

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

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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

Consultation objective and background

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)

- 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)
- 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)
- 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)
- 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)

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Privacy and confidentiality

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) 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

Consultation questions

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.

According to FEBEG, it is crucial that the maximum entry capacity takes into account the expected availability of interconnections, considering the occurrence of simultaneous extreme stress events between neighboring countries in order to avoid overestimation of available contribution of foreign capacity.

Also, FEBEG insists on the possibility for Member States to consider more extreme and rare events in the determination of the maximum entry capacity (and not only the average value for the distribution of imports during stress events), as security of supply is a national competence. The degree of relying on imports to ensure its own security of supply, and thus the coverage to take against more rare and extreme event, can also be a political choice.

Finally, FEBEG advocates for transparency on the distributions underlying the central values that will be used as maximum entry capacity for each border.

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?

According to FEBEG, the priority should be given to the introduction of a proper methodology to enable the participation of capacities from other Member States directly connected. When it comes to the participation of capacities in non-directly connected Member States, it should be demonstrated that these capacities can effectively contribute to the security of supply of the concerned country. A sound methodology to determine the effective contribution of cross-border capacity to the Member State contracting capacity is crucial to ensure a proper functioning of its capacity market, avoiding over-commitment and reaching its objective of ensuring the security of supply. FEBEG refers here to the position explained in question 7.

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.

FEBEG has reservations with the proposition of ENTSO-E.

According to FEBEG, all revenues from cross-border participation should be shared between the concerned parties and this should be based on the economical principle that only the scarce resources are remunerated. However, the transmission capacity can be considered as the scarce resource only if some transmission remains available on the interconnection while there is no capacity abroad able to deliver energy due to a simultaneous stress event.

Also, the proposition of ENTSO-E does not address the differences that will arise from different clearing systems in the capacity markets. Some countries have implemented a pay-as-bid system with different remuneration for domestic capacities and foreign capacities, which makes it very complex to define the 'congestion revenue' compared to a pay-as-clear system. ENTSO-E does not address this complexity in its proposition. It should certainly be avoided to create artificial congestion income.

Finally, FEBEG supports the position that all congestion revenues - from the energy-only market or capacity market - should be used to reinforce the cross-border interconnection capacities or to decrease the final cost of Capacity Mechanism.

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.

FEPEG disagrees with the proposition of ENTSO-E.

FEPEG pleads for a transparent, consistent and common set of rules across capacity markets for the determination of availability checks. Having an harmonized approach at European level is necessary to facilitate the cross-border participation of a capacity in the different capacity markets while ensuring this contracted capacity can effectively participate to the security of supply of the contracting member state(s) and thus avoiding the risk of over-procurement in various capacity markets. The methodology proposed by ENTSO-E does not provide this set of common and harmonized rules at European level while FEPEG's interpretation is that this is required by the Electricity Market Regulation (art. 26).

Additionally, FEPEG considers it is essential that foreign capacity holders participate on a level playing field basis with capacity holders located in the country where the CRM is implemented.

This means that foreign capacity holders:

- have to go through the same pre-qualification process and meet the same pre-qualification criteria as local capacity providers;
- are subject to the same obligations (e.g. penalties, financial guarantee, ...);
- are subject to a pay-back obligation of the difference between their reference price and the strike price on the local market in the case of reliability options mechanism.

Obviously, there should be no different treatment between the different participants and the same rules and obligations should apply to all capacity providers.

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.

FEPEG pleads for all participants to a capacity mechanism for:

- reasonable penalties (no escalation leading to excessive risks for capacity providers)
 - no penalty in case planned unavailabilities are agreed upon with the concerned TSOs
 - a stop-loss limit on the penalties to allow capacity providers to manage their risks
- clear procedures in case of disagreements regarding the availability checks' and the application of penalties (with escalation procedure in case a disagreements between TSOs and/or NRAs).

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.

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.

According to FEBEG, as explained in question 2, it is crucial to implement a methodology that allows a Member State to contract the capacity that effectively contributes to its security of supply.

FEBEG pleads to limit the risk of over-commitment from a capacity provider to several CRMs. This risk would be obviously limited in the case a CRM is in place in both interconnected countries, given the availability requirements and linked penalties in both countries. A possible issue mainly arises for foreign capacity where a CRM is not implemented in the country where it is located.

One way to address this risk is to incentivize the contracting of foreign capacity that are expected to contribute to the export margin of that country. This could be done by introducing an appropriate derating reflecting the ability to deliver the same level of service on the other side of the border – this is somehow similar to the derating of local intermittent generation (RES) or local energy-constrained capacities (demand response, storage).

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.

According to FEBEG, a clear visibility is necessary on the expected timeline for the explicit participation of cross-border capacity into a capacity market a Member State is implementing, in line with the Electricity Market Design Regulation. This should be irrespective to the fact that bilateral agreements between Member States' authorities and system operators are needed. In this respect, FEBEG favors a correct but pragmatic approach in cooperation with the concerned TSOs, using the frameworks and obligations already implemented (e.g. REMIT) or the data already collected by the neighboring TSOs to avoid unnecessary administrative burdens.

Therefore, FEBEG advocates for a clear entry into force of the methodology currently consulted upon by ACER.

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

Given the fact that Belgium is very interconnected, FEBEG has always supported an explicit participation of foreign capacities in capacity markets. These foreign capacity holders should be enabled to participate (1) on equal terms with local capacity holders and (2) for their expected actual contribution to the security of supply to the country during periods of scarcity.

FEBEG considers it of utmost importance that the participation of foreign capacity is organized such that (1) it doesn't require the reservation of capacity on the interconnections as this would imply an interference with the EOM and that (2) the same capacity does not overcommit in various CRM's (and thus is remunerated several times for the same specific service while they would not be able to deliver in case of simultaneous scarcity in the respective countries).

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Regarding us, FEBEG represents electricity producers, traders and suppliers of electricity and gas, as well as laboratories in the electricity and gas sector in Belgium.

FEBEG has 33 full members who together employ about 7,522 people and achieve a turnover of about EUR 17.4 billion.

Given the strategic importance of energy supply for the country and given the ongoing design discussions on the implementation of a capacity market in Belgium - where the explicit participation of cross-border capacities is an integral part of the mechanism chosen by the Belgian government, FEBEG hereby wishes to provide its views on the draft methodologies and common rules for cross-border participation in capacity mechanisms.

Contact

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