

**DECISION No 10/2020
OF THE EUROPEAN UNION AGENCY
FOR THE COOPERATION OF ENERGY REGULATORS**

of 6 April 2020

on the definition of system operation regions

THE EUROPEAN UNION AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators¹ (Regulation (EU) 2019/942), and, in particular, Article 7(2)(a) thereof,

Having regard to Commission Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for Electricity, and, in particular, Article 36 (3) thereof,

Having regard to the outcome of the consultation with the European Network of Transmission System Operators for Electricity ('ENTSO-E') and the regulatory authorities,

Having regard to the outcome of the consultation with the Agency's Electricity Working Group ('AEWG'),

Having regard to the favourable opinion of the Board of Regulators of 27 March 2020, delivered pursuant to Article 22(5)(a) of Regulation (EU) 2019/942,

Whereas:

1. INTRODUCTION

- (1) Commission Regulation (EU) 2019/943 of 5 June 2019 on the internal market for Electricity (the 'Electricity Regulation') defines a range of requirements for the internal Electricity market, and for the regional coordination of Transmission System Operators ('TSOs'), to be further developed with an enhanced institutional framework

¹ OJ L158, 14.6.2019, p. 22.

via the establishment of regional coordination centres ('RCCs'). These requirements include the geographical scope of RCCs in accordance with Article 36 of the Electricity Regulation.

- (2) Pursuant to Article 36(1) of the Electricity Regulation, ENTSO-E must develop a proposal defining system operation regions ('SORs') and submit it to the Agency for approval. Within three months of receipt, the Agency shall either approve the proposal or propose amendments in accordance with Article 7(2)(a) of Regulation (EU) 2019/942 and Article 36(3) of the Electricity Regulation.
- (3) The present Decision follows from a proposal for the definition of SORs submitted by ENTSO-E, seeking approval by the Agency; Annex I to this Decision defines the SORs as decided by the Agency.

2. PROCEDURE

2.1. Proceedings before the Agency

- (4) In accordance with Article 36(1) of the Electricity Regulation, ENTSO-E had to submit a proposal for SORs by 5 January 2020.
- (5) On 24 October 2019, ENTSO-E published for public consultation the draft ENTSO-E proposal for SORs definition in accordance with Article 36(1) of the Electricity Regulation². The consultation lasted from 24 October 2019 until 20 November 2019. The Agency was not informally consulted by ENTSO-E prior to the launch of the public consultation.
- (6) On 6 January 2020, ENTSO-E submitted to the Agency an ENTSO-E proposal for SOR definition in accordance with Article 36(1) of the Electricity Regulation (the 'Proposal').
- (7) On 6 January 2020, the Agency launched a public consultation on the Proposal, inviting all stakeholders to submit their comments by 19 January 2020. The public consultation document asked stakeholders to provide views on four specific topics of the proposal, as well as allowed respondents to submit comments on any other views. The responses received, as well as the Agency's assessment of the responses received, are presented in Annex II to this Decision.
- (8) A bilateral consultation with ENTSO-E was planned and agreed in advance in order to ensure a swift and efficient decision making process.

² https://consultations.entsoe.eu/system-operations/sor-proposal/supporting_documents/191024%20ENTSOE%20proposal%20for%20System%20Operation%20Regions%20CEP%20art.%2036_for%20public%20consultation.docx

- (9) During and after the public consultation, the Agency closely cooperated with regulatory authorities, TSOs and ENTSO-E and further consulted on the intended amendments to the Proposal through telephone conference calls and electronic exchanges of intended amendments. In particular, the following steps were taken:
- *14 January 2020: telephone conference call with the European Commission, Danish regulatory authority, Danish TSO on specifics for its control area being part of Nordic and Continental Europe synchronous areas;*
 - *16 January 2020: telephone conference call with all regulatory authorities in the framework of the Agency's System Operation Grid Connection Taskforce (SOGC TF);*
 - *20 January 2020: telephone conference call with regulatory authorities and TSOs from South West CCR (ES, FR, PT);*
 - *21 January 2020: telephone conference call with ENTSO-E and all regulatory authorities;*
 - *22 January 2020: telephone conference call with Italian regulatory authority and Italian TSO on specifics for GRIT CCR;*
 - *23 January 2020: telephone conference call with relevant regulatory authorities and TSOs regarding the DK1 bidding zone (DK, DE, NE);*
 - *28 January 2020: telephone conference call with ENTSO-E and TSOs regarding the treatment of third countries' TSOs;*
 - *29 January 2020: draft amendments to the Proposal were sent to ENTSO-E and all regulatory authorities;*
 - *30 January 2020: telephone conference call with ENTSO-E and all regulatory authorities;*
 - *5 February 2020: telephone conference call with all regulatory authorities;*
 - *7 February 2020: telephone conference call with ENTSO-E and all regulatory authorities;*
 - *12 February 2020: orientation discussion at the AEWG;*
 - *13 February 2020: telephone conference call with ENTSO-E, Austrian regulatory authority and Austrian TSOs APG and VUEN on specifics for VUEN;*
 - *14 February 2020: telephone conference call with ENTSO-E and all regulatory authorities;*
 - *18 February 2020: telephone conference call with Italian regulatory authority and Italian TSO on specifics for GRIT CCR;*
 - *18 February 2020: amendments to the Proposal, along with the legal reasoning, were sent to ENTSO-E and all regulatory authorities;*
 - *19 February 2020: ENTSO-E submission to the Agency of a written Position Paper regarding Central Europe SOR (CE SOR);*

- *20 February 2020: additional telephone conference call with ENTSO-E and all regulatory authorities, as per ENTSO-E request, to hear ENTSO-E's views on the Agency's proposed changes to the Proposal.*
- *27 February 2020: telephone conference call with all regulatory authorities in the framework of the SOGC TF;*
- *5 March 2020: ACER amendments to the Proposal discussed at the AEWG.*

3. THE AGENCY'S COMPETENCE TO DECIDE ON THE PROPOSAL

- (10) Pursuant to Article 7(2)(a) of Regulation (EU) 2019/942, as well as Article 36(3) of the Electricity Regulation, the Agency shall decide on the proposal defining the system operation regions, by approving it or proposing amendments, within three months of receipt of such proposal from ENTSO-E.
- (11) Since ENTSO-E submitted the Proposal in accordance with Article 36(1) of the Electricity Regulation, the Agency is competent to decide on this Proposal according to Article 7(2)(a) of Regulation (EU) 2019/942 and Article 36(3) of the Electricity Regulation.

4. SUMMARY OF THE PROPOSAL

- (12) The Proposal consists of the following elements:
- (a) The 'Whereas' section and Articles 1 and 2, which include the subject matter and scope, as well as the definitions and interpretation;
 - (b) Article 3, which contains the proposal for SORs based on the capacity calculation regions and includes the relevant TSOs, outage coordination regions, bidding zones and bidding zone borders;
 - (c) Article 4, which includes the proposal on coordination of the bidding zone borders adjacent to SORs and specifies how the coordination between RCCs for those borders is to take place;
 - (d) Articles 5 to 7, which address consultation with the regulatory authorities and relevant stakeholders, the implementation of the Proposal and language.
- (13) For the sake of clarity, the Agency wishes to emphasise that ENTSO-E's informative annexes to the Proposal are not part of the Agency's Decision. A list of the third countries mentioned in ENTSO-E's informative annexes is included in Annex III to this Decision, for information.

5. SUMMARY OF THE OBSERVATIONS RECEIVED BY THE AGENCY

5.1. Public consultation

- (14) On 6 January 2020, the Agency launched a public consultation on the Proposal, inviting all stakeholders to submit their comments by 19 January 2020. The public consultation document asked stakeholders to provide views on four specific topics of

the Proposal: (i) the ‘Whereas’ section, covering the legal scope of the Proposal, as well as the participation of third countries, (ii) the proposal for SORs, including the scope for RCCs and SORs definition in light of grid topology, degree of interconnection and flows today and in the future, (iii) the coordination of the bidding zone borders adjacent to SORs, covering also the participation of non-EU TSOs, (iv) the consultation with the regulatory authorities and relevant stakeholders, including the coordination rules for RCCs and between different SORs. In addition, the public consultation document allowed stakeholders to submit comments on any other views.

- (15) The Agency received responses from five stakeholders. The evaluation of the responses received is presented in Annex II to this Decision. It contains stakeholders’ concerns regarding the questions covering the above mentioned issues, summarised below:
- (a) Regarding the legal scope and participation of third countries in SORs addressed in the ‘Whereas’ section of the Proposal, as well as touched upon in Article 2 thereof, two stakeholders supported the proposed approach by the Agency to remove references to Article 35 of the Electricity Regulation as it is out of scope of the Proposal, as well as not to take into consideration in this decision the informative annexes to the Proposal. However, the majority of stakeholders argued for the inclusion of third countries in the definition of SORs; the majority of respondents stated their concerns regarding the possibility of involving third countries in the SOR or RCC. Three respondents stated that they see “no reason to exclude borders with adjacent non-EU countries, where the EU legislation does not apply, to ensure the possibility of an efficient coordination with the same tools and mechanisms”. Nevertheless, all three respondents acknowledged the legal issues surrounding the inclusion of third countries in the SORs;
 - (b) Two of three stakeholders who answered the Agency’s question regarding the range of tasks to be covered by the Proposal agreed with the Agency’s position that the entire range of tasks for RCCs listed in Annex I of the Electricity Regulation should be included in the Proposal;
 - (c) Regarding the scope for RCCs and SORs definition in light of grid topology, degree of interconnection and flows today and in the future, two of the three stakeholders who provided an answer to this question supported the Agency’s initial views to list the entire range of tasks of Annex I of the Electricity Regulation; those stakeholders also agreed that the Proposal did not take adequately into account the grid topology, including the degree of interconnection and of interdependency of the electricity system in terms of flows today and in the near future. The same two stakeholders stated that “the most logical composition of System Operation Regions should be by synchronous system”. The third stakeholder (ENTSO-E) emphasised its availability to provide more clarifications to the Agency in this regard (which was later done as described in paragraph (9));
 - (d) Regarding the coordination rules for RCCs and between different SORs, stakeholders supported the Agency’s proposal to delete the provisions which did not stem from Article 36 of the Electricity Regulation;

- (e) Regarding other topics, two stakeholders expressed concerns whether the Proposal adequately took into account future network and market developments, as well as a closer system operation coordination. Respondents “would like to encourage ACER and TSOs to take future network and market developments into account when defining SORs” and stated, quote: “*The current proposal for SORs seems to be the reflection of the current situation without taking future network and market developments nor the required closer system operation cooperation into account.*”.

5.2. Consultation of ENTSO-E, TSOs and regulatory authorities

- (16) During the close cooperation between the Agency, regulatory authorities, ENTSO-E and TSOs as detailed in paragraph (9) above, the Agency:
- (a) Discussed the comments received during the public consultation (see section 5.1.);
 - (b) Discussed and further clarified the purpose and scope of the Proposal and excluded topics, for example reference to organisational/coordination or governance aspects concerning future RCC establishment, that were out of scope;
 - (c) With respect to the participation of third countries, further clarified the scope of the Proposal and discussed the inclusion of a new recital on the importance of third countries for secure system operations, as well as a timeline for the conclusion of agreements with third countries;
 - (d) Discussed the definition of the SORs in light of grid topology, including the degree of interconnection and of interdependency of the electricity system in terms of flows today and in the near future, and discussed different options for the definition of SOR in accordance with both technical and legal requirements, namely those contained in Chapter V of the Electricity Regulation;
 - (e) With respect to future RCCs, discussed the scope regarding legal provisions and tasks to be performed, as well as discussed the ability for other TSOs, not those participating in the SOR, to contribute to the decision-making process when establishing the RCCs and in particular in carrying out and developing the procedure for the adoption and revision of coordinated actions and recommendations issued by RCCs;
 - (f) With respect to the applicability on TSOs, discussed which TSOs should be named in the Proposal based on the responsibilities assigned to TSOs at national level or the designation of TSOs at national level, and discussed the inclusion of a new paragraph to address circumstances where more than one TSO exists in a Member State;
 - (g) Discussed rules and procedures with respect to coordination aspects for the bidding zone borders adjacent to SORs;
 - (h) Discussed the Agency’s intended amendments to the Proposal with the AEWG.

- (17) On 19 February 2020, ENTSO-E submitted to the Agency a Position Paper in response to the Agency's intent to define a single SOR for the Continental Europe Synchronous Area (CE SA).
- (18) In this Position Paper, containing key statements, legal clarifications and technical considerations, ENTSO-E asked the Agency to accept the SORs as defined by ENTSO-E and withdraw its alternative configuration of one SOR for the whole CE SA.
- (19) ENTSO-E explained in its Position Paper why, in its view, the Agency's configuration of one SOR for the whole CE SA does not take into account grid topology, degree of interconnection and interdependency in terms of flows, while at the same time would raise a number of difficulties, costs and risks.
- (20) The Agency heard ENTSO-E's concerns and views presented in its Position Paper during an additional telephone conference call, held as per ENTSO-E's request, on 20 February 2020.
- (21) During the abovementioned conference call, the Agency and ENTSO-E were able to agree on a number of necessary amendments of the proposal (on all aspects other than the configuration of the SOR(s) in the CE SA).
- (22) On 5 March 2020, the AEWG discussed the Agency's intended amendments to the Proposal, analysed legal and technical requirements of the Electricity Regulation, as well as analysed the risks and benefits of SOR definitions, both as proposed and as amended by the Agency. Participants' opinions were divided on the issue of creating a single SOR for CE SA.
- (23) Following the meeting, on 10 March 2020, the AEWG made the following recommendations in order to reach a compromise between the different views, quote:
- a. *"Keep the SOR South-East Europe (SEE), considering different operational and organisational requirements in the SORs Central Europe (CE) and SEE and also the already announced setup of a regional security centre (RSC) in Thessaloniki. The Romanian TSO would be part of the SOR CE and establish cooperation with SOR SEE via contractual arrangements;"*
 - b. *"Include the SOR South-West Europe (SWE) in the SOR CE, to avoid participation of the French TSO in two SORs;" and*
 - c. *"Solve the double participation of the Italian TSO with the allocation of Terna to the SOR CE and providing for coordination in the SOR SEE via contractual arrangements. The Italy Northern Borders CCR would be part of the SOR CE. The Greece and Italy (GRIT) CCR would act as interface between the SORs CE and SEE."*
- (24) The AEWG further emphasised that "generally, an efficient and effective coordination between the SORs (especially the SORs in one synchronous area) and, later in the

process, their RCCs in terms of organisational approach as well as technical interfaces seems to be relevant for the NRAs.”

- (25) In conclusion, the AEWG “strongly asked for a compromise solution in this important decision, to strengthen the future implementation and enforcement procedures with a broad majority of NRAs, also taking into account that the definition of the SORs is the base for the setup of the regional coordination centres (RCCs), which develop from the RSCs.”

6. ASSESSMENT OF THE PROPOSAL

6.1. Legal framework

- (26) Article 30(1)(f) and Article 36(1) of the Electricity Regulation require ENTSO-E to adopt a proposal for the definition of SORs and, by 5 January 2020, submit it to the Agency for decision.
- (27) Article 31 of the Electricity Regulation requires ENTSO- E to consult on the proposal for the definition of SORs.
- (28) Article 36 of the Electricity Regulation sets out requirements for the development and the content of the proposal for the definition of SORs.

6.2. Assessment of the legal requirements

6.2.1. Assessment of the requirements for the development, implementation and publication of the Proposal

- (29) The procedure for the development of the Proposal did respect the requirements of Article 36(1) of the Electricity Regulation. Indeed, the Proposal was subject to consultation as described in Section 2.1 above and it was submitted in time to the Agency.
- (30) ENTSO-E submitted the Proposal on 6 January 2020. Indeed, 5 January 2020 was a Sunday so the Proposal was actually submitted on the next working day. In addition, Article 36 of the Electricity Regulation does not declare a submission after 5 January 2020 as invalid. In the Agency’s view, it is not the purpose of the deadline of 5 January 2020 to exclude any later submission.

- (31) Therefore, the Agency considers the submission of the Proposal as valid.

6.2.2. Assessment of the requirements for consultation, transparency and stakeholder involvement

- (32) The Agency considers that ENTSO-E fulfilled the requirements of Article 31 of the Electricity Regulation, since stakeholders were consulted on the draft Proposal. This involvement took place during a public consultation, which ran from 24 October 2019 until 20 November 2019.

- (33) In addition, ENTSO-E and regulatory authorities were informed and consulted before submitting the Proposal to the Agency.
- (34) The justifications regarding the consideration given to the views expressed by stakeholders during the public consultation in the drafting of the Proposal were provided in a separate document submitted to the Agency.

6.2.3. Assessment of the requirements of Article 36(1) of the Electricity Regulation

- (35) ENTSO-E proposed seven SORs – CE SOR, Baltic SOR, Nordic SOR, IU SOR, SWE SOR, GRIT SOR and SEE SOR – largely based on existing capacity calculation regions (‘CCRs’) and, to some extent, along the borders of synchronous areas (‘SA’), as well as taking into account a few regional specificities concerning peninsulas of CE SA. ENTSO-E considered that the Proposal met all legal requirements, was not questioned by stakeholders in the public consultation and is the only one which will allow timely implementation of the SOR/RCC framework, as stated in ENTSO-E’s Position Paper of 19 February 2020.
- (36) In the Agency’s view, the Proposal fulfils the requirements of Article 36(1) first sentence of the Electricity Regulation in the sense that it specifies which TSOs, bidding zones, bidding zone borders, CCRs and outage coordination regions are covered by the SORs. The Proposal contains in Article 3, for each SOR, a table with the aforementioned specifications per each SOR.
- (37) The Proposal fulfils the requirements of Article 36(1), second sentence of the Electricity Regulation with regard to the requirement that the SOR ‘shall cover at least one capacity calculation region’.³ This is because all proposed SORs include a complete list of the bidding zone borders of the concerned CCR.

6.2.4. Assessment of the requirements in Article 36(2) of the Electricity Regulation

- (38) The Proposal partly fulfils the requirements of Article 36(2) third sentence of the Electricity Regulation with regard to specifying how the coordination between RCCs is to take place for the bidding zone borders adjacent to SORs.
- (39) ENTSO-E proposes to use all given flexibility to coordinate all adjacent borders in the most efficient way and has outlined the criteria for the coordination of the adjacent borders to SORs as proposed. However, the Agency found it necessary to amend Article 4 of the Proposal to clarify for which adjacent borders this is applicable and how the coordination would take place. This change was agreed to with ENTSO-E. More detail is provided below in section 6.2.5.

³ In this regard, CCRs shall be considered as the bidding zone borders within and between Members States to which the CACM Regulation applies.

- (40) Article 36(2) first sentence of the Electricity Regulation states that the TSOs of a SOR shall participate in the RCC established in that region. In addition, the second sentence of the same article provides, as a rule, that a TSO can only participate in one RCC except “[i]n exceptional circumstances, where the control area of a transmission system operator is part of various synchronous areas, the transmission system operator may participate in two regional coordination centres.”
- (41) Therefore, where the exceptional circumstances are not met, the TSOs of a SOR must participate in the RCC established in that region. In effect, this means that a TSO cannot be placed in two SORs, which as per the Proposal, would be the case for both French and Italian TSOs. In that regard, the Proposal does not adequately fulfil the requirements of Article 36(2) of the Electricity Regulation. This issue is addressed in sections 6.2.4.3 and 6.2.4.4.
- (42) Article 37 of the Electricity Regulation states that each RCC shall carry out its tasks of regional relevance (listed in its paragraph (1) and detailed in Annex I of the Electricity Regulation) in the entire SOR where it is established. As per Article 36 (2) of the Electricity Regulation, there is an exception for the CE SA, where the activities of two RCCs may overlap in a SOR, the TSOs of that SOR shall decide to either designate a single RCC in that region or that the two RCCs carry out some or all of the tasks of regional relevance in the entire SOR on a rotational basis, while other tasks are carried out by a single designated RCC. The Agency understands that when such an overlap is not present in the CE SA, a single RCC, or its regional desk (established in accordance with Article 44 of the Electricity Regulation), may individually carry out its tasks, including those of sub-regional specificity, as defined in accordance with Article 35 of the Electricity Regulation, such as for example coordinated security analysis in accordance with the methodology developed in the concerned CCR.
- (43) The following subsections detail the Agency’s views on regional specificities in this regard.

6.2.4.1. *Nordic SA*

- (44) The Danish TSO (Energinet) is the only TSO whose control area is part of two different SAs, i.e. Nordic SA and CE SA. For that reason, there are two Danish bidding zones. Denmark 1 (DK1) is part of the CE SA and Denmark 2 (DK2) is part of the Nordic SA. ENTSO-E proposes to place Energinet and both Danish bidding zones into one SOR, i.e. the Nordic SOR, although a specific legal provision in Article 36(2) of the Electricity Regulation would allow such a TSO to participate in two different RCCs.
- (45) As the exception contained in Article 36(2) offers the option (and does not impose a requirement) to the TSO, the Agency deems this proposal compliant with Article 36(2) of the Electricity Regulation. Therefore, the Agency agrees to keep both Danish bidding zones in the Nordic SOR and handle the coordination for the border to the CE SOR as proposed in Article 4(3) of the Proposal.

- (46) Nevertheless, the Agency understands that the outcome of the analysis referred to in the CCR Decision⁴, which is under review, may result in reorganising HANSA CCR and CORE CCR, de facto placing the DK1-DE/LU and DK1-NL borders from the HANSA CCR into the CORE CCR. This should be reflected in the SORs. To this end, the Agency introduced a new paragraph (4) in Article 3 of the Proposal to address potential changes to the HANSA CCR and CORE CCR.

6.2.4.2. *Baltic SA*

- (47) The Agency understands that the Baltic SA consists of control areas of the three Baltic TSOs (Litgrid, AST and Elering).
- (48) The Agency also understands that the Baltic CCR includes, in addition to the above mentioned TSOs, the TSOs of Finland, Sweden and Poland. These latter TSOs are however connected to the Baltic SA via high voltage direct current systems ('HVDC systems').
- (49) According to Article 36(1) of the Electricity Regulation, the Proposal needs to take into account the grid topology, including the degree of interconnection and of interdependency of the electricity system in terms of flows. The Agency understands that there is a strong interdependency inside a SA because of the existence of alternative current (AC) interconnections between TSOs' control areas. In such a case, the electricity flows according to the laws of physics (i.e. over the path of least resistance (impedance)) and cannot therefore be fully controlled by the TSOs. Conversely, in case of interconnected SAs, the interconnections take the form of HVDC systems comprised of at least two HVDC converter stations with DC transmission lines or cables between the HVDC converter stations. In such cases, the interdependency between SAs is significantly reduced compared with that of the AC interconnections. This is because of the full controllability of the transmitted active power flow between the HVDC converter stations.
- (50) Therefore, the Agency agrees with the configuration of the Baltic SOR as defined in the Proposal.

6.2.4.3. *South West Europe*

- (51) ENTSO-E proposes to place the bidding zone of France into two different SORs, the CE SOR and the SWE SOR. The bidding zone border France-Spain would take part in the SWE SOR and all the other French AC borders would be part of the CE SOR. As proposed by ENTSO-E, the French TSO (RTE) would participate in both SORs.

⁴ DECISION No 04/201, 1 April 2019.

- (52) If placed in both the CE SOR and the SWE SOR, this would require the French TSO to participate in the RCCs established for both CE SOR and SWE SOR, although the control area of the French TSO is part of the same SA.
- (53) Therefore, the Agency considers that the participation of the French TSO in two SORs would be contrary to the wording of Article 36(2) of the Electricity Regulation.
- (54) For this reason, the Agency defines an alternative CE SOR configuration in this regard, i.e. inclusive of the TSOs in the Iberian Peninsula and of the France-Spain bidding zone border.
- (55) In addition, the Agency notes that, with the establishment of binding interconnection targets⁵, the Iberian Peninsula is expected to become more and more interconnected, and therefore more and more interdependent with Continental Europe, which reinforces the need to include this sub-region into the CE SOR.
- (56) Furthermore, the Agency notes that this definition allows TSOs in the CE SOR to fully take into account the sub-regional specificities of the Iberian Peninsula, through the possible establishment of a regional desk in accordance with Article 44 of the Electricity Regulation.
- (57) Finally, another viable option, in accordance with Article 36(2) of the Electricity Regulation, is for the TSOs in the CE SA to decide, where the activities of two regional coordination centres do not overlap in a SOR, to designate a single RCC in that sub-region to carry out some or all of the tasks of sub-regional relevance.

6.2.4.4. GRIT

- (58) ENTSO-E proposes that the Italian bidding zone Italy North (IT NORD) is covered by two different SORs, i.e. by the CE SOR and the GRIT SOR. All other Italian bidding zones would be covered by the GRIT SOR only. The bidding zone IT NORD is strongly influenced by electrical flows coming from northern neighbouring countries (including Switzerland) and also between other countries part of the CE SA

⁵ The Clean Energy Package has set new binding climate and energy targets for 2030, including guaranteeing at least 15% electricity inter-connection levels between neighbouring Member States: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32018R1999&from=EN>

As stated in the Fourth Report State of the Energy Union, April 2019: “A key priority of the Energy Union has been to end the energy isolation of disconnected regions.(...) Greater integration of the Iberian peninsula is also being promoted by the support by the European Commission for the INELFE project and for a power line crossing the Bay of Biscay. These efforts will double the exchange capacity between France and Spain by 2025, bringing Spain closer to the 10 % interconnection target, and progressively integrating the whole Iberian Peninsula into the internal electricity market.”

Cf. also, e.g., Article 194(1)(d) of the Treaty on the Functioning of the European Union, and Recitals (6) and (28) of Regulation (EU) 2019/942.

(especially Germany). This influence is expected to increase in the future with new interconnections in development that will require coordinated actions among all the involved TSOs. Conversely, the IT NORD grid represents also a large portion of the Italian TSO's control area, which ENTSO-E entirely placed in the GRIT SOR.

- (59) As proposed by ENTSO-E, the Italian TSO (Terna) would participate in both SORs.
- (60) If placed both in the CE SOR and the GRIT SOR, this would require the Italian TSO to participate in the RCCs established for both the CE SOR and the GRIT SOR, although the control area of the Italian TSO is part of the CE SA.
- (61) Therefore, the Agency considers that the participation of the Italian TSO in two SORs would be contrary to the wording of Article 36(2) of the Electricity Regulation.
- (62) For this reason, and following the AEWG's advice, the Agency included Terna only in the CE SOR, confirming the integration of the bidding zone borders of the IT NORD CCR in the CE SOR and removed the GRIT SOR as originally proposed by ENTSO-E.
- (63) Also, for completeness, the IT CNOR, IT CSUD, IT SUD, IT SICI, IT SARD and IT ROSN bidding zones⁶ and bidding zone borders of the GRIT CCR shall act as an interface between the SEE SOR and the CE SOR. Concerning these bidding zones and bidding zone borders, the Italian TSO should ensure the coordination, in accordance with the SO Regulation, via contractual arrangements, with the relevant RCC, of the tasks of regional relevance listed in Article 37(1) of the Electricity Regulation.
- (64) In accordance with the SO Regulation, the tasks of cross-regional relevance concerning the bidding zone borders of the GRIT CCR should be coordinated between the RCC established by the TSOs in the SEE SOR and the relevant RCC established by the TSOs in the CE SOR.

6.2.4.5. *South East Europe*

- (65) ENTSO-E proposes that the SEE SOR is established for the South East Europe region, excluding the Romanian TSO (Transelectrica) from participating in this SOR but including all the SEE CCR bidding zone borders (including Bulgaria-Romania (BG-RO) bidding zone border).
- (66) Further, ENTSO-E proposes the BG-RO bidding zone border as the adjacent bidding zone border to the SEE SOR and CE SOR for which a coordination, in accordance with the applicable terms, conditions and methodologies, shall be executed by the RCC established by the TSOs in the SEE SOR. This shall be ensured in cooperation

⁶ As defined in the CCR Decision.

with the Romanian TSO that shall have a contractual arrangement with the RCC established by the TSOs in the SEE SOR.

- (67) Although one could argue that the interdependency in terms of flow for the BG-RO bidding zone border would require combining the SEE SOR with the CE SOR, the Agency decided to follow the AEWG's advice and therefore to keep the SEE SOR as proposed by ENTSO-E.

6.2.5 Amendments necessary to ensure legal clarity and consistency with existing legal provisions

- (68) In light of the above considerations, the Agency made a number of amendments to the Proposal.
- (69) The Agency made changes to the 'Whereas' section of the Proposal to clarify the purpose and scope of the document and removed references to Article 35 of the Electricity Regulation, as it is out of scope of the Proposal. ENTSO-E agreed with the changes made in this regard.
- (70) The Agency removed references to third countries from the 'Whereas' section as these are out of scope of this Decision. Nevertheless, the Agency included Recital 7 in the 'Whereas' section to highlight the importance of third countries for secure system operation inside all synchronous areas across the Union. ENTSO-E agreed with the changes made in this regard.
- (71) The Agency made minor editorial changes to the 'Whereas' section for consistency with the wording of the Electricity Regulation, as well as with the wording of the Articles for the SOR definition, as revised. ENTSO-E agreed with the changes made in this regard.
- (72) The Agency made minor editorial changes to Article 1 to clarify the purpose and scope of the Proposal. ENTSO-E agreed with the changes made in this regard.
- (73) In the Agency's view, Article 2 of the Proposal fell short of all acronyms necessary for the understanding of the Proposal; the Agency made the necessary changes for clarity. ENTSO-E agreed with the changes made in this regard.
- (74) The Agency made changes to Article 3(1) of the Proposal to clarify which TSOs have to be part of SORs and fulfil the obligations stemming from the present Decision. Only TSOs that have been designated or assigned with responsibilities relevant for system operation will be included in SORs. These responsibilities are for example: calculation of capacity, assessment of needed remedial actions to ensure security of the whole system, coordination of all the outages to ensure security and efficiency, adequacy assessment and tasks related to the provision of system balancing. ENTSO-E agreed with the changes made in this regard.
- (75) Since at national level Member States or regulatory authorities can assign or designate TSOs with responsibilities for system operation, the Agency included a new paragraph

- (2) in Article 3. This paragraph specifies that the list of TSOs in SORs is without prejudice to the Member States' ability to designate or assign, or the regulatory authorities' ability to assign, one or several responsibilities to other TSOs in accordance with the Electricity Directive⁷. ENTSO-E agreed with the changes made in this regard.
- (76) The Agency made changes to the paragraph (3) of Article 3 to clarify and strengthen the requirement for consultation with the TSOs who are part of the CCR and who have not been included in the SOR. The Agency deems the reinforcement of the requirement for consultation necessary to preserve a minimum of level-playing field in the decisions taken at SOR level, which could impact neighbouring TSOs not included in the SOR. ENTSO-E agreed with these changes.
- (77) The Agency made changes to Articles 3 and 4 to define the CE SOR as detailed above in section 6.2.4, as well as introduced more detail regarding coordination aspects. Changes in this regard reflect the advice received from the AEWG.
- (78) The CE SOR, as defined by the Agency as per AEWG's advice, should ensure that there is adequate support for the increasingly integrated operation of electricity systems across the Union.
- (79) Furthermore, the geographical scope of RCCs, as per Recital 54 of the Electricity Regulation, should allow them to contribute effectively to the coordination of the operation of TSOs across regions. As per the same recital, RCCs should have the "flexibility to carry out their tasks in the way which is best adapted to the nature of individual tasks entrusted to them", which the Agency does not dispute nor preclude with this definition of SORs.
- (80) The Agency believes that its amendments to the Proposal would have a limited impact on the implementation timeline and costs. The Agency anticipates governance requirements, to be defined according to Article 35 of the Electricity Regulation, to be covered in a more holistic, but not necessarily more complex manner. While there would be a larger set of TSOs in one region, where there are no overlaps, regional specificities are still able to be planned and carried out as today without substantial changes.
- (81) Moreover, the Electricity Regulation offers viable options (as detailed in paragraph (9)) to address the possible complexities of having a larger SOR: sub-regional specificities could be addressed through the possible establishment of a regional desk in accordance with Article 44 of the Electricity Regulation, or, in accordance with Article 36(2) of the Electricity Regulation, the TSOs of the CE SA can decide, where

⁷ Directive (EU) 2019/944 of the European Parliament and of the Council of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU, OJ L 158, 14.6.2019, p. 125–199.

the activities of two RCCs do not overlap in a SOR, to designate a single RCC in that region to carry out some or all of the tasks of regional relevance.

- (82) The Agency included detailed provisions in Articles 3 and 4 on how the coordination between RCCs for bidding zone borders adjacent to SORs is to take place. These changes were discussed and agreed with ENTSO-E and then further developed for consistency following AEWG's advice.
- (83) The Agency made changes to Articles 3 and 4 to take into consideration the AEWG's advice regarding the GRIT CCR.
- (84) The Agency emphasises that the Proposal concerns EU Member States, as RCCs will encompass Union TSOs only and as it is provided for by the Electricity Regulation. Therefore, any references in the Proposal to non-EU TSOs were deleted. Specifically, the references to Swiss borders and to the Swiss TSO in the initial Article 4(7)(3) of the Proposal were deleted. As per the Withdrawal Agreement⁸, this Decision shall apply to the UK. Possible necessary changes to the configuration of SORs in the future in this regard are not excluded, although cannot be foreseen at present.
- (85) The Agency acknowledges that, as emphasised in Recital (15) of the SO Regulation, synchronous areas do not stop at the Union's borders and can include the territory of third countries. The Union, Member States and TSOs should aim for secure system operation inside all SAs across the Union. They should support third countries in applying similar rules to those contained in the SO Regulation. ENTSO-E should facilitate cooperation between Union TSOs and third country TSOs concerning secure system operation. Nevertheless, the Agency emphasises that it is bound by the remit set out in Article 36 of the Electricity Regulation, as well as by Regulation (EU) 2019/942.
- (86) Recital (70) of the Electricity Regulation emphasises that "Member States, the Energy Community Contracting Parties and other third countries which apply this Regulation or are part of the synchronous area of Continental Europe should closely cooperate on all matters concerning the development of an integrated electricity trading region and should take no measures that endanger the further integration of electricity markets or security of supply of Member States and Contracting Parties."
- (87) Indeed, the Agency acknowledges the intention of the TSOs "to conclude with the third country TSOs not bound by the Regulation EU 2019/943 agreements setting the basis for their cooperation concerning secure system operation and setting out arrangements for the compliance of the third country TSOs with the obligations set in Regulation EU 2019/943". For clarity, the Agency moved paragraph (3) of Article 3

⁸ Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community 2019/C 384 I/01 XT/21054/2019/INIT OJ C 384I, 12.11.2019, p. 1–177.

to Article 5 as this also constitutes an implementation task. ENTSO-E agreed with this change.

- (88) The Agency removed Article 5(2) of the Proposal as it referred to the implementation of Article 38 of the Electricity Regulation, which is out of scope of the present Decision. ENTSO-E agreed with this change.
- (89) The Agency made changes to the Proposal taking into account those future and market developments that are certain, namely regarding the inclusion of Energinet and both Danish bidding zones in the Nordic SOR. Nevertheless, the Agency stresses that certain future developments that are not yet well defined or cannot be anticipated at the time of this Decision have not been accounted for; these will need to be addressed at a later stage by means of amendments to the definition of SORs once these future developments materialise, become certain or foreseeable, depending on an assessment made on a 'case-by-case' basis. ENTSO-E agreed with the changes made in this regard.
- (90) The Agency made changes to Article 3 to clarify that relevant TSOs shall be consulted when coordinated actions will be developed in accordance with Article 42 of the Electricity Regulation. ENTSO-E agreed with these changes.
- (91) The Agency introduced a new paragraph (4) in Article 3 of the Proposal to address potential changes to the HANSA CCR and CORE CCR. ENTSO-E agreed with this change.
- (92) The Agency amended Article 4 in order to specify how the coordination between RCCs is to take place in regards to the bidding zone border adjacent to Baltic SOR and CE SOR. ENTSO-E agreed with the changes made in this regard.
- (93) The Agency clarified the outage coordination for HANSA CCR by adding a reference in Article 4 (3) of the Proposal to the HANSA Regional Outage Coordination in accordance with Article 80 of the SO Regulation. ENTSO-E agreed with the changes made in this regard. Also, the Agency added to Article 4 references to the common methodology for coordinated redispatching and countertrading and common methodology for redispatching and countertrading cost sharing, pursuant to Articles 35 and 74 of the CACM Regulation⁹ which were missing. ENTSO-E agreed with the changes made in this regard.

7. CONCLUSION

⁹ Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management OJ L 197, 25.7.2015, p. 24–72.

- (94) For all the above reasons, the Agency considers the Proposal in line with the requirements of the Electricity Regulation, provided that the amendments described in this Decision are integrated in the Proposal, as presented in Annex I.
- (95) Therefore the Agency approves the Proposal subject to the necessary amendments and to the necessary editorial amendments. To provide clarity, Annex I to this Decision sets out the Proposal as amended and approved by the Agency,

HAS ADOPTED THIS DECISION:

Article 1

The definition of the system operation regions according to Article 36 of Regulation (EU) 2019/943 is adopted as set out in Annex I to this Decision.

Article 2

This Decision is addressed to ENTSO-E.

Done at Ljubljana, on 6 April 2020.

- SIGNED -

*For the Agency
The Director*

C. ZINGLERSEN

Annexes:

Annex I – Definition of system operation regions in accordance with Article 36 of Regulation (EU) 2019/943 on the geographical scope of regional coordination centres

Annex Ia – (for information only) – Track change version of Annex I compared to the Proposal

Annex II - (for information only) – Evaluation of responses to the public consultation on the amendments of the proposal for system operation regions

Annex III - (for information only) – List of third countries mentioned in the informative annexes as received from ENTSO-E

In accordance with Article 28 of Regulation (EU) 2019/942, the addressee may appeal against this Decision by filing an appeal, together with the statement of grounds, in writing at the Board of Appeal of the Agency within two months of the day of notification of this Decision.

In accordance with Article 29 of Regulation (EU) 2019/942, the addressee may bring an action for the annulment before the Court of Justice only after the exhaustion of the appeal procedure referred to in Article 28 of that Regulation.