

Approval by Capacity Calculation Region Baltic Regulatory Authorities

of

Capacity Calculation Region Baltic TSOs' Redispatching and Countertrading Cost Sharing Methodology in accordance with Article 74 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management

29 May 2019

I. Introduction and legal context

This document elaborates an agreement of all Capacity Calculation Region (“CCR”) Baltic Regulatory Authorities Energy Authority of Finland (EV), Energy Regulatory Office of Poland (ERO), Estonian Competition Authority (ECA), National Commission for Energy Control and Prices of Lithuania (NCC), Public Utilities Commission of Latvia (PUC), Swedish Energy Markets Inspectorate (EI), on the Redispatching and Countertrading Cost Sharing Methodology (“RDC CS methodology”), pursuant to Article 74 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (“Regulation 2015/1222”).

This document is intended to constitute the basis on which all CCR Baltic National Regulatory Authorities (“NRAs”) will each subsequently make national decisions pursuant to Article 9(7)(h) Regulation 2015/1222 to approve the proposal submitted by all CCR Baltic Transmission System Operators (“TSOs”) i.e. AS “Augstsprieguma tīkls”, Elering AS, Fingrid Oy, Litgrid AB, Polskie Sieci Elektroenergetyczne S.A., and Svenska Kraftnät.

The legal provisions relevant to the submission and approval of the proposal, and this CCR Baltic NRAs agreed position, are set out below for reference:

Article 3 of Regulation 2015/1222:

This Regulation aims at:

- (a) promoting effective competition in the generation, trading and supply of electricity;*
- (b) ensuring optimal use of the transmission infrastructure;*
- (c) ensuring operational security;*
- (d) optimising the calculation and allocation of cross-zonal capacity;*
- (e) ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;*
- (f) ensuring and enhancing the transparency and reliability of information;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;*
- (h) respecting the need for a fair and orderly market and fair and orderly price formation;*
- (i) creating a level playing field for NEMOs;*
- (j) providing non-discriminatory access to cross-zonal capacity.*

Article 9 of Regulation 2015/1222:

- 1. TSOs and NEMOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*
- 2. (...)*
- 3. (...)*
- 4. If TSOs or NEMOs fail to submit a proposal for terms and conditions or methodologies to the national regulatory authorities within the deadlines defined in this Regulation, they shall provide the competent regulatory authorities and the Agency with the relevant drafts of the terms and conditions or methodologies, and explain what has prevented an agreement. The Agency shall inform the Commission and shall, in cooperation with the competent regulatory authorities, at the Commission's request, investigate the reasons for the failure and inform the Commission thereof. The Commission shall take the appropriate steps to make possible the adoption of the required terms and conditions or methodologies within four months from the receipt of the Agency's information.*
- 5. Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.*
- 6. (...)*

7. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region*
 - (a) (...)
 - (b) (...)
 - (c) (...)
 - (d) (...)
 - (e) (...)
 - (f) (...)
 - (g) (...)
 - (h) *The redispatching or countertrading cost sharing methodology in accordance with Article 74(1)*
8. (...)
9. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*
10. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6, 7 and 8, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
11. (...)
12. (...).
13. (...)
14. *TSOs and NEMOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 13.*

Article 74 of Regulation 2015/1222 Redispatching and countertrading cost sharing methodology:

1. *No later than 16 months after the decision on the capacity calculation regions is taken, all TSOs in each capacity calculation region shall develop a proposal for a common methodology for redispatching and countertrading cost sharing.*
2. *The redispatching and countertrading cost sharing methodology shall include cost-sharing solutions for actions of cross-border relevance.*
3. *Redispatching and countertrading costs eligible for cost sharing between relevant TSOs shall be determined in a transparent and auditable manner.*

4. *The redispatching and countertrading cost sharing methodology shall at least: (a) determine which costs incurred from using remedial actions, for which costs have been considered in the capacity calculation and where a common framework on the use of such actions has been established, are eligible for sharing between all the TSOs of a capacity calculation region in accordance with the capacity calculation methodology set out in Articles 20 and 21; (b) define which costs incurred from using redispatching or countertrading to guarantee the firmness of cross-zonal capacity are eligible for sharing between all the TSOs of a capacity calculation region in accordance with the capacity calculation methodology set out in Articles 20 and 21; (c) set rules for region-wide cost sharing as determined in accordance with points (a) and (b).*
5. *The methodology developed in accordance with paragraph 1 shall include: (a) a mechanism to verify the actual need for redispatching or countertrading between the TSOs involved; (b) an ex post mechanism to monitor the use of remedial actions with costs; (c) a mechanism to assess the impact of the remedial actions, based on operational security and economic criteria; (d) a process allowing improvement of the remedial actions; (e) a process allowing monitoring of each capacity calculation region by the competent regulatory authorities.*
6. *The methodology developed in accordance with paragraph 1 shall also: (a) provide incentives to manage congestion, including remedial actions and incentives to invest effectively; (b) be consistent with the responsibilities and liabilities of the TSOs involved; (c) ensure a fair distribution of costs and benefits between the TSOs involved; (d) be consistent with other related mechanisms, including at least:
 - (i) *the methodology for sharing congestion income set out in Article 73;*
 - (ii) *(ii) the inter-TSO compensation mechanism, as set out in Article 13 of Regulation (EC) No 714/2009 and Commission Regulation (EU) No 838/2010¹;*(e) *facilitate the efficient long-term development and operation of the pan-European interconnected system and the efficient operation of the pan-European electricity market; (f) facilitate adherence to the general principles of congestion management as set out in Article 16 of Regulation (EC) No 714/2009; (g) allow reasonable financial planning; (h) be compatible across the day-ahead and intraday market time-frames; and (i) comply with the principles of transparency and non-discrimination.**
7. *By 31 December 2018, all TSOs of each capacity calculation region shall further harmonise as far as possible between the regions the redispatching and countertrading cost sharing methodologies applied within their respective capacity calculation region.*

II. The CCR Baltic TSOs' proposal

According to Article 74(1) of Regulation 2015/1222, taking into account that The Agency for the Cooperation of Energy Regulators ("ACER") issued decision on determination of capacity calculation regions on 17 November 2016 (ACER decision No 06/2016), the deadline for the submission of CRC CS methodology to CCR Baltic NRAs was 17 March 2018. However CCR Baltic TSOs were not able to agree unanimously on RDC CS methodology, as required by Article 9(3) of Regulation 2015/1222, which was communicated in the common letter of 17 April 2018 to CCR Baltic NRAs and ACER. In such a situation, pursuant to Article 9(4) of Regulation 2015/1222, it is for the European Commission to take appropriate steps to allow the adoption of the methodology. Therefore the European Commission in its letters dated 6 August 2018 to Baltic states NRAs (ECA, NCC and PUC) and 9 November 2018 to CCR Baltic NRAs gave CCR Baltic NRAs and TSOs directions to streamline the submission process of CRC CS methodology. Furthermore CCR Baltic NRAs on 29 November 2018 provided guidance to CCR Baltic TSOs and clarified the subsequent process on the submission of the CRC CS methodology.

¹ <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2010:250:0005:0011:EN:PDF>.

The proposal for CRC CS methodology developed by all CCR Baltic TSOs, dated 13 December 2018, was received by the last CCR Baltic NRA on 21 December 2018.

During the assessment of the proposal CCR Baltic NRAs on 6 March 2019 requested CCR Baltic TSOs for explanatory document to CRC CS methodology in order to gain better understanding of processes described in the CRC CS methodology, with focus on situations that may occur in practice and examples of relevant interconnectors and cost sharing applied in relevant situations.

Following the request, CCR Baltic TSOs sent on 8 April 2019 an explanatory document containing the requested information.

Article 9(10) of Regulation 2015/1222 requires Regulatory Authorities of the region, in this case CCR Baltic, to consult and closely cooperate and coordinate with each other in order to reach agreement. A decision is required by each Regulatory Authority by 21 June 2019, six months after receipt by the last Regulatory Authority.

The main elements of the CRC CS methodology are:

- CRC CS methodology is related to the methodology for coordinated redispatching and countertrading. Coordinated costs of redispatching and countertrading as a rule are divided equally between relevant TSOs with the exceptions described in CRC CS methodology and differs depending on AC/HVDC interconnection.
- Activation of remedial actions shall be done after assessment of the impact of the remedial actions done on the basis of cost, efficiency and operational security. The remedial actions with lowest cost taking into account their efficiency shall be activated taking into account operational security criteria.
- TSOs shall collect data on countertrading and redispatching for monitoring purposes, additionally each TSO will publish countertrading and redispatching related information on ENTSO-E Transparency platform.

It should also be mentioned that the CCR Baltic NRAs have already issued the decision which had approved coordination of countertrade and redispatch in CCR Baltic under Article 35 of Regulation 2015/1222. It was approved by the last NRA on 14 February 2019.

III. All CCR Baltic NRAs position

All CCR Baltic NRAs found that the CRC CS methodology proposal taking into consideration additional explanations included in the explanatory document fulfil all of the relevant requirements of Regulation 2015/1222 and therefore it should be approved.

IV. Conclusions

All CCR Baltic Regulatory Authorities have assessed, consulted and coordinated and closely cooperated to reach an agreement that the CRC CS methodology for CCR Baltic meets the requirements of Regulation 2015/1222 and as such can be approved by all CCR Baltic NRAs.

The proposal for a CRC CS methodology was received by the last CCR Baltic Regulatory Authority on 21 December 2018. All CCR Baltic Regulatory Authorities should therefore make their decisions latest 21 June 2019, on the basis of this agreement and in accordance with the 6 months deadline as set out in Article 9(10) Regulation 2015/1222. Following national decisions taken by each Regulatory Authority, all CCR Baltic TSOs will be required to publish the Redispatching and Countertrading Cost Sharing Methodology on the internet in line with Article 9(14) of Regulation 2015/1222.