Reaction to ACER recommendation

CAPACITY CALCULATION

Market European Stakeholder's Committee

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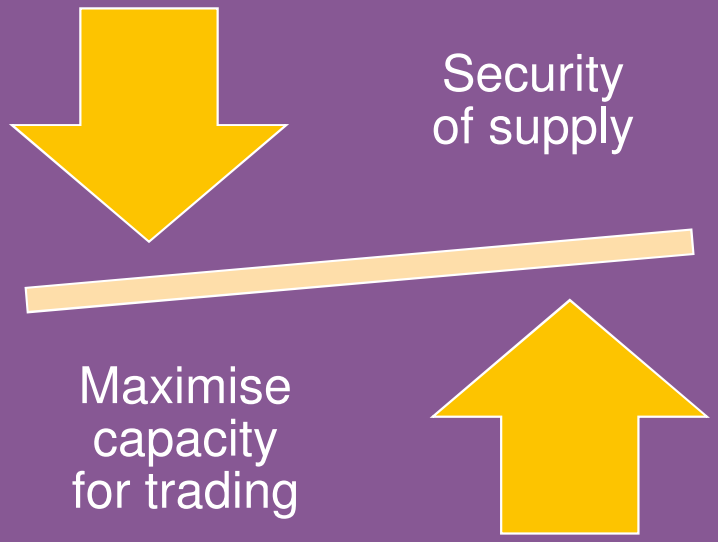
9 December, 2016

entsoe

Reliable Sustainable Connected

All TSOs role: comply with European and National obligations to maximise the capacity available for trading while guaranteeing security of supply

All TSOs commitment: optimise the use of the network.



- ***Facilitating cross-border trade while ensuring security of supply***
- ***Maximising cross-border trade through common capacity calculation***
- ***ENTSO-E fully committed to increased cross border trading***

MOTORWAYS ARE NOT MEANT TO BE USED AT 100% OF THEIR CAPACITY 100% of the time…

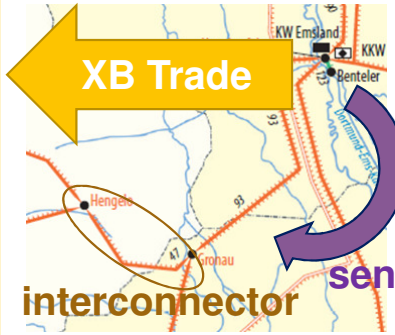
…NEITHER ARE INTERCONNECTIONS!

Just as there are speed restrictions on motorways, there are important reasons why capacity available for cross border trade on interconnectors is not 100%. Full trading through interconnectors at a time of major congestion on transmission grids would cause significant safety issues

ACER recommendation

ACER Principle 1 : no consideration of limitations on internal network elements in cross-zonal capacity calculation methods.

Main issue: The geographical location of a grid element does not represent properly the electrical interdependencies.
The sensitivity of a line to a XB trade should be the deciding factor for its relevance and not the question of whether it connects two bidding zones.



Alternative approach: sensitivity of a line to a XB trade (approved by all NRAs of the CWE region)
If internal structural congestions remain:

- Bidding Zones reconfiguration
- Grid investments
- Continues redispatching (as a structural solution)

ACER Principle 2 : Loop flows in CC

Main issue: Loop flows are part of the physical reality in zonal market. Disregarding loop flows, does not add physical capacity.

Alternative approach: Capacity calculation should take loop flows into consideration to ensure security operational criteria

If the CC is reduced by a certain threshold (to be approved by NRAs) because of the loop flows:

- Bidding Zones reconfiguration
- Grid investments

ACER Principle 3: Polluter principle

Main issue: The overloads in critical elements are caused by various factors (e.g. by both internal and XB exchanges, necessary but not yet realized grid reinforcements)

Alternative approach:

- Negotiations will start by TSOs of CCRs according to the planning in CACM
- There are diverging views in the TSOs community on how to divide the share between requester and causation principle and how flows emerging from internal and external exchanges are calculated
- Cost recovery assurance by all NRAs will facilitate the negotiations.

Debate the underlined basic idea from ACER: Benchmark against "proper zonal market model"

Market mechanisms must reflect physical capability of the grid: <u>Flow based CC</u>

- ❑ cross border trades require both cross border lines as well as internal lines and
- ❑ loop flows are inherent to zonal market

→ ACER recomendation ignores physics in CC? How operational security is considered?

Loop flows are physically linked to zonal models: <u>definition of zones defines the amount</u>

→ ACER recomendation points for smaller BZ?

The impact on economic welfare should be considered to allow for efficient management of the power system

→ ACER recommendation does not consider the economic implications of the proposed measures

HOW TO INCREASE CAPACITY FOR TRADE?

Implement the EU codes

3 CONNECTION CODES
Requirements for:
- Generators
- Demand side
- HVDC connections

…paving the way for offshore wind…

3 MARKET CODES
Rules for:
- Day ahead / Intraday
- Forwards
- Balancing

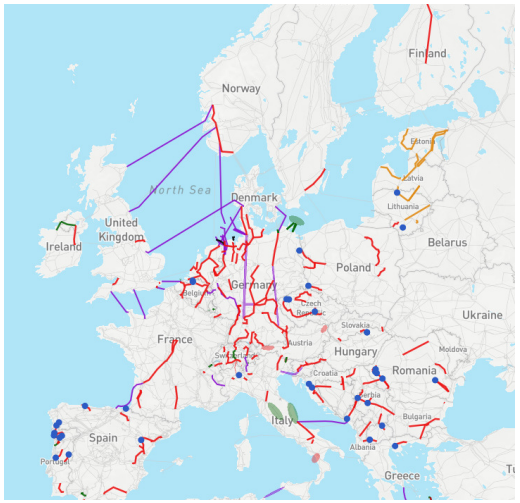
…market coupling…

2 OPERATIONAL CODES
Rules for:
- System Operation
- Emergency situations

…regional cooperation to increase security…

→ Flow based CC
→ Bidding Zones reconfiguration

Strengthen the grid



Continue existing cooperation at all levels