Capacity Calculation

EURELECTRIC input for the MESC
## Brussels, 9th December 2016

What we suspect

- The level of cross-border capacities offered to the market seems low.

- We suspect that congestion problems are solved with reduction of cross-border capacity allocated to the market. For instance:

  - CBCO limitations in FB vs Redispatching
  - BE-DE-LU interconnnection not bringing any additional capacity
  - « Empty » flow-based domain
  - Danish-German capacity calculation
  - Norway-Sweden capacity calculation (reduced for internal Norwegian constraints)

What we want as market parties

1. **More transparency** is needed to understand capacity allocation by TSOs and to detect sub-optimalities.

2. **More cross-border capacities**:

    –   Use the existing infrastructure in the most efficient way;

    –   Welfare consideration is currently not optimal.

How can we solve the problem ?
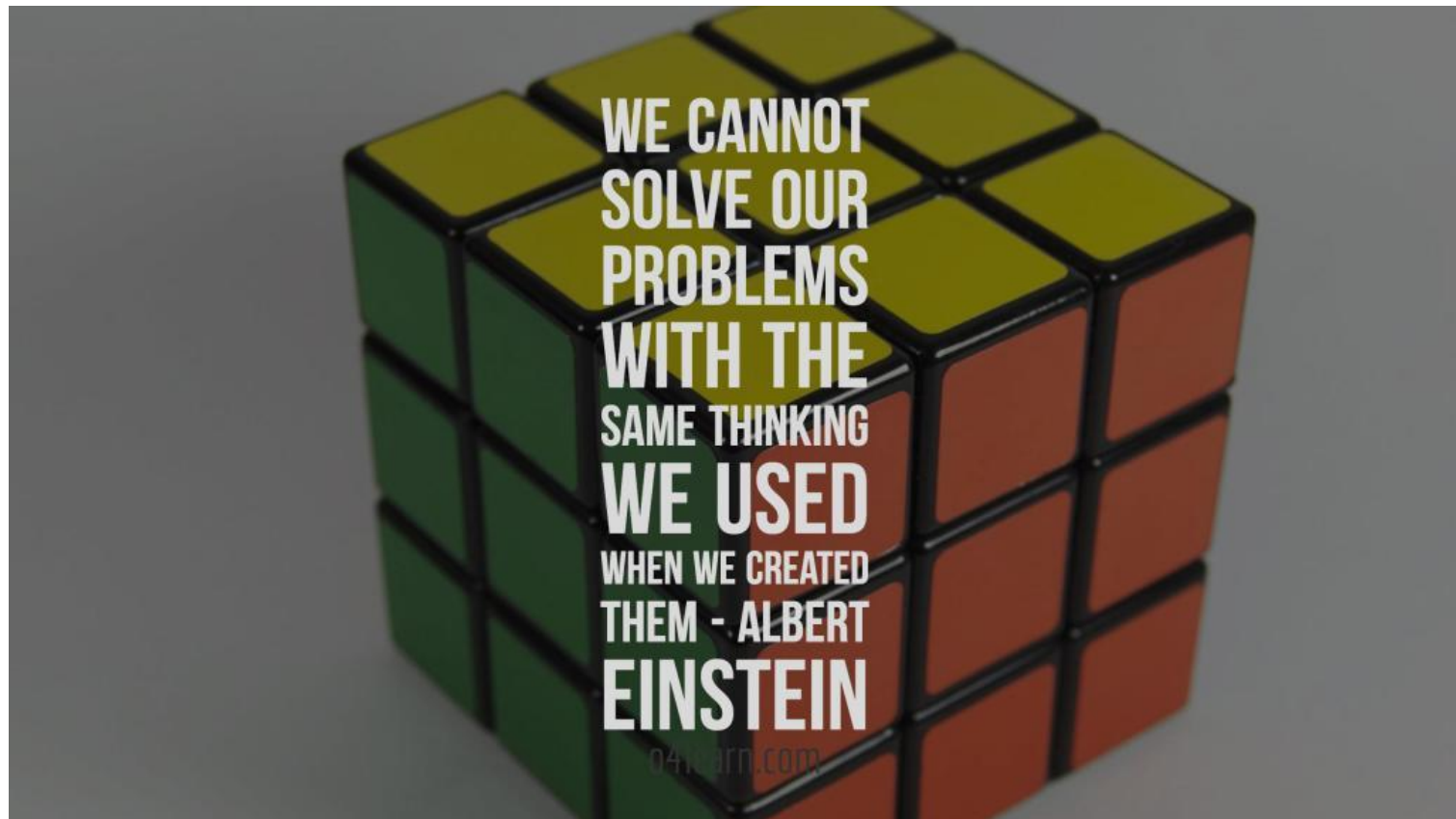
By giving TSOs the right tools

1. **Proper incentives:**
   - Today incentives are too skewed towards restricting cross-border capacities (financially and operationally).
   - TSOs are acting in line with their incentives; it is thefore the incentives that need to be changed.
   - Goal: to make sure the framework/method/incentives for optimal choices between costly remedial actions and restriction of cross-border capacities are put in place.

2. **Cost-sharing methodology:**
   - Key element to move towards more optimal balance between remedial actions and restrictions on cross-border capacities.
   - Without cross-border cost-sharing, national perspectives will continue to dominate.
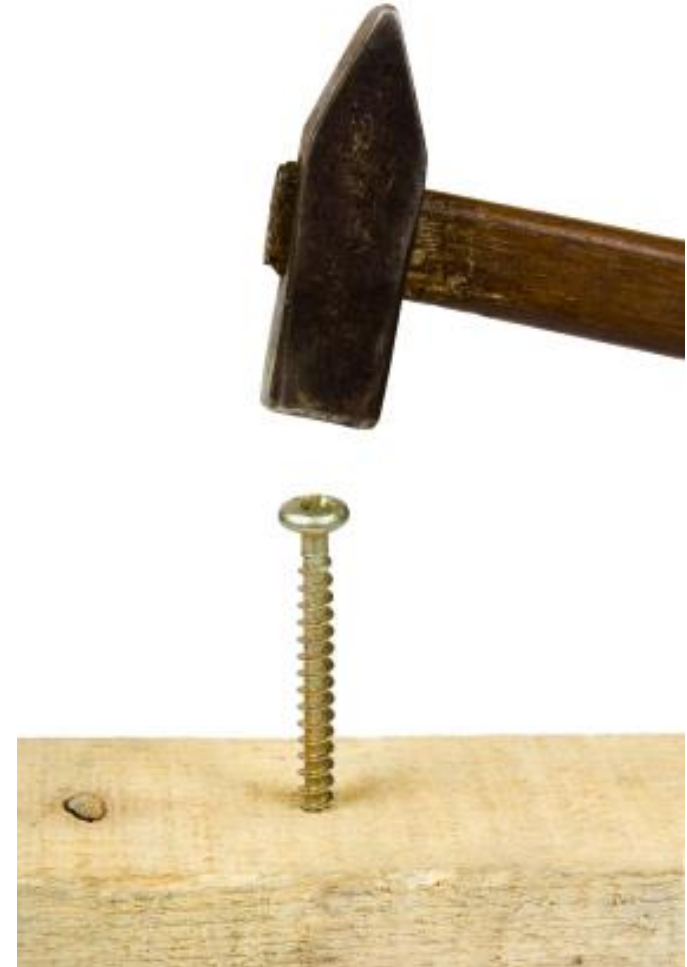
Key improvements with ACER proposal

- EURELECTRIC **shares the goal.**

- This new framework should greatly **improve transparency** (key for market efficiency).

- It creates a (necessary) **paradigm shift:**

  – Base case: « full/thermal » capacity (N-1)

  – Accompanied by a framework for the (currently missing) arbitrage between (= right tool):

    - Countertrading/redispatching;

    - Cross-border capacity restriction.

OH WOW! PARADIGM SHIFT!

THAVES

Remaining concerns

- **The bidding zone split seems to be presented as the sole remedy** if a reduction of cross-border capacity is necessary (i.e. it is deemed more efficient than redispatch)→ this is not that straighforward:

  - Zonal system goes with the existence of loop flows. The main challenge is how to organise efficient congestion management;

  - Congestion can be solved with various remedies: (1) re-dispatching to solve internal congestion problems or (2) countertrading to avoid to reduce the level of allocated cross-border capacity and (3) grid reinforcement/investments;

  - These remedies should be properly explored before making conclusion on the adequacy of bidding zones.

- **Cost-sharing methodology:** we remain doubtful on the proposed cost-sharing methodology which seems arbitrary. Cost-sharing is a very complex question.