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## **CEZ Group reply to the Consultation on the definition of capacity calculation regions (PC\_2016\_E\_02)**

*The Agency invites interested stakeholders to express their views on the five questions below and to provide reasons for their comments. When doing so, stakeholders are asked to take into account that, according to the Agency, the CCRs Proposal should be compliant with the requirements of the CACM Regulation, as well as of Regulation (EC) No 714/2009 and, in particular, point 3.1 of its Annex I.*

**1. Do you consider both the commitment from the CWE and the CEE TSOs to cooperate towards a merger of the CWE and CEE CCRs and the MoU signed on 3 March 2016 as sufficient to ensure that the CWE and CEE regions will develop and implement a common congestion management procedure compliant with the requirements of the CACM Regulation, as well as of Regulation (EC) No 714/2009? Or should the definition of the CCRs provide for a CCR already merging the proposed CWE and CEE regions to ensure compliance with the required common congestion management procedure?**

We welcome the commitment from the CWE and the CEE TSOs to cooperate towards a merger of the CWE and CEE CCRs as well as the MoU signed on 3 March 2016, however we are afraid that it will not ensure real development and implementation of a common flow based congestion management procedure before all existing barriers are take care of. One of major obstacles is e.g. an unsolved procedure of the splitting of the Austria-Germany bidding zone.

The market coupling between CWE and CEE regions should start on the current capacity calculation base (CEE on NTC/ATC) and when this coupling milestone is reached, it should further continue by development of the common flow based capacity calculation. This two-steps approach is very important for testing phase of the flow based methodology implementation and also for final acceptance by all stakeholders.



**2. Do you have comments on the description of the geographical evolution of the CCRs over time, as proposed by all TSOs in Annex 3 to the Explanatory document to the CCRs Proposal?**

First of all, this is to emphasize the importance of swift coupling of CWE and CEE regions as a solid ground for further integration of the European market.

Secondly, we would like to stress the importance and appropriateness **of inclusion of the Serbian bidding zone border with the rest of CEE as the integral part of CEE**. It would have a positive impact on overall interconnectivity in the region. The Serbian profiles (Serbia – Hungary, Serbia – Romania) are frequently used for trading within CEE. Furthermore, thanks to the compatibility of the trading system used by Serbian PX and neighbouring CEE's PXs, the integration of Serbia does not present any technical problem and can be easily achieved.

**3. Should the CEE region (or a merged region) include the bidding zone borders between Croatia and Slovenia, between Croatia and Hungary, and between Romania and Hungary?**

Yes, it is essential. Mainly Romania - Hungary border should be included to be in line with the business reality and level of market integration (4M). Regarding the inclusion of Croatia – Slovenia and Croatia – Hungary bidding zone borders, we support the inclusion of these borders since the beginning in the CEE region as well as the Romania - Hungary bidding zone border.

**4. Should the CEE region (or a merged region) include a bidding zone border between Germany/Luxembourg and Austria?**

**Yes, we agree with CCR 6 as it was proposed, including bidding zone border between Germany/Luxembourg and Austria.**

We welcome the ACER Opinion No. 19/2015 and consider it as an essential step towards setting equal conditions when dealing with electricity trade in Central Europe. Current situation discriminates some market participants and represents significant obstacle for further interconnection of energy markets.

It has been proved that cross-border exchanges on the DE-AT border have a significant impact on the congestions within the CEE region as the capacity on the DE-AT is insufficient and congestions exist there. Because of that unscheduled flows from DE/Luxembourg-AT bidding zone limits the capacities on the borders within the



CEE region. That is why the DE-AT profile is important for capacity calculation in the whole region and **it has to be the part of CEE CCR.**

We are of the opinion that the application of correct method of allocation of capacity at the German-Austrian border and the splitting of the bidding DE/Luxembourg-AT zone could significantly contribute to help the situation, set up equal conditions for all market participants, remove one of the barriers in the market integration process and would also contribute to security of transmission systems operation.

**5. Do you have comments on any other new element or development concerning the CCRs Proposal which occurred after the public consultation held by ENTSO-E from 24 August to 24 September 2015?**

General observation is that implementation of CACM Regulation requirements has a significant delay and several implementation projects are frozen. This fact should be taken into account at the finalization of Electricity Balancing NC.