Evaluation of responses to the public consultation on the Baltic TSOs proposal for a capacity calculation methodology for the long-term timeframes

1 Introduction

By 6 June 2019, all TSOs of the Baltic capacity calculation region ('CCR') submitted to their respective regulatory authorities an 'All Baltic CCR TSOs' Common Capacity Calculation Methodology for Long-term Time Frames in Accordance with Article 10(1) of the Commission Regulation (EU) 2016/1719 of 26 September 2016 Establishing a Guideline on Forward Capacity Allocation'[1]. The regulatory authorities of the Baltic CCR jointly agreed to request an amendment to the imbalance settlement methodology and sent this request by 17 January 2020 to all Baltic TSOs. The last Baltic TSO submitted the amended 'All Baltic CCR TSOs' Common Capacity Calculation Methodology for Long-term Time Frames in Accordance with Article 10(1) of the Commission Regulation (EU) 2016/1719 of 26 September 2016 Establishing a Guideline on Forward Capacity Allocation'[2] (hereafter referred to as the 'Proposal') on 18 March 2020.

[1] https://www.acer.europa.eu/en/Electricity/MARKET-CODES/FORWARD-CAPACITY-ALLOCATION/10%20CCM/Action_05-CCM_Baltic_TSOs_Proposal.pdf
[2] https://www.acer.europa.eu/en/Electricity/MARKET-CODES/FORWARD-CAPACITY-ALLOCATION/10%20CCM/Action_17-CCM_Baltic_TSOs_amended_Proposal.pdf

In an email[3] dated 18 May 2020 and received by ACER on the same day, the Chair of the Energy Regulators Forum of CCR Baltic[4], on behalf of the Baltic regulatory authorities, informed ACER that they were not able to reach an agreement within the two-month deadline. Therefore, the long-term capacity calculation methodology of the Baltic CCR was referred to ACER as of 18 May 2020.

In accordance with Article 14(6) of the Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019, ACER launched a public consultation on 30 July 2020 inviting all interested stakeholders, including ENTSO for Electricity, National Regulatory Authorities, and Transmission System Operators to provide any comments on the Proposal. The closing date for comments was 24 August 2020.

More specifically, the public consultation invited stakeholders to comment on the following aspects of the Proposal:

(i) the completeness of the LT CCM, its compliance with the FCA Regulation and the CACM Regulation and the conflict of the BRELL agreement with the requirements of the FCA Regulation and the CACM Regulation,
(ii) the application of a flow-based or a cNTC approach; and
(iii) other comments.

2 Responses

By the end of the consultation period, ACER received responses from 6 respondents.

This evaluation paper includes all received comments by respondents and ACER's views on them. The table below is organised according to the consultation questions and provides the respective views from the respondents, as well as a response from ACER clarifying the extent to which their comments were taken into account.

[3] https://www.acer.europa.eu/en/Electricity/MARKET-CODES/FORWARD-CAPACITY-ALLOCATION/10%20CCM/Action_20-CCM_Baltic_NRAs_Referral_to_Acer.pdf
[4] The Baltic regulatory authorities' platform to consult and cooperate for reaching a unanimous agreement on NEMO's and TSO's proposals.

Respondents' views	ACER views
Topic 1	
Question 1: Do you agree with the described conclusions regarding the need to establish compliance with the FCA Regulation and the following conflict with the existing BRELL agreement? If not, please share your concerns and your proposal for an alternative approach.	
All 6 respondents provided an answer to this question.	
All 6 respondents answered this question with yes.	ACER shares the view of the respondents.
One respondent (Esti Energia) further shared the understanding for the need of a compliant methodology independent from documents outside the jurisdiction of the EU and stressed that the Baltic states need to apply as much principles of the EU Regulation as possible until an enduring solution for the Baltic LT CCM can be implemented.	ACER agrees that the capacity calculation in the Baltic CCR should apply as many principles of the relevant Regulations as possible (e.g. following the objectives in accordance with Article 3 of the FCA Regulation to the maximal possible extend). Given the level of dependency of the prescribed input (i.e. TTC values) on the BRELL agreement, ACER does not deem the remaining aspects of the Proposal sufficient to be approved as a transitional solution under the scope of Article 10 of the FCA Regulation. Nevertheless, the Baltic TSOs and regulatory authorities should follow the objectives of the FCA Regulation and as many requirements as possible until an enduring solution can be implemented.
Question 2: Do you have any concerns regarding the postponement of the implementation deadline for the legally compliant Baltic LT CCM?	
5 respondents provided an answer to this question.	
4 respondents (Eleclink, Ignitis Group, Polish ministry for climate, EFET) stated that they are not concerned by a potential postponement of the implementation deadline.	ACER acknowledges that the majority of respondents are not concerned by a potential implementation delay in the case of the specific circumstances of the Baltic CCR.

Respondents' views	ACER views
One of these respondents (Ignitis Group) further stated that the implementation deadline should not be extended further than the foreseen synchronisation of Estonia, Latvia and Lithuania with Continental Europe.	ACER agrees that the Baltic LT CCM should be implemented as soon as possible and that there should not be any further delay after the foreseen synchronisation.
One respondent (Esti Energia) mentioned the need to apply as many principles of the EU legislation as possible until the enduring solution can be implemented. Further, the respondent questioned the possible impacts of such postponement on other provisions of the FCA Regulation, the CACM Regulation or Regulation (EU) 2019/943 like regional adequacy assessments or the introduction of long-term transmission rights.	As mentioned above, ACER agrees to the need to apply the existing legislation to the extent possible. Following the assessment of the relevant regulatory authority, long-term transmission rights can also be introduced before the implementation of the LT CCM. Also national adequacy assessments are not dependent on the implementation of a LT CCM. However, in case of subsequent processes, which are strictly and exclusively relying on the Baltic LT CCM, ACER would acknowledge the unavailability of such processes until the time of the implementation of the Baltic LT CCM.
Topic 2	
Question 3: Please provide your comments regarding the application of a flow-based approach for the Baltic LT CCM or alternatively how the capacity of critical network elements can be efficiently split between interdependent bidding zone borders in case of cNTC approach.	
6 respondents provided an answer to this question.	
Two respondents (Polish ministry for climate, Ignitis Group) are in favour of applying the flow-based approach in the Baltic CCR, of which one (Ignitis Group) specified that the applied method should be unified with the method used in the Nordic CCR.	ACER shares the opinion of the respondents for the reasons specified in section 6.3.3.1 of this Decision. ACER agrees that Baltic TSOs should take into account the applied capacity calculation processes applied in the Core and Nordic CCR when proposing a new Baltic LT CCM.
Three respondents (Eesti Energia, EFET, ElecLink) stated that they are not in favour of the flow-based approach for the Baltic LT CCM.	As elaborated in this Decision, ACER does not share the view of these respondents.
One of these respondents (ElecLink) expressed its preference for a cNTC approach and stated that the flows on HVDC interconnectors are	ACER agrees that bidding zones consisting of HVDC interconnectors could offer the full (NTC) capacity to the market, if these bidding zone borders have no significant interdependencies with other bidding zone

Respondents' views	ACER views
controllable, should not be limited by AC grid elements and should be fully provided to the market.	borders. However, if such interdependencies (limiting the availability of AC critical network elements on other bidding zone borders of the Baltic CCR) exist, ACER does not agree to apply such approach for the Baltic CCR.
One of these respondents (EFET) states that interdependencies between bidding zone borders exist in all CCRs and across CCRs and acknowledges that a flow-based approach may theoretically improve the way such interdependencies are taken into account. However, other elements of flow-based capacity calculation in the forward timeframe induce great levels of uncertainty, in particular the quality of the grid models and the base-case scenarios on which calculations are performed. Until such problems are resolved, there is no guarantee that a flow-based model would indeed improve the accuracy of capacity calculation, let alone yield a comparable level of capacity available to the market in the forward timeframe.	While interdependencies between bidding zone borders exist in most CCRs which include AC bidding zone borders, it depends on the scope of such interdependencies whether a applying a flow based approach is adequate or necessary to address these interdependencies. Depending on the regional specificities, the TSOs from a CCR should assess or prove whether interdependencies are negligible or not (e.g. by considering, inter alia, the 70% rule) and further chose which approach is best suited to address the relevant interdependency (flow-based or cNTC with rules for efficiently sharing the power flow capabilities of critical network elements among different bidding zone borders). ACER agrees that the quality of grid models and the base-case scenarios need to be further improved when calculating cross-zonal capacities by applying a capacity calculation with a security analysis based on multiple scenarios in accordance with Article 10(4)(a) of the FCA Regulation. However, such improvements are necessary regardless of the chosen approach (flow based or cNTC) while the effects of the chosen approach can be assessed independently of these necessary improvements.
One of these respondents (Eesti Energia) shares that according to their information Baltic TSOs conducted a study regarding the possible application of a flow-based approach in the Baltic CCR. This study concluded that a flow-based approach would not provide any meaningful benefits for the time being. Since there are no further studies showing otherwise, flow-based is currently not applicable for the Baltic CCR.	ACER was informed about the general conclusions of such study by the Baltic TSOs. However, to ACER's knowledge this study does not cover the time of the possible application of the Baltic LT CCM (e.g. after the de-synchronisation and planned expansion on the Lithuanian-Polish bidding zone border) and is therefore not applicable for choosing the most beneficial capacity calculation approach for the Baltic LT CCM for the situation after desynchronization.

Respondents' views	ACER views
One respondent (Nord Pool) is of the opinion that the choice of an approach for each region must be based on the demonstration by the TSOs that the chosen approach is the most efficient one for the specific region, in accordance with Article 20(7) of the CACM Regulation. The respondent further shares its concerns regarding the general feasibility of a flow based approach for the long-term timeframes due to huge uncertainties in fundamental parameters which have deterministic effects on what would be possible to allocate per bidding zone border and overall in a coupled market.	ACER agrees that TSOs should chose the most efficient approach for a capacity calculation methodology for the proposal of their region. As reasoned in this Decision, ACER deems flow-based as the most efficient approach for the Baltic CCR. However, following the rejection of the Proposal, the Baltic TSOs will have the opportunity to perform their own assessment for choosing the most efficient approach before resubmitting a proposal for the Baltic LT CCM. While ACER acknowledges general complexities in the flow-based approach, it does not share the concern of its general feasibility. Uncertainties in long-term capacity calculation apply to both possible approaches but should not limit the general applicability of the flow-based approach in the long-term timeframes.
Topic 3	
Question 4 Please provide your comments regarding any other issues related to the Baltic LT CCM.	
3 respondents provided an answer to this question.	
One respondent (ElecLink) flagged a general lack of transparency in the Proposal, is missing clarity on the chosen capacity calculation approach (i.e. cNTC or flow-based) and states that calculation inputs are not described. Therefore, the respondent states that it is very difficult to understand in detail how the calculation is done.	ACER fully agrees to all of these mentioned shortcomings of the Proposal. A more detailed description of these and other shortcomings of the Proposal can be found in Section 6.3 of this Decision.
One respondent (Polish ministry of climate) would appreciate a statement about technology neutrality of this methodology but acknowledges that this is not a priority for the Baltic LT CCM.	ACER agrees that the Baltic LT CCM should be neutral regarding the used technology and that in general the principles in accordance with Article 3 of Regulation (EU) 2019/943 should be followed regarding technology neutrality. However, ACER is not concerned that technology neutrality can be an issue in a CCM (e.g. generation shift keys need to cover all generation and do not address any technology separately). Therefore, ACER does not

Respondents' views	ACER views
	deem it necessary to include a statement on technology neutrality in the Decision itself.
Two respondents (ElecLink, Ignitis Group) shared their concerns that the Proposal uses different capacity calculation formulas for the different bidding zone borders in the Baltic CCR. One respondent (ElecLink) further elaborates that the Proposal does not seem like a common proposal for the Baltic CCR but rather a document gathering the specific features of each individual bidding zone border.	ACER agrees.
One respondent is missing clarity on how the Baltic LT CCM is affected by the new 700 MW HVDC cable (i.e. Harmony link) between Lithuania and Poland which will be put in operation in 2025 or by the foreseen synchronisation of Estonia, Latvia and Lithuania with Continental Europe in 2025.	ACER agrees and emphasises that these are indeed important aspect TSOs need to take into account when proposing a Baltic LT CCM. As stated in the Decision, ACER alone does not have a sufficient understanding of the impact of these developments and therefore only the Baltic TSOs are able to amend the Proposal in light of this objective.
One respondent (ElecLink) states that in the third paragraph of Article 7 of the Proposal, it is stated that "usage of preliminary or final information depends on dates of Long-term Transmission Rights auctions". The respondent understands that depending on the auction dates selected by the Baltic TSOs, some may use preliminary information while others will use final information. This principle does not seem appropriate and fair; TSOs should use the same information when allocating long-term capacity.	ACER agrees that similar auctions of long-term transmission rights in a CCR should be based on the same set of results of a long-term capacity calculation. While currently there is only one bidding zone border in the Baltic CCR auctioning long-term transmission rights, once more bidding zone borders have such auctions, the timings of these auctions should be coordinated and held based on the same input information for a specific auction round. The Baltic LT CCM should not allow an approach deviating from these principles.

3 List of respondents

Organisation	Type
Eesti Energia AS	Energy Company
ElecLink Limited	TSO
European Federation of Energy Traders - EFET	Association
Ignitis Group	Energy Company
Nord Pool	NEMO
Polish ministry for climate	National ministry