

Public consultation on the proposals for the HCZCAM and the RCC tasks of sizing and procurement

Fields marked with * are mandatory.

Introduction

All transmission system operators ('TSOs') and ENTSO-E have submitted to ACER the following proposals:

- for the harmonised methodology for cross-zonal capacity allocation for the exchange of balancing capacity or sharing of reserves in accordance with Article 38(3) of Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing ('**HCZCAM Proposal**');
- for the Regional Coordination Centres' ('**RCC**') **task** of regional **sizing** pursuant to Article 37(1)(j) of Regulation (EU) 2019/943 ('Sizing Proposal'); and
- for the **RCCs' task** of facilitating the **procurement** of electricity balancing capacity pursuant to Article 37(1)(k) of Regulation (EU) 2019/943 ('Procurement Proposal')

ACER will review these proposals and revise them where necessary, in order to ensure that they are in line with the purpose of the Regulation (EU) 2017/2195 and Regulation (EU) 2019/943. ACER may also introduce editorial amendments to improve clarity, conciseness, consistency and readability of the Proposals.

The objective of this consultation is to gather views and information from stakeholders to inform ACER's decision-making.

This consultation is addressed to all interested stakeholders, including regulatory authorities, market participants and transmission system operators.

This consultation is addressed to all interested stakeholders in the EU and EEA, including regulatory authorities, market participants and transmission system operators.

Please respond to this survey **by 15 May 2023, 23:59 hrs (CET)**.

In case you have questions related to this survey, please contact Martin Viehhauser (martin.viehhauser@acer.europa.eu).

Data protection

ACER will process personal data of the respondents in accordance with [Regulation \(EU\) 2018/1725](#), taking into account that this processing is necessary for performing ACER's consultation tasks.

More information on data protection is available on [ACER's website](#).

ACER will not publish personal data.

Confidentiality

Following this consultation, ACER will make public:

- the number of responses received;
- company names, unless they should be considered as confidential;
- all non-confidential responses; and
- ACER's evaluation of responses. In the evaluation, ACER may link responses to specific respondents or groups of respondents.

You may request that the name of your company or any information provided in your response is treated as confidential. To this aim, you need to explicitly indicate whether your response contains confidential information.

You will be asked this question at the end of the survey.

I have read the information provided in this section.

Respondent's data

* Name and surname:

This information will not be published.

* Company:

* Country:

* Email:

This information will not be published.

Background documents

Legal acts

[Regulation \(EU\) 2019/942](#) of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators.

[Regulation \(EU\) 2019/943](#) of 5 June 2019 on the internal market for electricity.

[Commission Regulation \(EU\) 2017/2195](#) of 23 November 2017 establishing a guideline on electricity balancing ('EB Regulation')

[Commission Regulation \(EU\) 2017/1485](#) of 2 August 2017 establishing a guideline on electricity transmission system operation ('SO Regulation')

[Commission Regulation \(EU\) 2015/1222](#) of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management ('CACM Regulation')

Relevant documents

TSOs' submission of the [HCZCAM Proposal](#) (including an [explanatory document](#))

ENTSO-E's submission of the [Sizing Proposal](#) (including an [explanatory document](#))

ENTSO-E's submission of the [Procurement Proposal](#) (including an [explanatory document](#))

Topic 1: Harmonised methodology for cross-zonal capacity allocation for the exchange of balancing capacity or sharing of reserves (HCZCAM Proposal)

Background

Pursuant to Article 38(3) of the EB Regulation, the HCZCA methodology harmonises cross-zonal capacity allocation processes (i.e. Articles 40, 41 and 42 of the EB Regulation). Therefore, it will replace the existing methodologies pursuant to Articles 40, 41 and 42. The methodologies approved under these Articles are:

- The methodology for a co-optimised allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 40(1) of the EB Regulation ('[co-optimisation methodology](#)') ([ACER Decision 12-2020](#)). Following this methodology, the following related documents were published:
 - [Implementation impact assessment](#)
 - [Co-optimisation roadmap study](#)
 - [all TSOs' requirements for the price coupling algorithm](#)
- The methodologies for a market-based allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 41(1) of the EB Regulation ('market-based methodologies') for the following capacity calculation regions:

- [Nordic \(ACER Decision 22-2020\)](#)
- [Core \(ACER Decision 11-2021\)](#)
- [Baltic \(ACER Decision 10-2021\)](#)
- [GRIT](#) (regional decision by NRAs)
- Italy North (regional decision by NRAs)

The HCZCAM Proposal addresses the co-optimised allocation process pursuant to Article 40 of the EB Regulation and the market-based allocation process pursuant to Article 41 of the EB Regulation, but does not include an allocation process based on economic efficiency analysis pursuant to Article 42 of the EB Regulation.

The co-optimised allocation process

The HCZCAM Proposal includes the co-optimised allocation process which was so far addressed by the methodology for a co-optimised allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 40(1) of the EB Regulation ('co-optimisation methodology'). Due to the existing European-wide applicability of the co-optimisation methodology and the limited developments since its approval, the content changes of the provisions for the co-optimised allocation process in the HCZCAM Proposal compared to the co-optimisation methodology are very limited.

Since the co-optimised allocation process requires actual balancing capacity bids together with the actual bids from market participants in the day-ahead market, it can only be done within the single day-ahead coupling (SDAC) process. Therefore, as already foreseen by the co-optimisation methodology, the co-optimised allocation process pursuant to the HCZCAM Proposal would be implemented via the TSOs' submission of the requirements for the SDAC algorithm pursuant to Article 37 of the CACM Regulation. While the development of the TSOs' set of requirements for the price coupling algorithm for considering the co-optimised allocation process needs to be addressed in the implementation article of the HCZCAM Proposal, the discussions on the actual implementation of the co-optimised allocation process within SDAC is subject to the algorithm methodology pursuant to Article 37 of the CACM Regulation. Following the TSOs' submission of requirements for the price coupling algorithm resulting from the co-optimisation methodology, a submission of an amendment proposal of the algorithm methodology is expected for November 2023.

While the HCZCAM Proposal entails limited needs for updating the set of submitted requirements for the price coupling algorithm. However, if such update would be needed following the approval of the HCZCAM Proposal, TSOs may still submit an updated new set of requirements to NEMOs as an input to such algorithm methodology amendment process after ACER's approval of the HCZCAM Proposal.

Q1.1 Please provide your comments on the HCZCAM Proposal's provisions regarding the co-optimised allocation process.

Please always indicate the relevant Article in the Proposal which your comment refers to.

As expressed in earlier responses, we do not favor keeping co-optimisation in the text of the methodology. The implementation impact assessment (IIA) and technical feasibility study (roadmap study) did not remove our doubts on the feasibility of co-optimization implementation and significant deterioration in algorithm performance. EUPHEMIA is already at its limit in terms of capability. The reduction of the “Market Time Unit” to 15min will put further stress on the performances of the algorithm. We clearly object to any prolongation of time needed for calculation or results publication. It seems like further R&D needed before the implementation of the co-optimised allocation process.

Given the development complexity of this project, huge and numerous challenges, the unwillingness of TSOs to implement this methodology (also recognised by ACER in one of its motivations for removing provisions about Inverted Market-Based process: “Further, an inverted market-based process could only be applied once co-optimisation is available and there is currently no concrete intention to apply such process.”), we are in favor of deleting the co-optimisation process from the HCZCAM.

The market-based allocation process

In comparison with the co-optimised allocation process, the market-based allocation process is currently subject to regional market-based methodologies, which require harmonisation with the HCZCAM Proposal. Further, while the co-optimised allocation process needs to be integrated in SDAC and will therefore be subject to the governance of the MCO function, the market-based allocation process is not subject to an existing governance structure. The required forecasting process is another element which is not required for the co-optimised allocation process but needs to be considered for the market-based allocation process.

In addition to revisions of the HCZCAM Proposal to improve structure and clarity and to ensure compliance with the legal requirements, ACER sees the possible need for revising also substantial parts of the HCZCAM Proposal, as outlined below.

Deletion of provisions for allowing pay-as-bid and provisions partly addressing an ‘inverted market-based process’

While the co-optimised allocation process is limited to the principle of marginal pricing (pay-as-cleared), Article 4(3) of the HCZCAM Proposal also allows pay-as-bid as a pricing principle for the market-based allocation process. In ACER’s Decision 11-2021 on the Core market-based methodology the use of the pay-as-bid pricing principle for the Core market-based process was rejected. The main reason for this was the requirement for equal treatment pursuant to Article 41(4) of the EB Regulation and the need for marginal pricing in SDAC pursuant to Article 38(1)(b) of the CACM Regulation. An appeal against this decision was dismissed by ACER’s Board of Appeal in case [A-013-2021](#).

Therefore, ACER intends to delete all provisions related to the pay-as-bid pricing principle in the HCZCAM Proposal.

Q1.2.1 Do you agree to the intended revisions by ACER concerning the pricing principle?

- Yes
 No

Q1.2.2 Please provide your comments concerning the pricing principle.

The HCZCAM Proposal addresses the possibility of an ‘inverted market-based process’, which would require real bids from SDAC and a forecasted market value of cross-zonal capacity for the exchange of balancing capacity and sharing of reserves. However, the HCZCAM Proposal is incomplete regarding the inverted market-based process since it does not include a description of forecasted market value for CZC for the exchange of balancing capacity or sharing of reserves in accordance with Article 41(1)(b) of the EB Regulation. Further, an inverted market-based process could only be applied once co-optimisation is available and there is currently no concrete intention to apply such process.

Therefore, ACER intends to delete all provisions concerning the inverted market-based process in the HCZCAM Proposal, while all TSOs may introduce such process in a complete form through a proposal for an amendment to the HCZCAM.

Q1.2.3 Do you agree to the intended revisions by ACER concerning the 'inverted market-based' process?

- Yes
- No

Q1.2.4 Please provide your comments concerning the ‘inverted market-based’ process.

Limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves

The HCZCAM Proposal describes the process to define the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves for the co-optimised allocation process under Article 8 of the HCZCAM Proposal and for the market-based allocation process under Article 16 of the HCZCAM Proposal. Further, there are additional provisions for such limits under Articles 7 and 13 of the HCZCAM Proposal. Some of these limits are subject to TSOs’ decisions without the involvement of regulatory authorities.

ACER is of the opinion that any limits beyond the ones needed in accordance with the SO Regulation should be well justified and subject to regulatory approval. Therefore, ACER intends to revise these parts of the HCZCAM Proposal to the effect that default limits from the EB Regulation apply to the processes to

define the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, while other limits are allowed if justified and approved within an Article 38(1) of EB Regulation proposal. A similar provision is already included in the co-optimisation methodology.

Q1.2.5 Do you agree to the intended revisions by ACER concerning provisions on limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves?

- Yes
- No

Q1.2.6 Please provide your comments concerning provisions on limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.

In general, we disagree with limiting cross-zonal capacity by allocating it to balancing capacity exchange, this hamper cross-zonal trade and inevitably decreases the ability of the system to self-balance. However, given the existing text of the EBGL, we have following comments on the proposal as it stands: we fully agree that any adjustment to the limits for maximum volume of cross-zonal capacity for balancing capacity should be subject to regulatory approval. We have raised this concern already in the past and we thank ACER for its acknowledgement.

At the same time, we do not agree that it should be possible to raise the limit from 10% to 20%, given the potential impact on the DAM. Especially given that the increase of the limit is likely to be done under stressed system circumstances, which are moments when CZC is especially important to the SDAC. In this regard, we do support the fact that the limit can only be increased if the balancing capacity demand of TSOs cannot be satisfied. However, we are also of the opinion that the fallback procedure should be activated before the limit is raised, improving the chances that CZC is not unnecessarily taken from the SDAC.

Required clarifications regarding forecast process, forecast error and forecast error consideration

ACER understands that the method for forecasting the cross-zonal capacity market value for SDAC described in the HCZCAM Proposal requires the market-based cross-zonal capacity allocation optimisation function and the following inputs:

- Preliminary day-ahead cross-zonal capacity results from the capacity calculation methodology pursuant to Article 21 of the CACM Regulation; and
- Forecasted day-ahead energy bid curves.

While it is important to differentiate between the forecasted market value of cross-zonal capacity for the exchange of energy and forecasted SDAC bid curves, the HCZCAM Proposal does not clarify this differentiation and mostly just refers to an undefined 'forecasting process'. Therefore, ACER intends to clarify and improve the description of how to determine the forecasted market value of cross-zonal capacity for the exchange of energy. The HCZCAM Proposal defines the forecast error under Article 2(2)(f) and how such forecast error should be considered in the market-based allocation process under Article 17.

While the description on how to consider the forecast error should be generally improved, ACER is of the opinion that, by default, the negative impact of a forecast error on the day-ahead market should be similar throughout different regions. Hence, forecast errors should be considered in a harmonised manner throughout any regions which are applying the market-based process. In general, ACER is concerned

about the lack of TSOs' assessment of the potential efficiency of the proposed forecasting method. Such assessment and any resulting conclusions, would also be helpful when determining how a forecast error should be considered in the market-based allocation process. Harmonising a forecast error consideration based on the proposed approach of reducing the maximum cross-zonal capacity limit without having clarity on the potential forecast accuracy could be problematic. While such approach can limit the impact of a forecast error, it could also significantly reduce the effectiveness of the whole market-based process, since at some point it would not allow any allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves. A forecast error consideration in the form of a mark-up (or something equivalent) could reduce the positive forecast error to protect the day-ahead market against inefficient forecast. With such forecast error consideration, allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves would in general still be possible, but having considerable forecast errors this would only be possible if the market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves is significantly higher than the expected market-value from day-ahead energy.

Therefore, ACER sees the need to further assess the forecast efficiency of the proposed method and improve and harmonise the forecast error consideration.

Q1.2.7 Do you agree to the concerns shared by ACER concerning forecasting and the forecast error consideration?

- Yes
- No

Q1.2.8 Please provide your comments concerning the process for forecasting the market value of cross-zonal capacity for the exchange of energy.

Detailed, operational forecasting methodology should either be part of the HCZCAM, or its development should be mandated to be subject to market consultation.

Q1.2.9 Please provide your comments concerning forecast error or forecast error consideration for the market-based allocation process.

We share ACER concerns, the proposal is in itself unclear and shall be amended. Therefore we cannot put forward any specific comments at this point in time. Proposal explained by ACER (mark-up) is not detailed enough, therefore we rather refrain from commenting on it – but could be an interesting option for further study.

Other comments concerning the HCZCAM Proposal

Q1.3 Please provide any other comments related to specific provisions of the HCZCAM Proposal.

Please always indicate the relevant Article in the Proposal which your comment refers to.

We have concerns on the deadlines that the proposal puts forward to inform market participants. The deadline to inform market participants of upcoming changes in art.5.1 and art.24.4 (3 months), as well as art. 24.5 (1 month) is too short for market participants to correctly anticipate and adapt. In order to correctly assess and anticipate such changes, market participants should ideally be informed 12 months in advance, and at a minimum 6 months. The publication of information covered by art.24.3 should not be allowed a maximum deadline of one week. Such information should be disseminated at the latest 24 hours after the use of the allocated cross-zonal capacity.

The term 'TSO BC volume sensitive demand' in art.2.2(b) – which should rather be art.2.2(h)? – refers to '[...] substitution of reserves for cost minimization and volume shortage'. This seems in contradiction with art. 4.12 that states that 'each TSO shall not put a price on its TSO BC demand [...]'. It is not clear how a TSO can express its volume sensitive demand in order to perform cost minimization without pricing its demand. We do not agree with the TSOs pricing their balancing capacity demand; TSOs should procure the required balancing capacity as required by the SO Regulation and this should not be subject to a price cap. We therefore request to remove 'cost minimisation' from the definition of 'TSO BC volume sensitive demand' in art.2.2(b), as well as the reference in art. 4.13, allowing only such approach for volume shortage reasons. Multilateral linking, as used in article 4.14 should be defined. It is relevant to guarantee the types of links which will be available for BSPs. Moreover, it would be beneficial, if the objective is indeed to reflect the technical constraints of the BSPs, to also allow linking between bids of a same product but in opposite directions (upward and downward bids) for the same MTU and for the same quality product but between consecutive MTUs.

Article 13.1.d: The BSPs need more than one hour between the notification of their accepted BC bids and the gate closure time of the SDAC (need to re-run the dispatch of their assets to reflect the BC commitment). A period of at least two hours will be needed – as is the usual case today.

Topic 2: RCC task of regional sizing (Sizing Proposal)

The Sizing Proposal is structured into two sub-tasks, which in combination should fulfil the requirements for the RCCs' task of regional sizing of reserve capacity pursuant to point 7 of Annex I of the Electricity Regulation. These sub-tasks are:

- the determination of minimum reserve capacity at SOR level; and
- the short-term assessment of availability of sharing amounts.

Pursuant to Article 4 of the Sizing Proposal, the RCC should determine required minimum reserve capacity at SOR level considering reserve requirements and possibilities for sharing of reserves on a yearly basis. If the amount calculated by the RCC on a SOR level is deviating beyond the defined thresholds from the amount of the summed up required minimum reserve capacity of all relevant load frequency control (LFC) blocks, the RCC needs to issue recommendations to TSOs for re-considering the sharing of reserves within the SOR.

Pursuant to Article 5 of the Sizing Proposal, for cases where the sharing agreement between LFC blocks are applied, the RCC shall on a day-ahead basis assess whether sufficient reserve capacities and sufficient cross-zonal capacities are available and consequently notify TSOs about risks of insufficient availabilities or possibilities to increase the sharing amount.

Q2.1 Please provide your comments related to the determination of minimum reserve capacity at SOR level.

Please always indicate the relevant Article in the Proposal which your comment refers to.

Q2.2 Please provide your comments related to the short-term assessment of availability of sharing amounts.

Please always indicate the relevant Article in the Proposal which your comment refers to.

In Art.5.4/5, the actual methodology to assess the availability of sufficient reserve capacity or cross-zonal capacity is missing. Instead, only the inputs and objective are mentioned. As this methodology is the core of the proposal, further elaboration of how such an assessment will be performed should be part of the proposal.

Q2.3 Please provide any other comments related to specific provisions of the Sizing Proposal.

Please always indicate the relevant Article in the Proposal which your comment refers to.

We urge the TSOs to take into account existing implementation projects (not only regarding balancing, but also more general market integration) when designing specific timeline. Ongoing projects should have a clear priority, aim should be not to overburden market participants with several workstreams running in parallel. This should apply to all new projects, including balancing capacity cooperation project on a local level, market parties must have sufficient time for their implementation. Also, we should firstly ensure all regions are on the same level when it comes to balancing energy procurement and only then further steps should be taken.

Topic 3: RCC task of facilitating the procurement of electricity balancing capacity ('Procurement Proposal')

The Procurement Proposal covers two main topics regarding the RCCs' task of facilitating the procurement of electricity balancing capacity, which are:

- the assessment of non-contracted platform bids; and
- the RCCs' involvement in the regional procurement of balancing capacity.

The daily assessment of non-contracted bids on balancing energy platforms aims to allow TSOs to reduce their volume of required reserve capacity, in accordance with point 8.1 of Annex I of the Electricity Regulation.

Regarding the RCCs' support for the TSOs' procurement of the required amount of balancing capacity in accordance with point 8.2 of Annex I of the Electricity Regulation, the Procurement Proposal requires the RCCs to provide the relevant cross-zonal capacity data to the harmonised processes for the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing or reserves and to perform the processes allocated to the RCCs by the HCZCAM Proposal. The HCZCAM Proposal requires the RCCs to perform the task of forecast validation in the harmonised market-based allocation process. Pursuant to

Article 17(5) of the HCZCAM Proposal, this task includes recommendations for improving the forecasting of SDAC bid curves, which is performed by a forecasting entity, and to determine the forecast error by running the market-based cross-zonal capacity optimisation function, which needs to be provided to the RCC by the relevant balancing capacity platform entity.

Q3.1 Please provide your comments related to the assessment of non-contracted platform bids.

Please always indicate the relevant Article in the Proposal which your comment refers to.

The timing of this calculation at the DA horizon should be clarified in the proposal, even if it is only with a range. Indeed, it is yet unclear whether the RCCs will be able to do the calculation before aFRR DA auctions (09:00 in some countries).

We strongly discourage the consideration of non-contracted platform bids for the fulfilment of a TSO's required reserve capacity from the dimensioning process. We consider that relying on the potential availability of non-contracted platform bids is not compatible with secure system operation. This concept is inappropriate on a regional level already and even harder to maintain in combination with the potential availability of CZC. Such an approach should not be fostered by RCC support.

We have doubts that the methodology described in Art.7 will provide sufficiently reliable forecasts for the availability of non-contracted platform bids. It is not clear that probability density functions looking back 60 days will sufficiently capture shifts in underlying fundamentals like gas units being in the money (and thus running), offshore wind production (increasingly able to provide aFRR), differences between summer and winter availability of capacity providers (differing a lot in countries with district heating systems), etc. As this methodology is the core of the proposal and the proposed function of the RCCs, we urge further reflection on which methodology will best capture future availability of non-contracted platform bids, and at least a test beforehand whether the methodology is sufficiently robust.

Q3.2 Please provide your comments related to role foreseen for RCCs by the Procurement Proposal and the HCZCAM Proposal to support the procurement of balancing capacity.

Please always indicate the relevant Article in the Proposal which your comment refers to.

Does it mean that no exchange of balancing capacity between TSOs, resulting from the harmonized CZCA Methodology, is to exist before 2026 (according to the foreseen timeline)? How will the existing balancing capacity cooperation (e.g. Alpaca and its foreseen extension in 2024) be treated in this regard?

Q3.3 Please provide any other comments related to specific provisions of the Procurement Proposal.

Please always indicate the relevant Article in the Proposal which your comment refers to.

To be consistent with ACER HCZCAM proposal where it is suggested to delete provisions concerning the inverted market-based process, we suggest to delete it in this proposal as well to avoid any uncertainty. Likewise, since co-optimisation with unilateral linking present serious drawbacks and the development of multilateral linking seems to be technically challenging, we suggest discarding co-optimisation process for now. Co-optimisation with multilateral linking should be the long -term target as long as it does not have negative impacts such as reducing algorithm performance or reducing the variety of the energy products and bidding flexibility offered for the SDAC and further implementations on products and services already planned. We prefer to suggest focusing on the development of the market-based methodology while considering our concerns regarding TSOs forecasts (forecasting methodology should be consulted in details with Market Participants).

Other comments

Q4 Do you have any other relevant comments?

Confidential information

* Does your submission contain confidential information?

- Yes
 No

Useful links

[FCA Regulation \(https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02016R1719-20210315\)](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02016R1719-20210315)

Contact

[Contact Form](#)