

**- Consultation Response -**

**CACM 2.0 – Europex feedback to ACER scoping issues**

Brussels, 25 March 2021 | Europex and the All NEMO Committee appreciate the opportunity to engage in this dialogue concerning the review of CACM GL. The rules established in CACM are partly the result of successful collaboration in preceding years between exchanges and TSOs in establishing targets models, including the implicit allocation in DA and ID timeframes and further laying the foundations for multi-regional coupling. The formalisation of these rules in CACM on capacity allocation, congestion management and cross-zonal trade in electricity has been a crucial step towards a genuinely integrated electricity market.

Continuing these efforts, the CACM review should build on successfully implemented concepts, including what has been learnt from exchanges, TSOs, regulators and other stakeholders. For example, while capacity calculation methodologies (CCMs) are defined at regional level, relevant improvements that are worth harmonising should be brought into the CACM guideline (e.g. consideration of remedial actions in capacity calculation, other aspects related to flow-based capacity calculation and so on).

Evolution, rather than revolution, is needed. Changes to CACM should aim to retain what is already working well or currently being implemented. Coherence with other NCs and GLs is important, and some aspects can be further clarified. The proposed changes should not delay or block current development. The costs already spent on implemented solutions and roles of NEMOs and TSOs should be taken into account.

Where detailed rules have been established in the Clean Energy Package / Electricity Regulation (ER) (e.g. 70% cross-zonal capacity threshold, rules for conducting the bidding zone review etc.), the CEP should take precedence and CACM should cross-reference to this legislation rather than attempt to duplicate it or risk adding conflicting new elements.

Please see below our feedback per ACER scoping area. NEMO-related topics of MCO governance, SDAC and SIDC and cost are purposefully not dealt with here.

## Feedback per ACER scoping topic

### CAPACITY CALCULATION (CACM TITLE II, CH1, ART 14-31)

#### General improvements and integration of CEP provisions in the capacity calculation framework

ACER subtopic	Europex comments
<b>70% margin for cross zonal trade vs. 30% for reliability margin, internal and unscheduled flows.</b>	<p>Alignment with the Electricity Regulation (ER) provisions is needed, including the 70% margin, RCC role and framework of derogations and national action plans. Europex considers that, as a general principle, cross-reference can be made to the detailed ER provisions.</p> <p>While we believe that no significant or conflicting aspects should be added, CACM could restate the principle contained in Article 16(4) that the maximum level of capacity should be made available to the market, in order to reaffirm the necessary overall focus on capacity calculation processes which aim to maximise capacity for trading and thus increase overall welfare.</p> <p>Transparency and data requirements also could be considered, including TSO provision of data for the purpose of monitoring the progress to 70% margin.</p>
<b>Regional Coordination Centre (RCC) tasks in capacity calculation</b>	Europex agrees with ACER that the RCC role, as described in ER 16(3) should be established in CACM.
<b>Improve framework for capacity validation</b>	The RCC validation role, ensuring coordination between TSOs, is preferred to individual TSO validation when it comes to the 70% requirement. CACM Art 26 gives each TSO the right to validate and correct cross-zonal capacity, but Art 16(3) ER requires coordination, only allowing cross-zonal capacities to be reduced via coordinated action, agreed by the RCC.
<b>Align (redundancy check)/merges/reorder of paragraphs in CC-chapter (including consistency with other GLs)</b>	Europex agrees with ACER that alignment would be beneficial.

<p><b>Harmonisation deadline for all capacity calculation methodologies (CCMs) in all CCRs</b></p>	<p>If the deadlines from CCM completion themselves are not harmonised, at least the timelines / duration should be harmonised with realistic completion timeframes.</p>
<p><b>Obligation for a biennial report on capacity calculation (CC) and allocation</b></p>	<p>Europex supports alignment with ER Article 14(2) (every three years). Importantly the ER report contains an assessment of whether the linear trajectory to 70% is achieved.</p> <p>Pursuant to Art. 15 ER (action plans), TSOs must also submit to ACER reports on their linear trajectory progress to 70%. This information should be published by ACER on an annual basis.</p>
<p><b>Clarify status of third countries in capacity calculation process</b></p>	<p>Europex in principle supports inclusion of third countries. Exchanges of electricity with third countries is a reality and borders with third countries should be included in capacity calculation processes. With an increasing number of market integration projects, it is important to clearly identify what are the priorities within the integration process, so that the resources can be used in the most efficient way.</p> <p>The language should be neutralised to allow wider third-country scope than just Swiss agreement. However, there are many aspects to address, including governance arrangements and relationship with the CCR, among others.</p> <p>We do not believe a change to the definition of a CCR is necessary in order to enable the inclusion of borders with third countries within a CCR. Rather, each CCR could be complemented with the list of corresponding borders with third countries (but not considering them as part of the CCR).</p>

### Use of remedial actions in capacity calculation

ACER subtopic	Europex comments
<p><b>Inclusion of costly remedial actions in the CCM RAOs and/or capacity validation as mandated by Article 16(3) and (4) of ER</b></p>	<p>Europex supports the inclusion in capacity calculation of countertrading and redispatch (costly remedial actions), including cross-border redispatch, as described in ER Art 16(3) and (4).</p>

## Improve harmonisation of capacity calculation parameters across timeframes

ACER subtopic	Europex comments
<b>LTA inclusion vis-à-vis FCA</b>	No position on whether the LTA patch needs to be included. However, care should be taken not to be overly prescriptive in CACM, as the use of TCMs can also be considered.
<b>Definitions of operational security limits and remedial actions vis-à-vis SO GL</b>	Europex supports alignment with SO GL.
<b>GSK strategies</b>	GSK strategies should be a matter for individual CCMs, and it is not necessary to include this level of granularity in CACM.

## Improve requirements for capacity calculation inputs

ACER subtopic	Europex comments
<b>Specify that CGM is also CC input</b>	Europex supports identification of CGM as a CC input.
<b>Develop requirements on IGM and CGM content</b>	Europex supports alignment with SO GL.
<b>Inclusion of list critical network elements and corresponding operational security limits</b>	Europex supports the inclusion of the methodology to select CNECs (e.g. as in the CORE CCM) as a CC input, as well as the rule on the calculation of operational security limits.
<b>Allocation constraints</b>	If allocation constraints are retained in the CC, then Europex would support the introduction of framework principles for their analysis.

## Treatment of HVDC within capacity calculation

ACER subtopic	Europex comments
<b>Treatment of HVDC in capacity calculation (cross- border and within bidding zones).</b>	Europex agrees that the distinction should be made for HVDC both within and across synchronous areas and within and across bidding zone borders. The HVDC role in capacity calculation should be recognised (e.g. controllability features allowing them to contribute to remedial actions).

## Criteria for capacity calculation regions and for application of CNTC

ACER subtopic	Europex comments
<b>Requirement to form CCRs</b>	A clear methodology to determine CCRs is needed in CACM, including clarity on what happens when borders are added to a CCR.
<b>Establish clearer principles for determination of CCRs and interdependency of borders including the treatment of HVDC interconnectors</b>	We generally support Eurelectric’s proposed definition of the CCR, grouping the interdependent borders i.e. assessing the flows on CNEs to identify more objective criteria for determining which CCM should apply.
<b>Delete outdated requirements</b>	An update to Article 21 is needed (this article describes what a regional CCM should include).
<b>Clarify requirements for applying cNTC approach</b>	Europex would seek clarification of what ‘more efficient’ means in this context, and ensure a framework for robust justification of applying one approach or the other.  <i>Ref: CACM Article 20(7): ‘TSOs may jointly request the competent regulatory authorities to apply the coordinated net transmission capacity approach in regions and bidding zone borders other than those referred to in paragraphs 2 to 4, if the TSOs concerned are able to demonstrate that the application of the capacity calculation methodology using the flow-based approach would not yet be more efficient compared to the coordinated net transmission capacity approach and assuming the same level of operational security in the concerned region.’</i>

## REMEDIAL ACTIONS (CACM TITLE II, CH3, ART 35&74)

### Alignment with CEP provisions and consistency with the SO Regulation

ACER subtopic	Europex comments
<p><b>Solving the incongruences and the overlap between CACM and SO GL on remedial actions</b></p>	<p>We would request further information from ACER on the incongruences identified. While coherence is necessary, introducing legal obligations in CACM established by other GLs should be avoided (also due to governance considerations).</p>
<p><b>Clarifying the role of RCC in coordination remedial actions pursuant to E. Reg</b></p>	<p>Europex supports the inclusion in CACM of the RCC role in coordinating remedial action</p>
<p><b>Including CEP provisions about cost sharing and improving them</b></p>	<p>Europex supports alignment with the ER principles (incorporating provisions in 16(13) of Regulation 2019/943 and mentioning of cross-CCR costs shall be at least mentioned.</p> <p>Implementation of existing requirements is also important, including the completion of cost-sharing methodologies with all the CACM requirements as per CACM Article 74(5).</p> <p><i>Ref: 'ER 16(13) When allocating costs of remedial actions between transmission system operators, regulatory authorities shall analyse to what extent flows resulting from transactions internal to bidding zones contribute to the congestion between two bidding zones observed, and allocate the costs based on the contribution to the congestion to the transmission system operators of the bidding zones creating such flows except for costs induced by flows resulting from transactions internal to bidding zones that are below the level that could be expected without structural congestion in a bidding zone.'</i></p>

## Avoid duplication between CACM and SO Regulation

ACER subtopic	Europex comments
<b>Avoid duplication in coordination of RDCT actions between CACM and SO Regulation</b>	We appreciate that SO GL aims for a comprehensive and global optimization. However, we highlight our concerns above about introducing legal obligations in CACM established by other GLs.
<b>Avoid duplication in cost sharing of RDCT actions between CACM and SO Regulation</b>	As a general principle, duplication of requirements in different GLs should be avoided.

## BIDDING ZONE REVIEW (TITLE II, CH2, ART 32-34)

### Integrate and improve CEP provisions in the BZR framework

ACER subtopic	Europex comments
<b>Align CACM provisions related to bidding zones with Art 14 ER</b>	<p>Europex supports alignment with the ER, which should take precedence.</p> <p>Note we refer to the <i>Europex response to the ACER consultation on bidding zone review methodology, April 2020</i> (<a href="#">link</a>).</p>
<b>Improvements of criteria taking into account the experience gained in the past</b>	<p>The complexity of quantifying and monetising some criteria must be acknowledged. These impacts are nonetheless highly relevant and potentially significant, we therefore support the inclusion of non-monetised indicators where relevant.</p> <p>Europex would support including fewer criteria, while still maintaining a more complete analysis. The trade-off between the efficiency of the market outcome and operational security is a starting point, but other criteria such as an analysis of impacts on market liquidity, the accuracy of price signals and the stability of bidding zones over time need to be considered early on in the analysis.</p> <p>The measurement of liquidity impacts (in all market timeframes) should be improved. Please see the Europex response to the ACER consultation on bidding zone review methodology, April 2020 for more detail.</p>

<p><b>Congestions: (Structural) physical congestion and (structural) commercial congestion</b></p>	<p>CACM GL defines ‘structural’, ‘physical’ and ‘market’ congestion. We request clarification from ACER on how they define ‘commercial’ congestion.</p> <p>Note: <i>“the single methodology for pricing intraday cross-zonal capacity developed in accordance with Article 55(3) shall reflect <u>market congestion</u> and shall be based on actual orders”</i>. If the definition is deleted, the issue addressed by current Art. 55 will need to be reworded.</p> <p>Ref: CACM definitions:</p> <p><u>‘market congestion</u> means a situation in which the economic surplus for single day-ahead or intraday coupling has been limited by cross-zonal capacity or allocation constraints’</p> <p><u>‘physical congestion’</u> means any network situation where forecasted or realised power flows violate the thermal limits of the elements of the grid and voltage stability or the angle stability limits of the power system’</p> <p><u>‘structural congestion</u> means congestion in the transmission system that can be unambiguously defined, is predictable, is geographically stable over time and is frequently reoccurring under normal power system conditions’</p>
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### Triggering a BZR: Regular reporting on structural congestions

ACER subtopic	Europex comments
<p><b>Interaction between the congestion report foreseen by Article 14 ER and the CACM congestion report every three year</b></p>	<p>It is doubtful whether a three year frequency is useful given that the previous BZR took longer than expected. A longer perspective is needed, and markets also need stable conditions and predictability. New reports should only start after BZR is conducted (sequentially) but not in parallel.</p>
<p><b>Market report</b></p>	<p>ACER have interpreted the market report requirement as being linked to the launch of a bidding zone review, while leaving the assessment of market impact to the BZ review.</p> <p>However, we believe there is a need to also regularly assess the market impact of current configurations, and therefore support retaining the market report.</p>

	<p>The assessment of the configuration impact on market efficiency, competition, liquidity and overall welfare is necessary.</p> <p>The overall assessment – covering multiple timeframes (spot, forward, balancing mechanisms) – needs to be made based on a range of appropriate measurement criteria, as well as a clear recognition of the crucial interplay between short-and long-term markets in order to secure overall market and power system efficiency.</p> <p><i>Ref: Art 34(1) CACM</i></p> <p><i>'1. The Agency shall assess the efficiency of current bidding zone configuration every three years. It shall:</i></p> <p><i>(a) request ENTSO for Electricity to draft a technical report on current bidding zone configuration; and</i></p> <p><i>(b) draft a market report evaluating the impact of current bidding zone configuration on market efficiency.'</i></p>
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#### Triggering a BZR: Decision to launch

ACER subtopic	Europex comments
<b>Review/confirm the entities that may launch a review, also in view of the Electricity Regulation</b>	<p>CACM Art 32 allows a bidding zone review to be launched by: ACER, several NRAs, TSOs of a CCR, an NRA or TSO with NRA approval, Member States in a CCR.</p> <p>The ER Art 14(7) permits Member States in which structural congestion has been identified, to launch a review, in cooperation with its TSOs.</p> <p>Europex would support keeping the different routes /entities permitted in CACM.</p>
<b>Possibility to provide guidance when launching a review (e.g. on configurations)</b>	<p>Europex supports the establishment of a BZ stakeholder advisory group to provide feedback and guidance on such decisions.</p>

## Content and requirements of the BZR methodology

ACER subtopic	Europex comments
<p><b>Keep the second step of CACM art. 32(4)b as a reference, preserving the consultation of market participants for the draft report and general involvement in the whole process and including any further consultation process as per ER.</b></p>	<p>Europex strongly supports systematic stakeholder involvement in the whole process.</p> <ul style="list-style-type: none"> <li>▪ Stakeholders should be consulted and involved in the main steps defining the review methodology.</li> <li>▪ During the evaluation phase (assessment of the configurations according to the criteria), specific ad hoc workshops and consultations should be foreseen to analyse specific impacts.</li> </ul> <p>A BZ advisory group should also be established.</p>
<p><b>Add transparency requirements for the BZR process (publication, etc.)</b></p>	<p>Agree – transparency should be maintained at all stages of the process, accompanied by regular opportunities for stakeholder input.</p>
<p><b>Adaption based on the experience matured so far – New Art. 33:</b></p> <ul style="list-style-type: none"> <li>• Streamlining criteria (overlaps)</li> <li>• Clarifying scope of some criteria ('economic efficiency'?)</li> <li>• Differentiating criteria to be maximised (optimisation problem)vs prerequisites(e.g. assignment units to BZs)</li> </ul>	<p>See section above: <i>'Improvements of criteria taking into account the experience gained in the past.'</i></p> <p>The criteria of economic efficiency should not be undermined. Any loss of liquidity in short term physical or long term (derivatives) markets can result in a negative impact on socio-economic welfare and accordingly some negative consequences for final consumers.</p> <p>A thorough assessment of market liquidity impacts is needed as part of a broader market efficiency analysis. It is vital to look at liquidity impacts in all market timeframes - forward, day-ahead, intraday and balancing.</p> <p>The methodology should do more to take into account demand-side response (DSR) and other innovation that will provide additional flexibility.</p> <p>A pan-EU approach to the methodology is also necessary, to avoid fragmented approaches in an integrated and coupled market.</p>
<p><b>Align the number of years for considering projects in the reference scenario &amp; Role of TYNDP if any</b></p>	<p>Agree with ACER proposal.</p>

<b>12 months for the simulation phase</b>	Agree.
<b>No timeline for the methodology and alternative configurations – only preliminary submission to involved</b>	It would be valuable to establish timeframes here, but building on timelines defined in the ER Art 14.

### Development and approval of the BZR methodology

<b>ACER subtopic</b>	<b>Europex comments</b>
<b>Review timeline for amendments (not defined in CACM)</b>	Align with ER provisions relating to the approval process and timeline for the methodology and defining configurations.
<b>Decision on the methodology in case of disagreement among TSOs and/or NRAs?</b>	Align with ER provisions relating to the approval process and timeline for the methodology and defining configurations.
<b>Fall-back option in case of lack of proposed configurations</b>	The lack of proposed configuration is also the result of the assessment. A fallback option doesn't seem necessary and would go beyond the principles agreed under the Electricity Regulation.

### Decision on BZ reconfiguration

<b>ACER subtopic</b>	<b>Europex comments</b>
<b>.MS role, including case of disagreement, as per CEP provisions</b>	Align with CEP provisions. The Electricity Regulation deliberately leaves the room for Member States to disagree, which is also an outcome.