Contribution ID: b56ee9ed-77a8-4370-9e27-b7a624a26263
Date: 13/09/2023 08:46:58

Public consultation on ACER's 2023 market monitoring report on cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT)

Fields marked with * are mandatory.

Objective

The objective of this consultation is to gather views from stakeholders regarding the findings of ACER's market monitoring report on **'Cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT)'**. Based on the findings of the report and the stakeholders' input gathered, ACER will issue a formal opinion to the European Commission and European Parliament by the end of 2023.

Target group

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

Contact and deadline

The contact point for this consultation is: ewpmm@acer.europa.eu
All interested stakeholders are invited to submit their comments **by 15 September 2023, 23.59 hrs (CET).**

More information on ACER's monitoring of cross-zonal capacities is available here.

General terms of the consultation

* Name of the respondent

[redacted]

* Email

[redacted]

* Company

50Hertz Transmission GmbH

* Country of origin (headquarters)

Germany

* Countries where your company is active

Germany

* Activity

Transmission network operator (or association)

* Should the following answers to this public consultation be treated as confidential?

- ( ) Yes
- (•) No

The Agency will publish all non-confidential responses, and it will process personal data of the respondents in accordance with Regulation (EC) No 45/2001 of the European Parliament and of the Council of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data, taking into account that this processing is necessary for performing the Agency's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see the Agency's Guidance Note on Consultations and the privacy statement referred to this consultation.

General feedback - Evolution of cross-zonal capacity levels

To what extent do you agree with the conclusions illustrated in ACER's 2023 market monitoring report on cross-zonal capacities and the 70% margin available for cross-zonal electricity trade (MACZT)?

- [ ] Strongly agree.
- [ ] Agree.
- [ ] Neutral.
- [x] Disagree.
- [ ] Strongly disagree.

What changes would you suggest for future editions of ACER's cross-zonal capacity report?

Where applicable, ACER should only monitor against transitional target values, not the 70% target, as this is not relevant yet for countries applying an action plan. In addition, we suggest considering all offered capacities (all uncoordinated capacities instead of Fuaf / forecast of allocated capacity, the inclusion of long-term capacities for Core, consideration of third-country flows by default), as this would give the most accurate picture of the capacity made available to market participants. If ACER sticks with its current methodology, we recommend to at least correct the MNCC fallback used by ACER as it clearly shows wrong values deviating from operation data for Germany without such improvements.
Furthermore, we think that it is important to equally reassess the MACZT each year for each country on a neutral and unbiased basis again. It can be shown that significant advancements have been made in countries, which have offered low cross-zonal trading capacities in the past, which could be highlighted positively in the report. Besides the offered MACZT, this can be proven by measures like price convergence or share of limiting network elements.

Based on the data presented in Chapter 1 of ACER's report, do you believe that the current development of cross-zonal capacities across the EU is sufficient to enable the integration of European electricity markets?

- (●) Yes
- ( ) No

Please clarify your answer.

Progress towards the integration of European electricity markets is in fact being made. The ACER report acknowledges this on page 15, Figure 7. The report states that the capacities tend to increase, in particular since the introduction of the Core day-ahead flow-based market coupling project on 9 June 2022. Member states rely on a combined approach of maximizing capacities, building and reinforcing infrastructure, and remedial actions. However, to successfully integrate the high amount of RES that are to be installed in the next few years, the grid will be expanded. Increasing the overall capacity of the European transmission grid is essential and cannot be achieved only by enforcing artificial minimum capacity targets.

Margin available for cross-zonal trade in the EU in 2022

Considering the results of the monitoring exercise of 2022, do you believe that enough progress is being made across the EU to fulfil the 70% cross-zonal transmission capacity target by 2026?

- (●) Yes
- ( ) No

Please clarify your answer.

We are convinced that considerable efforts are being made to maximise cross-zonal capacities. It is important to acknowledge the progress that has been made up to this point and to see if the actions will deliver the expected results. As the compliance assessment of the BNetzA and Core operational data (see JAO publication tool) demonstrate, Germany has met the linear trajectory and continues to remove barriers to achieve the 70% target by 31st December 2025. The ACER report also acknowledges this on page 61, Figure 36. In this analysis Germany has successfully reached the action plan targets in 96% of the hours in the currently relevant Core region. The results of this analysis are mostly consistent with the BNetzA conclusions and demonstrate the enhanced electricity trading possibilities across Europe.
The remaining discrepancy between ACER's and BNetzA's conclusions are mostly a result of diverging methodologies for calculating the MACZT. Furthermore, there are significant inconsistencies in ACER's results once calculations are performed with real operational data from the Core capacity calculation tool. This is further outlined in the conclusion of our stakeholder contribution.

In ACER's report, several elements are presented as critical limitations to the achievement of the 70% cross-zonal transmission capacity target. Please rank them by order of relevance:

5 stars correspond to the biggest threat.

Lack of a mechanism to share remedial actions costs	★★★☆☆
Lack of sufficient remedial actions	★★★☆☆
Suboptimal bidding zone configuration and resulting loop flows	★☆☆☆☆
Lack of sufficient grid developments	★★★★★
Unilateral capacity reductions applied by TSOs	★☆☆☆☆

Do you see any other threat to the achievement of the 70% target?

It is important to note that the capacity validation conducted by TSOs within CCR Core is an integral part of the capacity calculation process and is fully in line with the underlying DA capacity calculation methodology approved by ACER. When adjusting the remaining available margin (RAM) to the required minimum, a virtual capacity is created. It is crucial to validate that the capacity can actually be sustained. In exceptional circumstances operational security may be at risk, which is why capacity may need to be reduced.
As mentioned above, the physical limitations of the grid pose a threat to the achievement of the 70% target. However, the goal should be to provide the optimal capacity for market integration and whether the optimal capacity lies at 70% has not been assessed. Whether it is reasonable to orient oneself towards rigid percentage values should be the subject of investigation.

What would be the key enabler(s) for reaching the 70% target by 2026?

Installation of new grid infrastructure, strengthening of existing grid infrastructure, and optimized use of network elements (e.g. extended usage of dynamic line rating, new PSTs to steer flows etc.), more available cross-border RAs due to closer coordination in ROSC.

Have you been affected by unilateral capacity reductions, such as allocation constraints or individual validation adjustments?

- ○ Yes
- ○ No
- ○ Not applicable

Please clarify your answer - in particular, the extent to which you were affected.

N/A

Do you believe that enough transparency and justification is provided by TSOs in the application of validation adjustments, or other similar unilateral reductions of cross-zonal capacities?

- ◉ Yes
- ○ No

Please clarify your answer.

Detailed information on the quantity and quality of validation adjustments can be retrieved from the Core TSOs publication tool. In addition, Core TSOs publish a quarterly report on JAO's website. To better understand the entire capacity calculation process in Core, including the validation process, ENTSO-E has recently published a comprehensive explanatory video. Hence, a lot of information is already publicly available.
https://www.jao.eu/quarterly-reports
https://www.entsoe.eu/bites/ccr-core/explained/

Do you consider that ACER's current MACZT monitoring exercise on regions that apply a CNTC capacity calculation methodology provides a complete assessment?

- ○ Yes
- ◉ No

Please clarify your answer, and potential suggestions to improve this monitoring.

N/A

Unnecessary constrained capacities limit EU welfare

Do you believe that additional cross-border transmission capacity would have played a critical role in coping with the effects of the energy crisis of 2022?

- ○ Yes
- ◉ No

Please clarify your answer.

Additional physical transmission capacity can mitigate some effects of an energy crisis, such as affordability of energy, generation adequacy and the level of CO2 emissions. However, there have also been many hours in 2022 with full price convergence in the Core region where additional transmission capacities would not have brought any benefit. For example, on the 29th of August 2022 in hour 20 there was full price convergence (except Poland because of their allocation constraint) at a price of more than 870 €/MWh. This shows that the market makes the prices, and transmission capacity is “only” a mean to even them out in all bidding zones.

Do you see a risk for re-dispatching costs to offset the potential gains from increased cross- border transmission capacity and further market integration?

- ◉ Yes
- ○ No

Please clarify your answer.

A general clause like the 70% rule cannot reduce the risk described. Member States must individually decide on the measures to enable further market integration

Conclusions

Any other comment

German TSOs urge ACER to adapt the analysis for CCR Core in the MACZT report as significant details are not considered.

Benchmarking against the 70% target before 2026 does not provide relevant insights for countries that apply action plans and derogations. If the transitional targets for CCR Core were considered, the result of the analysis would be much more accurate.

In its report ACER only displays the lowest MACZT per MTU. This results in situations where only a small excerpt of the overall situation is shown. A more realistic insight can be provided by presenting the lowest MACZT per CNE and MTU, as it is done in the German compliance report. Partially, this is taken up in Figure 23 of the ACER report, but not explored much further.

ACER's analysis ignores certain capacity made available to the market: Firstly, the ACER analysis only focuses on the flow-based domain when also the long-term capacity domain is given to the market. This must be considered, as the long-term capacity domain can provide significantly more capacity to the market. Secondly, for trades from outside the CCR Core, the ACER monitoring considers only a forecast that is lower than the capacity made available to the market. The forecast might even be negative. Therefore, ACER undervalues the results.

ACER does not display the numbers for Germany in the main section of the report correctly. German TSOs delivered data to ACER that are strictly aligned to the Clean Energy Package (cf. explanation in the section before). ACER processed this data in a way that led to wrong results and presented this in the main section of the report. For CCR Core, all data are publicly available or were delivered to ACER to carry out an analysis that is in line with the ACER Recommendation 01/2019 (cf. p. 61, Figure 36).

The analysis of the applied IVAs should be accompanied by additional explanation. It needs to be highlighted that IVA application is a last resort measure of TSOs to maintain operational security in case there isn't sufficient remedial action available to relieve congestion. Regulation 2019/943 explicitly provides for such actions and does not see them as a breach of the 70% rule in this case. Furthermore, the size and amount of IVAs applied by German TSOs is higher due to few days with initial problems related to the configuration of the German TSOs' validation tool. Since then the validation process of German TSOs has been improved, so that the average IVA size is expected to be lower in the future.

Overall, we think that significant achievements in terms of offered cross-zonal trading capacity and thus market integration could be reached by TSOs and their stakeholders in recent years. We trust, that the MACZT report will assess realities in different member states on an equal and rational basis so that efforts will pay off.

Contact

Contact Form