

**SWE TSOs fallback procedures in accordance with Article 44 of the
Commission Regulation (EU) 2015/1222 of 24 July 2015
establishing a Guideline on Capacity Allocation and Congestion
Management**

EXPLANATORY NOTE

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1. INTRODUCTION

Article 44 of the Commission Regulation 2015/1222 establishing a Guideline on Capacity Allocation and Congestion Management (hereinafter referred to as 'Regulation 2015/1222') requires that, by 16 months after the entry into force of Regulation 2015/1222, each TSO, in coordination with all the other TSOs in the capacity calculation region, shall develop a proposal for robust and timely fallback procedures to ensure efficient, transparent and non-discriminatory capacity allocation in the event that the single day-ahead coupling process is unable to produce results. The proposal for the establishment of fallback procedures shall be subject to consultation in accordance with Article 12.

This document is an explanatory note accompanying the common proposal developed by all Transmission System Operators (hereafter referred to as "TSOs") within the South West Europe Capacity Calculation Region (hereafter referred to as "SWE") regarding the proposal for fallback procedures (hereafter referred to as "SWE Fallback Procedures").

In this document, all definitions of SWE Fallback Procedure shall apply.

2. SWE FALLBACK PROCEDURES

2.1 France-Spain interconnection

Fallback Procedure for the France-Spain interconnection consists in the execution of Shadow Auctions on the concerned border where there is a risk that single day-ahead coupling process may be unable to produce results.

Shadow Auctions are executed by the Allocation Platform, pursuant to applicable version Shadow Allocation Rules consists in flowing steps:

- 1- Market Participants have to be registered with the Allocation Platform in order to participate to Shadow Auctions, pursuant conditions stated in the Shadow Allocation Rules. This registration is non-discriminatory and free of charge;
- 2- Once registered, Market Participants can submit and/or update their default bids to the Allocation Platform without any time limit and prior to the effective execution of a Shadow Auction. These default bids will be used by the Allocation Platform during the execution of the Shadow Auction;
- 3- When the Fallback Procedure is launched, the latest version of default bids submitted by the Market Participants are used by the Allocation Platform in order to run a Shadow Auction: during the execution of Shadow Auctions, Market Participants do not have the possibility to modify their default bids;
- 4- The offered capacity used in the Shadow Auctions is the same as the one transmitted by the TSOs to NEMOs for the purpose of day ahead coupling process in normal conditions;
- 5- The results of a Shadow Auction are determined according to the algorithm described in the Shadow Allocation Rules, which calculates a marginal price for the offered capacity according to the default bid prices;
- 6- The results of the Shadow Auctions are provided to the market participants only in the case where the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs, and no later than 13:50 market time day-ahead.

2.2 Portugal-Spain interconnection

SWE Fallback Procedure for the Portugal-Spain interconnection consists in the execution of the price coupling algorithm proposed by All NEMOs in accordance with Article 37 of the CACM Regulation in an isolated mode for MIBEL area. In case this procedure is also unable to produce results, the former Market Coupling process in MIBEL, named SIOM, will be executed.

Fallback Procedure for PT-ES interconnection will always maintain the MIBEL area coupled and its capacity will be allocated implicitly in order to comply with the Iberian regulation for the Iberian Electricity Market as created in July 2007 following (i) the signature of Protocol for the Cooperation between the Spanish and Portuguese Governments for establishing the Iberian Electricity Market in November 2001, (ii) the signature of the Agreement in Santiago de Compostela between the Portuguese Republic and the Kingdom of Spain in October 2004, (iii) 22nd Luso-Spanish Summit of Badajoz which took place in November 2006; and (iv) the signature of the Agreement in Braga in January 2008 which revises the Santiago Agreement.

SIOM is executed by the the Iberian NEMO, pursuant to applicable version of the Market Operating Rules consists in following steps:

- 1- When the SWE Fallback Procedure is launched, the latest version of bids submitted by the Market Participants to EUPHEMIA algorithm are used by the Iberian NEMO in order to run the calculation with SIOM algorithm;
- 2- The offered capacity used in the SIOM algorithm is the same as the one transmitted by the TSOs to NEMOs for the purpose of day ahead coupling process in normal conditions;
- 3- The SIOM algorithm calculates a marginal price for the offered capacity according to the bid prices of the market participants;
- 4- The results of the SIOM algorithm are provided to the market participants only in the case where the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs.

3. REQUIREMENTS FOR ESTABLISHING SWE FALLBACK PROCEDURES

3.1 France-Spain interconnection

Efficiency

Firstly, Shadow Auctions are performed by the Allocation Platform: the IT tools and operational teams used for Shadow Auctions are the same as the ones used for explicit allocations in other timeframes (year ahead, month ahead, daily) and most of the European borders. This reduces the specific costs for this process and thus increases its economic efficiency.

Secondly, the Shadow Auction process described in the §2.1 above is launched as a task in background of the single day-ahead coupling process as soon as the information of the risk that single day-ahead coupling process may be unable to produce results is known by the TSOs. This ensures that results of the Shadow Auctions are provided to the market participants as soon as possible, after the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs. The latest time to confirm the unavailability of single day-ahead coupling results is 13:50 market time day-ahead, which means that the results of the Shadow Auctions are sent to the market participants at the latest within a couple of minutes after 13:50 market time day-ahead. The latest time to complete the sending of results of the Shadow

Auctions to the market participants is 13:58 market time day-ahead according to the operational procedures for market coupling.

Finally, the Shadow Auction process is already in place since several years as a fallback of the day-ahead coupling process. This implies that the Fallback Procedure for France-Spain interconnection relies on well-proven and known processes (both by TSOs and market participants), and that it does not require any additional investments.

Robustness and reliability

The IT tools and operational teams used for Shadow Auctions are the same as the ones used for the explicit allocations, and furthermore apply on most of the coupled borders, which means that:

- The systems used for Shadow Auctions come with the same service level as the other regular allocation processes (up to a daily frequency);
- The operational teams running the Shadow Auctions are used to handle the relevant systems and procedure, including communication and data exchanges with the market participants;
- This increase the potential use of such processes and therefore its reliability.

Moreover, the Shadow Allocation Rules define fallback procedures for data exchanges between market participants and the Allocation Platform to cope with situations where these data exchanges cannot be performed through the standard processes by the applicable deadlines. Fallback procedures for data exchanges between market participants and the Allocation Platform consist in exchanging data by e-mail, which is an efficient communication mode that can be easily used by all market participants, and allow an efficient processing of data received by the Allocation Platform in tense situations, especially compared to fax or phone.

3.2 Portugal-Spain interconnection

Efficiency

Fallback Procedure for Portugal-Spain interconnection is performed by the Iberian NEMO: the IT tools and operational teams used for Fallback Procedure are the same as the ones used for the execution of price coupling algorithm proposed by All NEMOs in accordance with Article 37 of the CACM Regulation.

Finally, Fallback Procedure for Portugal-Spain interconnection is already in place since several years as a fallback of the day-ahead coupling process. This implies that the Fallback Procedure for Portugal-Spain interconnection relies on well-proven and known processes (by Iberian Operator, TSOs and market participants), and that do not require any additional investments.

Robustness and reliability

The IT tools and operational teams used for Fallback Procedure for Portugal-Spain interconnection are the same as the ones used for the execution of price coupling algorithm proposed by All NEMOs in accordance with Article 37 of the CACM Regulation, which means that:

- The systems used for Fallback Procedure for Portugal-Spain interconnection come with the same service level as the other regular allocation processes;
- The operational teams running the Fallback Procedure for Portugal-Spain interconnection are used to handle the relevant systems and procedure, including communication and data exchanges with the market participants;

- This increase the potential use of such processes and therefore its reliability.

SIOM algorithm was used from 1st January 1998 to 4th February 2014, reaching a valid solution every day. This process carried out by the Iberian NEMO has been approved by the Regulators after the public consultation process, through the Market Operating Rules, and is available on the Iberian NEMO website¹.

4. PUBLIC CONSULTATION RESPONSES AND TSO REACTIONS

Only one market party answered to the consultation. The respondent said the draft proposal was fine (see answer below):

What is your organisation? - Organisation	Any views on the proposals are welcomed: - Any Views
Statkraft Markets GmbH	Fine, no comments

¹ <http://www.omie.es/en/home/market-regulations/rules-omie>