

## **Annex 5 – Reasoning to proposed amendments to the SO Regulation**

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## 1. INTRODUCTION

- (1) The amendments to the Commission Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation ('SO Regulation') directly result from the amendments of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management ('CACM Regulation'). Transfer and integration of certain provision from the CACM Regulation was done where those provisions are more suitable to be included in the already existing and corresponding framework of the SO Regulation. These amendments encompass the provisions of:
  - (a) under the *Data exchange* title: provisions related to the generation and load data provision methodology, in particular related to the two-days ahead common grid models;
  - (b) under the *Data for operational security analysis in operational planning* title, related to the aggregation of common grid model methodologies for all timeframes and purposes;
  - (c) under the *Operational security analysis* title: provisions related to redispatching and countertrading and the corresponding costs sharing;
  - (d) under the *Scheduling* title: provisions related to the removal of the concepts of scheduling and shipping agents.

## 2. DATA EXCHANGE

- (2) The CACM Regulation includes a specific generation and load data provision methodology (GLDPM). The data provision is yet widely covered in the SO Regulation, but some provisions needed further amendments. GLDPM essentially requires the TSO-connected generators and loads to provide forecast or scheduled generation and consumption for the purpose of day-ahead and intraday capacity calculation. The SO Regulation already provides extensive framework for the same data delivery from these generators and loads. In few cases, where such data delivery was restricted only to the day-ahead and intraday timeframe, the provisions regarding the two-day-ahead timeframe were added in the SO Regulation, optionally to be requested by a TSO, without the obligation by default.
- (3) The applied changes in the data exchange title accommodate this scope, improving the reliability of common grid models that represents a key feature to improve the efficiency of the capacity calculation promoting cross-border trade, an effective competition and the optimal usage of the transmission infrastructure. Applied changes and amendments also provide additional clarity, consistency and readability of the data exchange provisions.

## 3. DATA FOR OPERATIONAL SECURITY ANALYSIS IN OPERATIONAL PLANNING

- (4) The CACM Regulation includes articles dedicated to the common grid model methodology (CGMM) for building the individual grid models (IGM) and common grid

models (CGM) required for the two-day-ahead and intraday capacity calculations. On the other hand, the SO Regulation contains the extensive provisions for the CGM development for the needs of operational security analysis in operational planning, at the yearly, weekly, day-ahead and intraday timeframes. Through the development of the corresponding CGMM pursuant to the CACM Regulation, SO Regulation and FCA Regulation as well, it became obvious that these methodologies share many common rules, formats and procedures, regardless of the timeframe (from yearly to intraday) and purpose (capacity calculation or coordinated security analysis).

- (5) Having in mind the above, all the provisions related to the creation of common grid models were included in the amended SO Regulation, primarily in Articles 64 and 67, to avoid different versions and inconsistencies, and to coordinate the CGM creation to the maximum extent for different timeframes and purposes. The only difference is when certain IGM/CGM is created and which level of details it needs to include. The CGMM approach in the amended SO Regulation is extended to the two-day-ahead models, but as well to the month-ahead models, which enables further aggregation of the CGMM provisions from the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation ('FCA Regulation') to the SO Regulation as well, once FCA Regulation would be amended.
- (6) The amended SO Regulation enables the creation of two-day-ahead models with applying the best possible forecast of remedial actions (in addition to the best forecast of generation, load, net positions, HVDC flows and topology), to the extent that such forecast can be made with reliable quality. There is an essential difference in forecasting the remedial actions for two-day-ahead models, opposed to those for day-ahead and intraday models; the forecast of the latter is by nature much easier as being based on the results of day-ahead and intraday trades, and they are directly linked with the ROSC process and have better insight in the remedial actions application. However, it is considered as feasible and useful to provide the best possible forecast of remedial actions at the two-day-ahead level, however limited to the extent which leaves flexibility towards the application of short term operational measures, when required.

#### **4. OPERATIONAL SECURITY ANALYSIS**

- (7) The coordination of redispatching and countertrading and other remedial actions is currently based on two sets of provisions (Articles 35 and 74 of the CACM Regulation on one side and Article 76 of the SO Regulation on the other side). Articles 35 and 74 of the CACM Regulation were developed with incomplete information (focused on guaranteeing firmness of cross-zonal capacity), whereas the SO Regulation, which was developed later, approaches this subject in a more holistic manner, i.e. to guarantee operational security (which by default encompasses also the firmness of cross-zonal capacities). Further work on these three methodologies (namely implementing the associated terms and conditions and methodologies) has revealed that they all describe a single process for operational security analysis, coordination of remedial actions and costs sharing. Therefore, splitting this process in three different methodologies is creating significant risks of inconsistency, confusion and hence delays in the implementation of the associated projects.

- (8) The proposed amendments aim to unify all requirements under a single legal framework and methodology, which is Article 76 of the SO Regulation. They also aim to minimise the necessary changes to the existing legal texts.
- (9) Article 76 of the SO Regulation already includes the relevant provisions for operational security analysis and coordination of remedial actions and cost sharing allowing to exclude from the process all the actions that do not need to be managed in a coordinated way because they do not have a cross-zonal relevance. This generally allows the deletion of the Article 35 and 74 of CACM Regulation, without the loss of process requirements. Nonetheless, it is necessary to retain some of the indispensable elements of these two articles, namely provisions on pricing and availability of RDCT and the provisions on further harmonisation of methodologies for regional operational security coordination across regions.
- (10) Article 76 of SO Regulation needs to be improved as well on the provisions on cost sharing as old provisions are not fully consistent since referring to the CACM.
- (11) Cost sharing process is also ruled by Article 16(13) of Electricity Regulation. Implementation work in developing regional cost sharing methodologies has highlighted that a number of different interpretations may arise from Article 16(13) of Electricity Regulation and that finding a compromise approach accommodating all the needs is quite challenging from a pure technical perspective. Nevertheless, ACER and regulatory authorities do not fully agree on the extent that cost sharing provisions need to be clarified and specified. For this reason, the two options are provided, which aim to promote a debate in the comitology process in order to find a political compromise:
  - a. Option 1, supported by some regulatory authorities, repeats general cost sharing principle from Article 16(13) of the Electricity Regulation and copies general objectives from Article 74 of CACM Regulation, leaving methodological details and legal interpretations to be agreed at regional level;
  - b. Option 2, supported by ACER and some regulatory authorities, aims to clarify all the ambiguous provisions of Article 16(13) of the Electricity Regulation in order to prevent legal disputes at regional level and escalations to judicial levels. It specifies the main steps of the cost sharing process (mapping, flow decomposition, prioritisation of loop flows above threshold), based on recently approved cost sharing methodologies in the Core and SEE CCRs.
- (12) These amendments aim to improve the readability of the text and clarity of the process, avoiding ineffective and potentially distortive duplications of the same provisions that would hamper the optimisation of the remedial actions representing a key feature to maximise cross-border trade and promote competition.

## **5. SCHEDULING**

- (13) Changes to Title 6 of the SO Regulation on scheduling are arising due to the amendment of the CACM Regulation and removal of the concept of shipping agent. In existing CACM Regulation, the concept of shipping agent is used to denote specific responsibility

for financial and physical shipping of energy between NEMOs. The shipping agent was a specific kind of scheduling agent of a NEMO with the obligation to provide schedules to TSOs for the purpose of scheduling.

- (14) In a similar fashion, the term scheduling agent is also obsolete as it has been replaced by the concept of balance responsible party in Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing ('EB Regulation'). The balance responsibly party takes over all the obligations currently allocated to scheduling agent in the SO Regulation.
- (15) With the removal of the concepts of shipping agent and scheduling agent, the physical shipping associated with market coupling is no longer treated in a special way, but rather as any internal or external commercial trade between two balance responsible parties. With this regard, each NEMO has to bear balance responsibility and scheduling obligations for any internal and external commercial trade. Therefore, any trade between a NEMO and its market participants is recorded as internal commercial trade schedule and any trade between NEMOs trading hubs, and thus between scheduling areas, is recorded as external commercial trade schedule.
- (16) To account for the change of this concept, the terms shipping agent and scheduling agent were removed and replaced by a balance responsible party, which has the same obligation as shipping and scheduling agent but without providing special cases for balance responsible party of NEMOs.
- (17) The changes in Article 110 of the SO Regulation implement this harmonisation of scheduling requirements. First, the reference to generation and load data provision methodology has been removed as this methodology is no longer used in CACM Regulation. Then, a general obligation is made for any power generating facility or demand facility to fall under balance responsibility. The same is done for all market participants and NEMOs that they shall act or appoint a balance responsible party.
- (18) The changes in Article 111 of the SO Regulation unify the requirements for all balance responsible parties, including those of NEMOs, to provide commercial trade schedules, whereas the generation and consumption schedules need to be provided only in those areas where a TSO performs the check whether the generation, consumption, internal and external commercial trade schedules in its scheduling area are in sum balanced. Finally, in this Article, ACER provided an exemption that the task of collecting the schedules may be assigned to a third party in accordance with national legislation as already provided in the EB Regulation.
- (19) The first change in Article 112 of the SO Regulation is to account that the check whether the generation, consumption, internal and external commercial trade schedules in its scheduling area are in sum balanced is an optional feature that each TSO may apply but it is not an obligation. This reflects the status quo where the vast majority of TSOs do not perform such a check. The second change to this article is the removal of requirements scheduling agent, shipping agent and scheduled exchange calculator to provide aggregated external commercial trade schedules. All these provisions have been replaced by the notion that each NEMO is a balance responsible party and, therefore, obliged to

provide external commercial trade schedules reflecting their schedule exchanges between NEMO trading hubs.