchronous area of SEE CCR. For the selected timestamps all planned outages from Continental Europe shall be added according to the Unavailability Plan from the OPC database (24 timestamps for year-ahead and respectively 8-10 timestamps for month-ahead for peak and/or off-peak time intervals).*

5) *The SEE CCC will perform a first computation, the so-called congestion check, in order to verify the operational security fulfillment before starting capacity calculation for the long-term timeframe using the CGMs which include the latest available outage plans.*

In case after mapping the planned outages, during congestion check overloads appear on elements included in the CNEC list, the SEE TSOs will strive to meet security criteria (N-1 criteria) using non-costly RAs. In case after applying all non-costly RAs, the calculation does not conclude by executing AC load flow, the planned outages from remote TSOs from Continental Europe shall not be mapped in the CGMs.

6) *After obtaining congestion-free CGMs (security criteria fulfilled), the capacity calculation shall be performed. The lowest capacity of all capacity calculation timestamps for year-ahead or month-ahead process shall be selected. An exception to the above is the situation where two TSOs are connected via only one tie-line and there is planned disconnection for the tie-line during the period under consideration.*

7) *Reduction periods of NTC values could be applied (yearly and monthly time frames depending on network topology resulting from critical planned outages or tie-lines out of operation.*

The amendment proposal introduces **welcome specifications in relation to how to deal with outage planning**. In particular, the process now detailed in point 5, 6 and 7 of article 9 are likely to limit reduction periods – or their magnitude – in case of concomitant outages in the SEE region and third countries.

While this looks like progress in theory, **we request full transparency on the determination of the reduction periods – and their magnitude** – to ensure that they are limited to what is strictly necessary for the safe operation of the network. The SEE TSOs should add a point 8 to specify the information they will make available to the public in that regard.

- **Capacity calculation approach – article 10.2 and following:** *The SEE CCC shall define the values of TTC and NTC for each time-frame for the north Greek borders, and south Romanian borders and the values of NTC for each time frame for the BG-GR border and BG-RO border for both import and export directions. On these values each SEE TSO can apply reduction periods and the final values shall be provided to SEE TSOs for validation of BG-RO and BG-GR borders.*

We welcome the implementation of a true NTC approach in paragraph 2 and following of article 10. We suggest the replacement of the term "FYROM" by "North Macedonia" in paragraphs 5 and 6.

- **Splitting of capacity between SEE borders - article 10.9:** *The splitting factor used for year-ahead and month-ahead capacity calculation in the year Y will be based on the NTC values from the last two years before the implementation of the methodology. This approach is based on the Article 3(e) of the FCA Regulation that contributes to the objective of respecting the need for a fair and orderly market and price formation and ensures a fair distribution of costs and benefits between the involved TSOs. Moreover, the approach is in line with the distribution of the congestion income (as defined in the Article 73 of CACM Regulation and Article 57 of FCA Regulation) collected by the TSOs, and thus do not alter the signals for investments to TSOs given by the congestion income. The splitting factors used at the NTC computation will comply with the security operation in accordance with Article 3(c) of the CACM Regulation, will not alter the signals for investments to TSOs given by the congestion income and allow reasonable financial planning according with Article 73 of the CACM Regulation. TSOs can amend the splitting factors with values other than described above with justification to NRAs (for example when new tie lines will be in operation, when market and system conditions justify changes after agreement of all concerned TSOs).*

The TSOs of the SEE region intend to use splitting factors as elements of the capacity calculation process. If our understanding is correct, these splitting factors make the

volume of capacity allocated at the borders of the region dependent on the level of capacity on local networks.

We remind the TSOs that **article 16 of Regulation 2019/943 prohibits any discrimination of cross-border transactions compared to transactions internal to a bidding zone²**. We see a risk that the method of calculation, including a splitting factor based on internal transactions within bidding zones in the regions (paragraphs 7 to 111 of article 10), leads to a discriminatory treatment of cross-border transactions. We would welcome clarification from the TSOs in that regard.

In addition, the use of CNE(C)s in the proposed calculation methodology to compute capacity means that congestions on transmission lines in the region, including within bidding zones, will already have an effect on the results of the calculation process. Hence, it seems to us that the effect of internal congestions may be counted twice in the process, via the CNE(C)s and via the splitting factor. Once again, we request clarification by the TSOs on this matter.

² Art. 16.1 of Regulation 2019/943: "Network congestion problems shall be addressed with non-discriminatory market-based solutions which give efficient economic signals to the market participants and transmission system operators involved. Network congestion problems shall be solved by means of non-transaction-based methods, namely methods that do not involve a selection between the contracts of individual market participants. [...]"