

# Public consultation on the amendment of the harmonised cross-zonal capacity allocation methodology

Fields marked with \* are mandatory.

## Introduction

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On 31 July 2024, ACER received a proposal ('[HCZCAM Proposal](#)') from all Transmission System Operators (TSOs) to amend the [harmonised methodology for cross-zonal capacity allocation for the exchange of balancing capacity or sharing of reserves](#) (HCZCAM) in accordance with Article 38(3) of Commission Regulation (EU) 2017/2195 ('EB Regulation').

This methodology provides a harmonised approach for effective allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves. Having an optimised allocation of cross-zonal capacity is important to foster the integration of balancing capacity markets, lower the costs of procuring balancing capacity (hence the costs for tariff payers) and ensure the security of electricity supply.

The methodology harmonises the processes (i.e. market-based and co-optimisation) that compare the market value of cross-zonal capacity between balancing capacity and day-ahead electricity markets. These processes then allocate the available cross-zonal capacity to each market in a way that maximises overall welfare.

The current methodology was approved by ACER in [July 2023](#).

Amending the methodology is necessary to clarify the governance of the market-based process, covering both its implementation and operation. This aims to ensure the process runs efficiently and encourage more TSOs to apply it.

Additionally, TSOs proposed to:

- Establish a process and governance framework to set different maximum limits for exchanging balancing capacity or sharing reserves.
- Amend the provisions to distribute congestion income among TSOs.
- Allow the possibility of delaying the implementation of the harmonised market-based process beyond 31 July 2026.

To inform its decision-making process, ACER is collecting inputs from stakeholders. This consultation is addressed to all interested stakeholders, including TSOs, Regional Coordination Centres (RCCs), Nominated Electricity Market Operators (NEMOs), balancing providers, regulatory authorities and other interested parties.

Stakeholders are invited to respond to this survey by **14 October 2024**, 23:59 hrs (CET).

ACER expects to decide on the amended methodology by 31 January 2025.

## Data protection

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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 in ACER's [data protection notice](#) and on [ACER's website](#).

**ACER will not publish personal data.**

## Confidentiality

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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

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\* Country

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark

- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Norway
- United Kingdom
- Other**

\* Name and surname

*50 character(s) maximum*

This information will not be published.

\* Company

*50 character(s) maximum*

\* Email

This information will not be published.

## Related documents

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All TSOs' submission of the amendment proposal for the HCZCAM:

[HCZCAM Proposal](#)

## [Explanatory document](#)

### **Related ACER decisions:**

[Decision No 11/2023](#) on the TSOs' proposal for the harmonised cross-zonal capacity allocation methodology and its Annex I ('[HCZCAM](#)')

### **Related legal acts:**

[EB Regulation](#) - Regulation (EU) 2017/2195 establishing a guideline on electricity balancing

[Electricity Regulation](#) - Regulation (EU) 2019/943 on the internal market for electricity

[ACER Regulation](#) - Regulation (EU) 2019/942 establishing a European Union Agency for the Cooperation of Energy Regulators

## **Background**

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The EB Regulation establishes an EU-wide set of technical, operational and market rules to govern the functioning and integration of the national electricity balancing markets. One of its cornerstones is the application of cross-zonal capacity allocation for the balancing timeframe, which improves competition and increases welfare by means of cross-zonal balancing capacity exchanges.

Cross-zonal capacity between bidding zones is limited. To allocate it in an economically efficient way, the EB Regulation defines the following cross-zonal capacity allocation processes:

- Co-optimisation (Article 40)
- Market-based allocation and inverted market-based allocation (Article 41)
- Allocation based on an economic efficiency analysis (Article 42)

The HCZCAM 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.

In the co-optimised allocation process, the allocation of cross-zonal capacity for the day-ahead and the balancing capacity markets is performed in the single day-ahead coupling (SDAC) algorithm with actual energy supply and demand bids, together with actual balancing capacity bids, which compete for the available cross-zonal capacity for each market time unit of the following day. The objective of the co-optimisation function is to maximise the sum of the welfare gains of the day-ahead energy market and the balancing capacity markets. As a result, one unit of cross-zonal capacity is allocated to either market, depending on where its market value is the highest.

The market-based allocation process, which is based on actual balancing capacity bids but forecasted energy supply and demand bids, is run independently from the SDAC algorithm. While this simplifies the technical complexity of the process as well as its governance, the market-based methodology requires forecasting the market value of cross-zonal capacity for the exchange of energy, for which a dedicated forecasting process needs to be put in place.

## The HCZCAM Proposal

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Article 27(1) of [ACER Decision No 11/2023](#) requires TSOs to submit an amendment of the HCZCAM by 31 July 2024. This amendment must cover the following elements:

- Governance for all market-based application TSOs on change requests for the cross-zonal capacity allocation optimisation function software (Article 15(2)).
- Governance of the balancing capacity platforms (Article 16(7)).
- A congestion income distribution methodology which considers the congestion income from the exchange of balancing capacity or sharing of reserves (Article 24).
- Any other requirements necessary for the designation of entities, the development of the cross-zonal capacity allocation optimisation function software and the fulfilment of publication requirements pursuant to Article 26.

Additionally, TSOs, on their own initiative, added a process allowing different limits per critical network element with contingency in a flow-based capacity calculation region.

In a nutshell, the Proposal includes amendments to the following articles of the HCZCAM:

- Article 2(g) and 2(h): Added a definition of 'Interdependencies of applications' and 'Set of Requirements'.
- Article 15: Added a provision on the governance for all market-based application TSOs on change requests for the cross-zonal capacity allocation optimisation function software.
- Article 16: Further specification of some aspects related to the governance of the balancing capacity platforms.
- Article 17: Added a proposal to develop a process and a governance framework to set a different maximum limit per critical network element with contingency, for capacity calculation regions where the flow-based approach is applied, for the exchange of balancing capacity or sharing of reserves.
- Article 24: Added formulas to devise a congestion income distribution methodology which considers the congestion income from the exchange of balancing capacity or sharing of reserves. These changes follow from the amended congestion income distribution methodology adopted pursuant to Article 73 of the CACM Regulation, approved in December 2023 with ACER Decision 16/2023.
- Article 27: Added an option for a derogation for already operational TSOs to switch to the harmonised market-based allocation process.

Furthermore, the changes introduced by TSOs to these articles required an update of the relevant cross-references within the document.

## Consultation questions

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Please provide any comments on the HCZCAM Proposal.

*5000 character(s) maximum*

## Confidentiality question

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\* Does your response contain confidential information?

- Yes  
 No

If your response contains confidential information, you have to claim confidentiality according to Article 9 of [ACER's Rules of Procedure](#).

### How to do it:

1. download a PDF version of your response (see upper right corner of the page);
2. redact confidential information and provide descriptions\* of the deleted information (e.g. use a PDF editor or print out your response and manually replace confidential information with descriptions);
3. upload the redacted (i.e. non-confidential) version of your response;
4. upload a separate document where you:
  - clearly identify which persons/undertakings should not have access to the deleted information;
  - provide reasons why the persons/undertakings should not have access to the information;

\* Your descriptions of the deleted information must enable any party concerned with access to the file to determine whether:

- the information deleted is likely to be relevant to their defence; and
- there are sufficient grounds to request ACER to grant access to the information claimed to be confidential.

Please upload a redacted (i.e. non-confidential) version of your response:

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ACER will assess your confidentiality claim(s) in accordance with Article 9 of [ACER's Rules of Procedure](#).

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- assume that your answers do not contain confidential information and that you have no objections to the disclosure of your response in its entirety; or
- disregard your entire response because of non-compliance with the procedural requirements for confidentiality claims.

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