



Draft All Core TSOs’ proposal for the 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

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DISCLAIMER

This document is released on behalf of Core TSOs only for the purposes of the public consultation on the proposal of fallback procedures for the Core Region “to ensure efficient, transparent and non-discriminatory capacity allocation in the event that the single day-ahead market coupling process is unable to produce results” in accordance with Article 44 of the Commission Regulation (EU) No 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (“Regulation 2015/1222”) and does not in any case represent a firm, binding or definitive TSOs’ position on the content.

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Core TSOs, taking into account the following,

Whereas

- (1) This document is the proposal developed by the Transmission System Operators of the Core CCR (hereafter referred to as “Core TSOs”) regarding the development of establishment of fallback procedures (hereafter referred to as “Fallback Procedures”) in accordance with Article 44 of Commission Regulation (EU) 2015/1222 establishing a guideline on Capacity Allocation and Congestion Management (hereafter referred to as the “CACM Regulation”). This proposal is hereafter referred to as “Fallback Procedures Proposal”.
- (2) The Fallback Procedures Proposal takes into account the general principles and goals set in the CACM Regulation as well as Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity (hereafter referred to as “Regulation (EC) No 714/2009”). The goal of the CACM Regulation is the coordination and harmonisation of capacity calculation and allocation in the day-ahead and intraday cross-border markets. It sets for this purpose requirements to 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.
- (3) Article 44 of the CACM Regulation *stipulates “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”.*
- (4) According to Article 50 of the CACM Regulation, the Fallback Procedures Proposal defines an operational solution in the event that respective NEMOs performing market coupling operator (hereafter referred to as “MCO”) functions are unable to deliver part or all of the results of the price coupling algorithm by the time specified in Article 37(1)(a), the Fallback Procedures established in accordance with Article 44 shall apply.
- (5) According to Article 9(9) of the CACM Regulation, the expected impact of the Fallback Procedures Proposal on the objectives of the CACM Regulation has to be described and is presented below. The proposed Fallback Procedures generally contributes to the achievement of the objectives of Article 3 of the CACM Regulation.
- (6) The proposed Fallback Procedures serve the objective of promoting effective competition in the generation, trading and supply of electricity (Article 3(a) of the CACM Regulation) in such situation as well when the respective MCO is not able to deliver the market coupling results by the time specified in Article 37(1)(a) since same Fallback Procedures will apply to all market participants on all respective Bidding Zone Borders in the Core region, thereby ensuring a level playing field amongst respective market participants. Market participants will have access to

the same reliable information on cross-zonal capacities and allocation constraints for day-ahead allocation, at the same time and in a transparent way.

- (7) The proposed Fallback Procedures contribute to the optimal use of transmission infrastructure and operational security (Article 3(b) and (c) of the CACM Regulation) since due to the bigger liquidity day-ahead trades will still have delivery possibility before the more risky intraday capacity allocation starts. Fallback Procedures would be the last resort to make capacity allocation on day-ahead timeframe that is highly important from both following aspects: TSO operational planning and the market participants' portfolio optimisation.
- (8) The proposed Fallback Procedures contribute to operational security (Article 3(c) of the CACM Regulation) since they provide possibility to give access to cross-zonal capacity for market participants already on day-ahead timeframe as a second best solution in case of failure of implicit allocation. The allocation on day-ahead timeframe is an important step between the long term and intraday operational planning that is one of the main pillars of the operational security. Without allocation possibility on this timeframe the market participants would face difficulties during adjusting their positions that can cause further balancing energy needs. All these factors would have negative impact on operational security.
- (9) The proposed Fallback Procedures serve the objective of optimising the allocation of cross-zonal capacity in accordance with Article 3(d) in the aspect of time since they provide a possibility for market participants to get access to cross-zonal capacities before intraday time frame.
- (10) Regarding the objective of transparency and reliability of information (Article 3(f) of the CACM Regulation), the Fallback Procedures Proposal determines the main principals and main processes for the event when MCO is not able to produce the market coupling results by the time specified in Article 37(1)(a). The proposed Fallback Procedures enable TSOs to provide market participants with the same reliable information on cross-zonal capacities and allocation constraints for fallback day-ahead allocation in a transparent way and at the same time.
- (11) The Fallback Procedures Proposal also contributes to the objective of respecting the need for a fair and orderly market and price formation (Article 3(h) of the CACM Regulation) by reducing the uncertainty on the cross-zonal capacity to be released in the market when unexpected technical issue is detected in one of the MCO processes. The proposed Fallback Procedures respect the minimum requirement laid down in Article 50 of the CACM Regulation and ensures providing the pricing of the day-ahead capacities inter alia being input for long-term capacity remuneration method.
- (12) When preparing the Fallback Procedures Proposal, TSOs took careful consideration of the objective of creating a level playing field for NEMOs (Article 3(i) of the CACM Regulation) since all NEMOs and all their market participants will have the same rules and non-discriminatory treatment (including timings, data exchanges, results formats etc.) within the Core Region.
- (13) Finally, the Fallback Procedures Proposal contributes to the objective of providing non-discriminatory access to cross-zonal capacity (Article 3(j) of the CACM Regulation) by granting

market participants a level-playing field throughout the concerned bidding zone borders with a clear and harmonised framework for fallback day-ahead capacity allocation.

- (14) In conclusion, the Fallback Procedures Proposal contributes to the general objectives of the CACM Regulation to the benefit of all market participants and electricity end consumers.
- (15) Article 44 of the CACM Regulation requires that proposals for the establishment of robust and timely fallback procedures are to be developed within 16 months after the CACM Regulation entry into force on 14 August 2015. i.e. by 14 December 2016. These proposals shall be developed by each TSO, in coordination with all other TSOs in the capacity calculation region. In addition, the CACM Regulation includes the requirement for at least one month lasting public consultation before these proposals are submitted to the relevant NRAs for approval. The Decision by ACER on the capacity calculation regions was issued on 17 November 2016. As a result, there was less than one month to develop and consult a proposal before submitting it for approval in accordance with the CACM Regulation whereas only the public consultation requires at least one month. Consequently the Core TSOs affected, informed on 09 December 2016 the relevant NRAs of the new timeline date for submission of their proposals for establishment of the Core Fallback Procedures which is 6 months from ACER's CCR decision, i.e. by 17 May 2017.
- (16) Core TSOs highlight the importance of high reliability of the single day-ahead market coupling given potential severe impact for market players. This Core Fallback Proposal focuses on situations where no results are available from the single day-ahead market coupling. It is to be noted that, besides explicit shadow auctions in case of full decoupling, a partial day-ahead (implicit) market coupling might be more beneficial as a primary fallback solution from a market perspective but need to be studied more in detail.
- a. 'Full decoupling' is a situation where it is not possible, for a specific day, to allocate the Cross Zonal Capacities via the implicit allocation process, where a time limit has been reached and the Market Coupling Results cannot be published before the Full Decoupling Deadline.
 - b. 'Partial coupling' is a situation where it is not possible, for a specific day, to allocate the Cross Zonal Capacity via the implicit allocation for one or several areas and/or interconnectors (e.g. the Multi Regional Coupling) before the relevant partial coupling deadline.

SUBMIT THE FOLLOWING FALLBACK PROCEDURES PROPOSAL TO REGULATORY AUTHORITIES OF CORE REGION:

Article 1 **Subject matter and scope**

The Fallback Procedures as determined in this Fallback Procedures Proposal shall be considered as proposal of Core TSOs in accordance with Article 44 of the CACM Regulation and shall cover the Fallback Procedures for the existing and future bidding zone borders and interconnectors between respective bidding zones of the Core region as defined by ACER in Article 5 of Definitions of the Capacity Calculation Regions (CCRs) in accordance with Article 15(1) of the CACM Regulation.

Article 2

Definitions and interpretation

1. For the purposes of the Fallback Procedures Proposal, terms used in this document shall have the meaning of the definitions included in Article 2 of the CACM Regulation, of Regulation (EC) 714/2009, Directive 2009/72/EC and Commission Regulation (EU) 543/2013. In addition, the following definitions shall apply:
 - a. 'shadow auction' means the explicit auction run by the allocation platform operator by which daily Cross Zonal Capacity is offered as fallback procedure for the single day-ahead coupling process and allocated to market participants, who submit Bid(s) according to the Shadow Allocation Rules;
 - b. 'allocation platform' means the platform for the attribution of Cross Zonal Capacity through the Shadow Auctions on respective Core CCR bidding zone border;
 - c. 'allocation platform operator' means one vehicle of cooperation among TSOs, through which the Core TSOs organize the attribution of Cross Zonal Capacity through Shadow Auctions. The allocation platform operator will act on behalf of the Core TSOs for this purpose;
 - d. 'shadow allocation rules' means the rules for the Shadow Auctions applied and published on the website of the allocation platform operator, always in its last version.

2. In this Fallback Procedures Proposal, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) the table of contents and headings are inserted for convenience only and do not affect the interpretation of this Fallback Procedures Proposal; and
 - c) any reference to legislation, regulations, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it then in force.

Article 3

List of information required from relevant NEMOs

NEMOs performing MCO function shall inform Core TSOs in the event of risk that results for at least one bidding zone within the Core region cannot be delivered within the deadline in accordance with Article 50(2) of CACM Regulation.

Article 4

Fallback Procedures

1. In the event that single day-ahead coupling process is unable to produce results for at least one bidding zone within the Core region, Fallback Procedures will be performed to allocate the cross-zonal capacity on the allocation platform.
2. Shadow auctions are held seven days a week, provided that the offered capacity for shadow auctions is at least one unit.
3. The auction specification of a shadow auction for the delivery day will be published by the allocation platform operator in advance according to the shadow allocation rules.

Article 5

Publication and implementation of the Fallback Procedures

1. The Core TSOs shall publish the Core Fallback Procedures Proposal without undue delay after all Core NRAs have approved the proposed Core Fallback Procedures or a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 9(11) and 9(12) of the CACM Regulation.
2. The Core TSOs shall implement the Core Fallback Procedures on a bidding zone border immediately when both the capacity calculation methodology developed in accordance with Article 20 of the CACM Regulation and the day-ahead market coupling operator function implemented in accordance with Article 7(3) of the CACM Regulation are operational on this bidding zone border.

Article 6

Language

The reference language for this Fallback Procedures Proposal shall be English. For the avoidance of doubt, where TSOs need to translate this Fallback Procedures Proposal into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 9(14) of the CACM Regulation and any version in another language, the relevant TSOs shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of the Fallback Procedures Proposal.