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## **Core CCR TSOs' Fallback Procedures Proposal in accordance with Article 44 of the Commission Regulation (EU) 2015/1222**

17 May 2017

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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 including any back-up methodology defined according to Article 36 of the CACM Regulation such as partial coupling where applicable are unable to deliver part or all of the results of the price coupling algorithm by the time specified in Article 37(1)(a) of the CACM Regulation, the Fallback Procedures established in accordance with Article 44 of the CACM Regulation 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) of the CACM Regulation since same Fallback Procedures will apply to all market participants on all respective bidding zone borders in the Core CCR, 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 intraday capacity allocation starts. The Fallback Procedures make sure that even in case of failure of the day-ahead coupling process, the cross-border capacity can still be allocated to the market participants in the day-ahead timeframe which is highly important for example for the following aspects: TSO operational planning (optimal use of transmission infrastructure operational security) and the market participants' portfolio optimisation.
- (8) The proposed Fallback Procedures contribute to ensure 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) of the CACM Regulation 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) The proposed Fallback Procedures are designed to ensure a fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants (Article 3(e) of the CACM Regulation) since the Fallback Procedures are performed through shadow auctions which rely on transparent auction rules that are approved by the relevant national regulatory authorities after the consultation period where applicable.
- (11) Regarding the objective of transparency and reliability of information (Article 3(f) of the CACM Regulation), the Fallback Procedures Proposal determines the main principles 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) of the CACM Regulation. 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.
- (12) 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 ensure providing the pricing of the day-ahead capacities inter alia being input for long-term capacity remuneration method. The Fallback Procedures are performed through shadow auctions which rely on a mechanism described in public auction rules. The algorithm used by shadow auctions calculates moreover a marginal price for the offered capacity according to the bid prices of the market participants and is thus market based.

- (13) 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 CCR.
- (14) 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 ensuring a transparent and non-discriminatory approach towards facilitating cross-zonal capacity allocation in the event that the single day-ahead coupling process is unable to produce results. This ensures the level playing field for market participants throughout the concerned bidding zone borders with a clear and harmonised framework for fallback day-ahead capacity allocation.
- (15) 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.
- (16) Core TSOs highlight the importance of high reliability of the single day-ahead market coupling given potential severe impact for market players. This Fallback Procedures Proposal focuses on situations where no results are available from the single day-ahead market coupling including any back-up methodology defined according to Article 36 of the CACM Regulation such as partial coupling where applicable.
- (17) Overall implementation of the Fallback Procedures is possible only in the whole Core CCR after single day-ahead coupling is implemented in the Core CCR.

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

### **Article 1** **Subject matter and scope**

The Fallback Procedures as determined in this Fallback Procedures Proposal shall be considered as proposal of Core CCR TSOs in accordance with Article 44 of the CACM Regulation and shall cover the Fallback Procedures for all bidding zone borders attributed to the Core CCR according to ACER Decision 06/2016.

## **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 on Core CCR bidding zone borders. 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**

1. NEMOs performing MCO function including any back-up methodology defined according to Article 36 of the CACM Regulation such as partial coupling where applicable shall inform Core TSOs in the event of risk that results for at least one bidding zone within the Core CCR cannot be delivered within the deadline in accordance with Article 50(2) of the CACM Regulation. TSOs coordinate with NEMOs to elaborate and amend, if needed, the detailed descriptions of the Fallback Procedures.

## **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 CCR, the results of the shadow auctions will be applied on the decoupled bidding zone borders to allocate the cross-zonal capacity on the allocation platform.
2. Shadow auctions are held on day-ahead timeframe 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.

4. The shadow allocation rules, containing at least the issues outlined in Annex 1 of this Fallback Procedures Proposal, will be made public on the TSOs websites subject to relevant NRA approval where applicable.

#### **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**

1. 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.



## Annex 1

### Minimum content of shadow allocation rules

- 1 Scope of the document including the exact list of bidding zone borders covered by the document;
- 2 Requirements and process for participation in shadow allocation especially registration rules, financial, contractual and technical requirements towards market participants regarding participating in shadow allocation;
- 3 Detailed rules (especially procedures and timing) of shadow allocation including cancellation rules and its consequences;
- 4 Rules of using transmission rights;
- 5 Curtailment and reimbursement rules;
- 6 Invoicing and payment details including late payment;
- 7 Miscellaneous such as but not limited to duration, amendment rules, liability, dispute resolution, suspension and termination rules, force majeure, confidentiality, governing law, language.