

ACER Decision on SEE Long term Splitting Rules: Annex II

Evaluation of responses to the public consultation on the SEE CCR TSOs' proposal for the methodology for splitting long-term cross-zonal capacity

1 Introduction

By 1 October 2019, the South East Europe Transmission System Operators ('SEE TSOs') submitted to the SEE regulatory authorities a '*South East Europe (SEE) TSOs proposal for a methodology for splitting long-term cross-zonal capacity in accordance with Article 16 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation*' (hereafter referred to as the 'Proposal').

In a letter dated 26 May 2020 and received by ACER on the same day, the president of RAE¹, on behalf of all regulatory authorities from the SEE CCR, informed ACER that they jointly agreed to request ACER to adopt a decision on the Proposal pursuant to Article 4(10) of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (the 'FCA Regulation').

In order to take an informed decision, ACER launched a public consultation on 6 August 2020 inviting all interested parties to express their views on potential amendments of the Proposal. The closing date for comments was 30 August 2020.

More specifically, the public consultation invited stakeholders to comment on the main reason for disagreement among regulatory authorities, namely the diverging technical interpretations on the necessity and implications of the inclusion of a provision allowing TSOs to reserve capacity for day-ahead allocation in the methodology for splitting long-term cross-zonal capacity of a provision allowing TSOs to reserve capacity for day-ahead allocation.

2 Responses

By the end of the consultation period, ACER received responses from 3 respondents. This evaluation paper summarises all received comments and responses to them. The table below is organised according to the answers received. The table 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.

¹ RAE, the Regulatory Authority for Energy, is the regulatory authority from Greece.

Respondents' views	ACER views
Respondent 1: European Federation of Energy Traders (EFET)	
<p>The European Federation of Energy Traders (EFET) supports the approach suggested by ACER, i.e. no reservation of long-term capacity for the day-ahead timeframe. We also agree with the proposed monitoring provision in view of the specific circumstances in the SEE region.</p> <p>Furthermore, it is not clear to us why the revised TSOs' proposal was not included in this consultation. Market participants should have had the chance to review the new version in its entirety and raise remaining concerns beyond the issue of day-ahead capacity reservation. Therefore, we would like to reiterate the points that we raised in relation to the initial TSOs' proposal from July 2019 and we hope that in case these elements have not been changed, ACER will request from TSOs respective amendments. Due to the character limit for this submission, we cannot restate our comments in this online form. However, we invite you to review them in our original response from 2 September 2019, available on the EFET website:https://efet.org/Files/Documents/Downloads/EFET_SEE%20Splitting%20Rules_02092019.pdf</p>	<p>The proposed approach suggested by ACER already covers all concerns raised by EFET, as:</p> <ul style="list-style-type: none"> • all of the calculated long-term capacity (100%) is split over long-term timeframes; • the proposed approach includes a provision for the publication of information; in particular TSOs are required to publish the marginal auction price and the demand curves for long-term transmission rights for each timeframe.
Respondent 2: MFT Energy	
<p>We would like to argue for a financial transmission rights over Physical transmission rights in SEE. This would solve the problem without any split of the capacities. The capacities are already very limited in SEE and we would argue for increasing the commercial capacities to a higher level.</p> <p>From the text above, I am confused if ACER is supporting the suggestion by SEE TSOs or not.</p> <p><i>"ACER therefore acknowledges as a measure of last resort that some of the calculated long-term capacity be set aside for daily allocation</i></p> <p><i>ACER will confirm the Proposal from SEE transmission system operators, whereby all calculated long-term capacity (100%) will be split over long-term timeframes (no reservation of long term capacity for the day-ahead timeframe)"</i></p> <p>The above two sentences sound contradictory to me.</p>	<p>ACER generally agrees with the respondent. In particular, ACER agrees that the ultimate goal should be the implementation of financial transmission rights.</p> <p>As a basis, ACER supports the solution envisaged by TSOs, namely that all of the calculated long-term capacity (100%) is split over long-term timeframes. This is the solution retained by ACER in its decision, as per the second quoted sentence.</p> <p>Nevertheless, during exchanges with SEE TSOs and NRAs, ACER understood that in the specific context of potentially limited</p>

Respondents' views	ACER views
	<p>capacity in the SEE CCR, alternative approaches could be justified, hence the first quoted sentence.</p> <p>However, neither SEE TSOs nor SEE NRAs produced quantified evidence of the problem, nor a justification for any proportionate solution.</p> <p>Therefore, ACER added to the Proposal a monitoring clause, aiming at producing the necessary evidence to a possible alternative approach. However, an alternative approach, if any, will require a formal amendment of the methodology, pursuant to Article 4 of Regulation 2016/1719.</p>
Respondent 3: MYTILINEOS SA	
<p>Regarding cross-border capacity booking, we would like to shed some light on an issue that is preventing the completion of the internal market for electricity, while also jeopardizing the achievement of the EU's climate goals. In particular, we refer to the lack of (genuinely) long-term cross-border transmission rights, i.e. with a duration of at least five years. This issue was identified in a DG ENER report from last year as a significant barrier that is preventing the consumption of renewable electricity by industrial consumers ("Competitiveness of corporate sourcing of renewable energy", pages 8, 9 and 32). Renewable PPAs tend to have a long duration (15-20 years, sometimes even longer). Long-term electricity contracts are also crucially important for industrial consumers, given that industrial investments tend to be highly capital intensive and therefore long-term visibility is required with regard to key cost components (for example, electricity accounts for around 40% of the total cost of producing primary aluminium). However, it is not currently possible to secure cross-border transmission capacity for a period longer than one year. This means that if an industrial consumer was to sign a long-term PPA with a renewable producer located in another Member State, the consumer would only be able to secure the necessary cross-border capacity for the first year. For the remaining duration of the PPA, there would</p>	<p>ACER notes the point. According to Article 16(2)(b) of Regulation 2016/1719, <i>'The methodology for splitting long-term cross-zonal capacity shall comply with the following conditions:[...] it shall be coherent with the capacity calculation methodology.'</i></p> <p>The long-term capacity calculation methodology discussed by SEE TSOs and proposed to SEE regulatory authorities calculates year-ahead capacities. The suggestion to define splitting rules setting aside capacity for longer time horizons</p>

Respondents' views	ACER views
<p>be no visibility with regard to the cost of importing the electricity (massively increasing the level of risk, to the point where it would be impossible to proceed with the project). There is also no guarantee that the consumer would be able to secure the necessary capacity in future auctions, potentially leading to a situation where the consumer would not be able to import/consume the purchased electricity. As a result, it is effectively impossible for the industrial consumer to sign a cross-border PPA and they are instead limited to covering their consumption exclusively using electricity produced within the Member State in which they operate (massively limiting the available options and therefore jeopardizing European industry's attempts to decarbonize its electricity supply). This situation runs contrary to the provisions of the recast Renewable Energy Directive (2018/2001), which specifically seeks to promote cross-border renewable electricity projects (Articles 8, 9 and 10 in particular, whereas Article 15 also requires Member States to remove unjustified barriers to long-term RES PPAs). Cross-border capacity allocation products with a duration of multiple years are already legally possible in Europe's electricity market. The Harmonised Allocation Rules for Long-Term Transmission Rights (ACER Decision 14/2019, Article 28) foresee two 'standard Forward Capacity Allocation timeframes' (the yearly timeframe and the monthly timeframe) for which auctions must be organized at each bidding zone border. However, both the Harmonised Allocation Rules (Article 28) and the Forward Capacity Allocation Regulation (2016/1719, Article 31) foresee that additional timeframes (beyond just the two standard timeframes) can also be offered. In certain cases, TSOs have indeed offered products with different timeframes (e.g. quarterly and seasonal auctions), however products with a timeframe longer than one year are not currently offered. In order to solve this issue, a certain percentage (e.g. 20%) of cross-border capacities in the SEE region should be set aside for long-term products with a duration of at least five years. Furthermore, a third "standard Forward Capacity Allocation timeframe" could be added to the Harmonised Allocation Rules, encompassing a period of five years (the "five-year timeframe"), for which at least one auction would have to be organized through the Single Allocation Platform every five years. In order to avoid competition issues (related to the foreclosure of interconnector capacities), it could be foreseen that a maximum of (e.g.) 20% of an interconnector's capacity could be subject to such long-term allocation.</p>	<p>would contradict the long-term capacity calculation methodology, and the above-mentioned legal requirement.</p>

3 List of respondents

Organisation	Type
European Federation of Energy Traders (EFET)	Association
MFT Energy	Trading company
MYTILINEOS SA	Trading company