

# Public consultation on the ENTSO-E proposals for technical specifications for cross-border participation in capacity mechanisms

Fields marked with \* are mandatory.

## Public Consultation

### ENTSO-E proposals for technical specifications for cross-border participation in capacity mechanisms

This consultation is addressed to all interested stakeholders.

Stakeholders are invited to fill out this online survey by **9 August 2020, 23:59 hrs (CEST)**.

For questions, please contact ACER at: [ACER-ELE-2020-014@acer.europa.eu](mailto:ACER-ELE-2020-014@acer.europa.eu)

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## Consultation objective and background

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This consultation aims to gather stakeholder views on the proposed technical specifications for cross-border participation in capacity mechanisms.

On 3 July 2020, the European Network of Transmission System Operators for Electricity (ENTSO-E) submitted to ACER their proposals for technical specifications for cross-border participation in capacity mechanisms pursuant to Article 26(11) of Regulation (EU) 2019/943, and consisting of:

- a methodology for calculating the maximum entry capacity for cross-border participation;
- a methodology for sharing the revenues;
- common rules for the carrying out of availability checks;
- common rules for determining when a non-availability payment is due;
- terms of operation of the ENTSO-E registry; and
- common rules for identifying capacity eligible to participate in the capacity mechanism.

According to Article 26(11), ACER shall approve these proposals based on the procedure set out in Article 27 of Regulation (EU) 2019/943, amending them where required. In order to inform its assessment and if required, identify areas for amendment, ACER invites all interested third parties to submit their views on the proposals by responding to this online survey during a consultation period of 4 weeks.

Following this consultation, ACER will consider stakeholder feedback and expects to take a decision on the proposals, including potential amendments, within the next three months as required by Article 27 of Regulation (EU) 2019/943, i.e. by 5 October 2020.

### Related documents

- ENTSO-E, Cross-border participation in capacity mechanisms: Proposed methodologies, common rules and terms of operation in accordance with Article 26 of the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast), version of 3 July 2020

([https://www.acer.europa.eu/Official\\_documents/Public\\_consultations/PC\\_2020\\_E\\_12/200703%20Single%20document%20for%20XB%20CM%20methodologies.pdf](https://www.acer.europa.eu/Official_documents/Public_consultations/PC_2020_E_12/200703%20Single%20document%20for%20XB%20CM%20methodologies.pdf))

- ENTSO-E proposed methodologies, common rules and terms of reference related to cross-border participation in capacity mechanisms: Explanatory document, version of 3 July 2020 ([https://www.acer.europa.eu/Official\\_documents/Public\\_consultations/PC\\_2020\\_E\\_12/200703%20Explanatory%20document%20for%20XB%20CM%20methodologies.pdf](https://www.acer.europa.eu/Official_documents/Public_consultations/PC_2020_E_12/200703%20Explanatory%20document%20for%20XB%20CM%20methodologies.pdf))
- ENTSO-E, Public consultation on draft methodologies and common rules for cross-border participation in capacity mechanisms: Response to public consultation comments received during the consultation held from 31 January to 13 March 2020, version of 3 July 2020 ([https://www.acer.europa.eu/Official\\_documents/Public\\_consultations/PC\\_2020\\_E\\_12/200703%20Response%20to%20public%20consultation%20on%20XB%20CM%20methodologies.pdf](https://www.acer.europa.eu/Official_documents/Public_consultations/PC_2020_E_12/200703%20Response%20to%20public%20consultation%20on%20XB%20CM%20methodologies.pdf))
- 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 Regulators (recast) (<https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A32019R0942>)
- Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R0943>)
- ACER Guidance Note on Consultations ([https://www.acer.europa.eu/Official\\_documents/Other%20documents/Guidance%20Note%20on%20Consultations%20by%20ACER.pdf](https://www.acer.europa.eu/Official_documents/Other%20documents/Guidance%20Note%20on%20Consultations%20by%20ACER.pdf))
- ACER Rules of Procedure (AB Decision No 19/2019) ([https://www.acer.europa.eu/en/The\\_agency/Organisation/Administrative\\_Board/Administrative%20Board%20Decision/Decision%20No%2019%20-%202019%20-%20Rules%20of%20Procedure%20of%20the%20Agency.pdf](https://www.acer.europa.eu/en/The_agency/Organisation/Administrative_Board/Administrative%20Board%20Decision/Decision%20No%2019%20-%202019%20-%20Rules%20of%20Procedure%20of%20the%20Agency.pdf))

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## Privacy and confidentiality

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ACER will publish all non-confidential responses, including the names of the respondents, unless they should be considered as confidential, and it will process personal data of the respondents in accordance with Regulation (EU) 2018/1725 (<https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32018R1725>) of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, taking into account that this processing is necessary for performing ACER's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see ACER's Guidance Note on Consultations ([https://www.acer.europa.eu/Official\\_documents/Other%20documents/Guidance%20Note%20on%20Consultations%20by%20ACER.pdf](https://www.acer.europa.eu/Official_documents/Other%20documents/Guidance%20Note%20on%20Consultations%20by%20ACER.pdf)) and the specific privacy statement attached to this consultation.

Article 7(4) of ACER's Rules of Procedure (RoP) (<https://s-intranet/Drive/Departments/Electricity/ED%20Deliverables/Decision%20No%2019%20-%202019%20-%20Rules%20of%20Procedure%20of%20the%20Agency.pdf#search=rules%20of%20procedures>) requires that a party participating in an ACER public consultation explicitly indicates whether its submission contains confidential information.

**\*Is your submission to this consultation confidential?**

- YES  
 NO

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## Consultation questions

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ACER seeks the opinion of stakeholders with respect to the following elements of the ENTSO-E proposal.

### **Methodology for calculating the maximum entry capacity**

1. Do you agree with the proposed methodology for calculating the maximum entry capacity for cross-border participation? If not, please explain which elements of the methodology should be changed or otherwise improved.

In EDF's view, from a principle perspective, the maximum entry capacity should be designed as high as possible, in the same way as the cross-border capacity on the energy market.

However, security of supply being at the heart of capacity mechanisms, the maximum entry capacity should also be calculated in a conservative way, i.e. set at the level that reflects the actual technically possible import in all stress situations, so that the contracted capacity is as firm as possible. Otherwise, a significant amount of capacity may be procured from foreign entities that may not be technically able to supply electricity to the capacity market area due to transmission constraints or insufficient export margin, which would introduce additional risk for local consumers. This situation clearly appears in the examples given by TSOs in their explanatory note, which demonstrates that calculating the maximum entry capacity based on an average of imports may lead to an issue for security of supply (actually, in spite of the lengthy mathematical developments added in this note, the choice of an average value remains an (arbitrary) input and not an output of the reasoning). Acknowledging that the choice of a minimum value over all stress situations may be too extreme since a single unfavourable scenario could lead to a very low value, EDF proposes to let the TSO or the NRA decide which percentile of the distribution should be taken, depending on their risk appetite (as a general rule, and not only as a possible derogation as suggested in Article 10(9)).

Moreover, EDF recommends that only the situations where imports ensure that there is no scarcity are taken into account (stress hours without taking into account scarcity hours). Indeed, the aim of CMs is not to ensure security of supply by avoiding scarcity/load shedding in any situation, but to ensure that a given reliability standard is met. During the hours where scarcity is observed in the ERAA simulations (in the scenario with CMs, after the calibration mentioned in Article 10(7) if necessary, the number of these hours being then smaller than or equal to the applicable reliability standard), this scarcity is necessarily deemed as accepted and the amount of imports or exports during these hours should not matter for the parametrization of CMs. On the contrary, the calculation should focus on situations in which national resources are insufficient to meet national demand but imports allow nevertheless the avoidance of scarcity; on this point, EDF disagrees with the view expressed in the explanatory note ("these situations are [...] not relevant for the calculation of the maximum entry capacity as no market is in scarcity and the system is able to meet all demand satisfactorily") because the important point is not that there is no scarcity in the final picture, but that there would be scarcity in the absence of imports.

Whatever the choice of the methodology, the distribution of imports for ERAA simulations should be published.

## 2. Should the methodology allow for calculating capacity contributions from Member States with no direct network connection with the Member State applying the capacity mechanism?

Although the methodology should theoretically cover the case of capacity contributions from Member States with no direct network connection with the Member State applying the CM (since the restriction to Member States with direct connection is only a possibility given by Article 26(2) of Regulation 943/2019), EDF believes that the priority should be set on enabling cross-border participation from Member States with direct network connection. The inclusion of Member States with no direct network connection in the capacity mechanism of a Member State could then follow at a later stage, once the methodology for direct connection is well applied and feedback on that methodology achieved.

## Methodology for sharing the revenues from the allocation of entry capacity

3. Do you agree with the proposed methodology for sharing the revenues from allocating entry capacity? If not, please explain which elements of the methodology should be changed or otherwise improved.

EDF agrees with the non-application of the revenue sharing methodology if the neighboring Member State does not apply a capacity mechanism or applies a capacity mechanism which is not open to direct cross-border participation by foreign capacity over the same Delivery Period, in accordance with Article 26(9) of Regulation (EU) 2019/943.

In these specific cases, EDF thinks that no revenue from cross-border participation shall be paid to the neighboring Member State.

## Common rules for the carrying out of availability checks

4. Do you agree with the proposed common rules for the carrying out of availability checks? If not, please explain which elements of the proposed rules should be changed or otherwise improved.

EDF would like to emphasize the need to apply availability checks to foreign capacity providers that would be as close as possible to the ones that are applicable to the domestic ones.

EDF believes that the new methodology proposal allows for an efficient operation of availability checks.

## Common rules for determining when a non-availability payment is due

5. Do you agree with the proposed common rules for determining when a non-availability payment is due? If not, please explain which elements of the proposed rules should be changed or otherwise improved.

EDF agrees with the objective of the methodology to "ensure that capacity providers are able to meet the sum of capacity commitments undertaken and for which they are remunerated." (Art. 20).

In addition, EDF considers that not only capacity providers should be subject to non-availability payments, but also TSOs in case the cross-border capacity they offer on the energy market during the Reference periods is lower than the entry capacity that has been allocated for cross-border participation in the CM. This would incentivize TSOs to follow a careful approach in their calculation of the maximum entry capacity, so that cross-border participation in CMs does not lead to a decrease of the actual level of security of supply. These non-availability payments for TSOs should constitute a real financial penalty for them, and not be passed on to final consumers through the network tariff.

## Terms of the operation of the ENTSO-E registry

6. Do you agree with the proposed terms of the operation of the ENTSO-E registry? If not, please explain which elements of the proposed terms should be changed or otherwise improved.

The registry must ease the check of simultaneous participations in several CRMs and the associated non-availability payment calculation by sharing all the data needed for this purpose.

EDF believes that principles related to the interactions between the registry and other databases (e.g. national capacity registries, etc.) should be clarified to avoid multiple submissions of the same data to different databases (double reporting obligations). This would lead to increased workload and risk of inconsistent data.

ENTSOE's proposal seems to be consistent with all these principles.

## **Common rules for identifying capacity eligible to participate in the capacity mechanism**

7. Do you agree with the proposed common rules for identifying capacity eligible to participate in the capacity mechanism? If not, please explain which elements of the proposed rules should be changed or otherwise improved.

EDF would like to emphasize the need to apply eligibility criteria for foreign capacity providers that would be as close as possible to the ones that are applicable to the domestic ones, also in terms of de-rating of different types of assets by including their individual per technology reliability standard (if applied for domestic resources). Only such approach may ensure the non-discrimination principle, provided in art. 26 of the IEM Regulation.

## **General provisions and other comments**

8. Do you agree with the general provisions of the ENTSO-E proposals (Title 1)? If not, please specify which provisions should be changed or otherwise improved, and explain why.

EDF would like ACER to define a clear date for entry into force in practice of the current proposal. Although enabling cross-border participation in capacity mechanisms is challenging, EDF suggests that ACER enforces the practical application of this framework methodology for cross-border participation 3 years after the date of approval and that, in the meantime, a clear timeline for concrete milestones is communicated to all stakeholders.

9. Do you have any other comments on the ENTSO-E proposals that we should take into account in our assessment?

EDF welcomes this consultation by ACER on the ENTSO-E proposals, which is an opportunity for market players to share with regulators the views and concerns they have already expressed earlier during the ENTSO-E consultation, notably on some identified discrepancies between the ENTSO-E proposals and the legal requirements of the revised Electricity Regulation.

The ENTSOE's answer about cross-border participation in strategic reserves is blurred (page 75 to 84 of PUBLIC CONSULTATION ON DRAFT METHODOLOGIES AND COMMON RULES FOR CROSS-BORDER PARTICIPATION IN CAPACITY MECHANISMS document) and does not give any details on the approach to determine the volume of import a country with strategic reserves should consider when assessing the needs for domestic capacity (in the same way as for market-wide capacity mechanisms).

EDF recalls that Article 26(1) of Regulation 943/2019 states that "where technically feasible, strategic reserves shall be open to direct cross-border participation of capacity providers located in another Member State". Therefore, the proposed methodology should by default cover strategic reserves and guarantee that a level playing field is also ensured for foreign capacities in that case. ENTSO-E should propose implementation schemes for this cross-border participation in the explanatory document provided with the methodology. To start brainstorming on this topic, please find here below a possible approach:

- a. assess the maximum entry capacity a country can reasonably expect during periods of stress ;
- b. allocate the corresponding volume of interconnection tickets to foreign capacity, implicitly or explicitly (e.g. through a dedicated call for tender) ;
- c. request the selected foreign capacities to comply with similar rules as domestic capacities:
  1. be either actually generating or available for activation during stress situations in the country applying strategic reserves, e.g. through ad-hoc schemes such as inter-TSO emergency support procedures ;
  2. be regulated like domestic strategic reserves (e.g. excluded from the energy market if technically feasible);
- d. apply the same testing and penalty scheme for non-complying foreign capacities as for domestic capacities.

## Contact

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