

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.

The methodology contains very little detail on how exactly MEC will be calculated beyond a general statement that the model and input data assumptions used in the European Resource Adequacy Assessment (ERAA) will be used to generate a number of calculated MEC numbers which will then be averaged.

The complexities of modelling MEC will then largely flow from the approved models of the ERAA and the assumptions and scenarios that are entered into it. We note that even then there are a number of exceptions to this rule whereby TSOs may deviate from this approach. These are set down in Articles 10(7), 10(8) and 10(9). There is little clarity about when such scenarios may arise and what impact this might have on the final MEC value calculated.

It is crucial to give confidence in the MEC methodology that there is clear oversight of the calculations and that they represent a fair and unbiased view of the likely market positions when determining MEC. There should be a process by which TSOs operating the ERAA process publicly share the inputs and outputs of the modelling and seek feedback from the wider industry at key stages during the process to determine MEC. Should a TSO plan to deviate from the ERAA assessment again the reasons for this should be publicly shared and consulted upon. There should also be a clear appeals process should parties believe that a final MEC value has been erroneously calculated.

This is particularly important given that the revenue TSOs earn from operating capacity markets increases as the interconnectors derating factor increases and thus a perverse incentive exists for TSOs to deliberately choose as lower MEC as possible.

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?

We have no comment on this section

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.

We do not agree with the proposed methodology for sharing the revenues from allocating entry capacity. We note that a significant number of consultation respondents disagreed with the proposed methodology when ENTSOe consulted on it earlier in the year. ENTSOe has chosen to disregard these comments making only very minor changes that do not address the fact that the revenue sharing methodology proposes a “double-derating” of cross-border capacity.

In European energy markets, interconnector TSOs earn Congestion Rent through the price differentials between bidding zones. The ENTSOe draft methodology for sharing cross-border revenues in capacity markets proposes that Congestion Rents in capacity markets should be shared between interconnector TSOs and the TSO that runs the Capacity Market.

The GB Interconnectors Forum (GBIF) believes this to be fundamentally incorrect and contrary to requirements of the Electricity Regulation (EU) 2019/943 (articles 26 and article 19) governing the use of Congestion Rents. In particular, when the TSO running the capacity market is not the owner of the interconnectors there is no provision in the EU Regulation 2019/943 for any party other than the interconnector TSO to receive the congestion rents from providing the cross-border capacity. Consequently, the chosen sharing mechanism has the potential to distort investment signals and promote inefficiency in the connected markets thus hampering:

- Further integration of European energy markets;
- Realising the EU’s Green Deal, while decreasing competition;
- Increasing costs; and,
- Reducing security of supply for consumers.

A solution is required that does not suffer from these drawbacks and complies with existing EU rules. One such solution would be to extend the established principles from cross border energy markets to cross-border participation in capacity markets.

In the future, markets may be dominated by zero or very low marginal cost generation, and alongside this it is very likely that Member States will continue introducing capacity markets. However, capacity markets are likely to reduce energy price volatility and thereby reduce energy market congestion income for interconnectors. Therefore, it is crucial that interconnectors can fully capture capacity congestion income of the cross-border capacity made available. If this is not the case, then this would inappropriately re-allocate the income away from the party providing capacity (i.e. interconnector) towards other parties (operator of the CM) who do not provide such benefits. This introduces an undue bias against interconnector infrastructure by negatively affecting the financial viability of both existing and new interconnector projects and result in suboptimal infrastructure investment decisions. The GBIF recommends that capacity market revenues are fully allocated to the owners of the interconnection infrastructure.

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.

We have no comment on this section

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.

In our response to the ENTSOe consultation on the draft methodology we raised concerns about what is now Article 20(3) of the methodology. Specifically we were concerned that the proposal restricts a capacity provider from selling more than its nameplate capacity across all capacity markets it participates in..

ENTSOe has clarified that this is not the intent of the clause, and parties may bid unconstrained into as many capacity markets as they wish, but that the penalties they face for non-delivery should be in every market where simultaneous stress occurs where they have commitments in those markets. While this is welcome clarification the text in the methodology has not been updated. We believe that it should be updated to avoid confusion at a later date.

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.

We have no comment on this section

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.

We have no comment on this section

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.

We have no comment on this section

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

We have no comment on this section

Contact

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