

ACER Decision on the Nordic CCR TSOs' proposal for the regional design of the long-term capacity calculation methodology: Annex II

Evaluation of responses to the public consultation on the Agency's proposed amendments to the Nordic TSOs' proposal for long-term capacity calculation methodology of the Nordic capacity calculation region

1 Introduction

By 16 January 2019, the Nordic TSOs submitted an '*All TSOs' of the Nordic Capacity Calculation Region proposal for the common capacity calculation methodology in accordance with Article 10(1) of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation*' (hereafter referred to as the 'Proposal') to all Nordic regulatory authorities.

By letter received on 15 May 2019, the Nordic regulatory authorities informed the Agency that they jointly agreed to request the Agency to adopt a decision on the Proposal pursuant to Article 4(10) of the FCA Regulation. In this letter, the Nordic regulatory authorities explained that they were not able to agree on legal interpretations concerning the labelling of the methodology as a coordinated net transmission capacity approach or a flow-based approach for the capacity calculation. In order to take an informed decision, the Agency launched a public consultation on 27 August 2019 inviting all interested parties to express their views on potential amendments of the Proposal. The closing date for comments was 17 September 2019.

More specifically, the public consultation invited stakeholders to comment on the following aspects of the long-term capacity calculation methodology in the Nordic CCR ('Nordic LT CCM'):

- (i) The change to a Nordic LT CCM applying the flow-based approach and the consequential impact on long-term allocation;
- (ii) The avoidance of undue discrimination between internal and of cross-zonal trade, and in particular the selection of critical network elements and contingencies;
- (iii) The integration of the dynamic stability assessment process in the Nordic LT CCM and its consequential introduction of allocation constraints; and
- (iv) any other issues related to the Nordic LT CCM.

2 Responses

By the end of the consultation period, the Agency received responses from two respondents.

This evaluation paper summarises all received comments and responses to them. The table below is organised according to the consultation questions and provides the respective views from the respondents, as well as a response from the Agency clarifying the extent to which their comments were taken into account.

Respondents' views	ACER views
Question 1: Please provide your comments concerning the described changes to provide a compliant flow-based methodology.	
2 respondents provided an answer to this question.	
<p>1 respondent supports the change of the Nordic LT CCM to a flow-based methodology but shares its concerns about the applicability of flow-based approach concerning capacity allocation and that flow-based parameters might not provide sufficient information on the forecasted cross-zonal capacities for market participants. Therefore, NTC figures should be published for information.</p>	<p>The Agency acknowledges that flow-based allocation by the single allocation platform would require some discussion with stakeholders and prior testing, but the Agency is not aware of any a priori concerns about the infeasibility of such allocation. Therefore, a transitional solution is required, which is included by the Agency in the Nordic LT CCM. While this transitional solution does provide ATC values, market participants should be able to use also the flow-based parameters as a basis of available cross-zonal capacities after gaining sufficient experience from available flow-based data from the day-ahead capacity calculation and the publication of flow-based parameters during the transitional solution in the long-term capacity calculation.</p>
<p>1 respondent does not agree to change the Nordic LT CCM to a flow-based methodology since it does not see an added value of flow-based calculation or allocation.</p> <p>The respondent further explains its concerns that a high uncertainty on flows long before real time would result in very small flow-based domains and therefore restrict the availability of long-term capacity, which will likely lead to a loss of efficiency in cross-zonal forward markets.</p>	<p>The Agency notes that the CNTC approach proposed by TSOs require first the calculation of flow-based domain and then the extraction of NTCs from this domain. Therefore, the NTC domain is by default smaller than the flow-based domain, which means that the concerns from this respondent cannot be valid. The uncertainty of flows in the long-term timeframe have an equal effect on the CNTC approach and the flow-based approach, but the advantage of the latter is that the available capacities are not further reduced through the process of extracting NTC values from the flow-based domain. Further, Nordic TSOs and NRAs did not express the concerns that long term flow-based domain would be too low.</p> <p>The Agency sees a clear benefit of applying the flow-based approach to capacity calculation regions characterised by meshed networks and physically interdependent bidding zone borders. In such networks, the flow-based approach by default leads to an increase in economic efficiency with the same level of system security. This is because when a network element, which is considered in capacity calculation as critical network element, is significantly</p>

Respondents' views	ACER views
	<p>impacted by cross-zonal exchanges on two or more bidding zone borders, it is by default more efficient that requests for cross-zonal exchanges on these interdependent borders equally compete for the capacity of such critical network element. This competition between borders is the intrinsic advantage of the flow-based approach compared to the coordinated net transmission capacity approach.</p>
<p>2 respondents mention that the requirements of Article 10(5) of the FCA Regulation need to be fulfilled for the application of a flow-based approach in the Nordic LT CCM.</p>	<p>The Agency provided justification pursuant to Article 10(5) of the FCA Regulation for applying a flow-based approach in Recitals (18) and (19) of Annex I to this Decision.</p>
<p>1 respondent provided the following remarks concerning the transitional solution:</p> <p>Since the transitional solution is a new concept, a parallel run would be needed before implementation for transparency, ensuring accurate results and to show that this solution increases social welfare compared to the currently applied solution. As there are no provisions for temporary solutions in the FCA or CACM Regulation, the respondent proposes to use the current approach until a fully FCA compliant solution can be implemented. Avoiding a transitional step would free up resources for a faster implementation of the target solution.</p> <p>Additionally, the respondent states that the process of the transitional solution would require more transparency and the function on how to maximize cross-zonal capacities is not explained.</p>	<p>The Agency agrees to the need for a sufficient parallel run for ensuring transparency and accurate results. This should be provided by the implementation process pursuant to Article 24(3) of Annex I. The Agency does not agree to continue applying the current solution, since the current solution is not compliant with the FCA Regulation and does not address various necessary legal requirements.</p> <p>The Agency agrees to the need of more transparency for the provided transitional solution. Since TSOs were not able to provide more detail on this process at the time of drafting this Decision, the Agency introduced the requirements in Article 19(3) and (4) of Annex I to ensure such transparency before the implementation of this solution.</p>
<p>Question 2: Please provide your comments concerning the described provisions for the CNEC selection in the Nordic LT CCM.</p>	

Respondents' views	ACER views
2 respondents provided an answer to this question.	
<p>Both respondents support the Agency's proposal for a CNEC selection and made the following additional comments:</p> <p>1 respondent states that there should be consistency with the day-ahead and intraday CCM of the Nordic CCR.</p> <p>1 respondent also agrees to the removal of CNEC with a zone-to-zone PTDF threshold of under 5% but requests a proper justification of the threshold of 5% and an assessment of whether a higher or lower threshold would be beneficial.</p>	<p>The Agency agrees with the aim of consistency between the different capacity calculation timeframes and invites TSOs and the national regulatory authorities to establish such consistency in the CCM of day-ahead and intraday time frames.</p> <p>The Agency consulted the Nordic TSOs and NRAs when defining this threshold for removing irrelevant CNEs and introduced a minimum threshold of 5% zone-to-zone PTDF to comply with Article 29(3)(b) of the CACM Regulation, which requires to remove CNEs which are not significantly influenced by bidding zone net positions. As 5% is a standard measure of significance in statistics, the Agency deems is relevant for the application of Article 29(3)(b) of the CACM Regulation. However, this threshold is only the minimum threshold that ensures that at least insignificant CNECs are removed from capacity calculation, but TSOs may remove also other CNECs influenced by bidding zone net positions by more than 5%.</p>
Question 3: Please provide your comments concerning the described proposal of allocation constraints in the Nordic LT CCM.	
2 respondents provided an answer to this question.	
1 respondent supports the Agency's proposal.	
<p>1 respondent has a preference for applying dynamic stability limits directly to CNEs (option 1) to have a truly coordinated capacity calculation in the Nordic CCR including a dynamic stability assessment, which has a huge impact on cross-zonal capacities in the Nordic CCR.</p>	<p>The Agency agrees to have the direct application of dynamic stability limits to CNEs as the preferred option. Nevertheless, since the Nordic TSOs are currently not able to ensure operational security by defining these limits at the level of individual CNEs, a transitional period using allocation constraints is required.</p> <p>Concerning the FCA compliance of allocation constraints, Article 10(6) of the FCA Regulation does refer to capacity calculation inputs as provided for in Article 21(1) of the CACM Regulation. Following this reference, Article 21(1)(a)(ii) of the CACM Regulation mentions that '<i>...allocation constraints may be applied in accordance with Article 23.</i>'. Therefore, the</p>

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<p>The respondent further states that if allocation constraints are applied (option 2) it is important to limit their application for a transitional period.</p> <p>The respondent further comments that allocation constraints are not mentioned in the FCA Regulation and thus compliance could be questionable.</p>	<p>Agency does not have legal concerns to apply allocation constraints to a LT CCM if these are required to ensure operational security in long-term capacity calculation.</p>
<p>Question 4: Please provide your comments concerning the described changes or other comments concerning the Nordic LT CCM.</p>	
<p>1 respondent provided further comments addressed to this question. Besides the general support of the other described changes addressed by this question, the respondent argues that the aim for harmonising generation shift keys (GSKs) should be on harmonising principles and not GSKs as such. This is reasoned with the different characteristics of bidding zones, which might result in different optimal GSKs for each bidding zone.</p>	<p>The Agency agrees that harmonisation should not be pursued to the degree which ignores differences that may be considered to contribute to the overall economic efficiency. For this reason, the harmonisation of GSKs should be a general objective, but the room for applying exceptions with proper justifications should not be closed. With this regard, Article 21(4) of the CACM Regulation requires that all TSOs in each CCR use, as far as possible, harmonised capacity calculation inputs.</p>

3 List of respondents

Organisation	Type
EFET - European Federation of Energy Traders	Association
Fortum Power and Heat Oy	Energy company