

## **ACER Decision on Core CCM: Annex III**

### **Evaluation of responses to the public consultation on the amendments of the proposal for a common capacity calculation methodology for the Core capacity calculation region**

#### **1 Introduction**

On 4 June 2018, transmission system operators ('TSOs') from the Core capacity calculation region ('CCR') submitted the amended proposals for the '*Core CCR TSOs' regional design of the intraday common capacity calculation methodology in accordance with Article 20ff. of Commission Regulation (EU) 2015/1222 of 24 July 2015*' and the '*Core CCR TSOs' regional design of the day-ahead common capacity calculation methodology in accordance with Article 20ff. of Commission Regulation (EU) 2015/1222 of 24 July 2015*' (the 'Amended Proposals'). The last Core CCR regulatory authority received the Amended Proposals on 19 June 2018.

The Core regulatory authorities did not reach a unanimous agreement to either approve the Amended Proposals, to request the Agency to extend the deadline for decision or to request the Agency to adopt a decision on the Amended Proposals pursuant to Article 21 et seqq. of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (the 'CACM Regulation'). In accordance with Article 9(12) of the CACM Regulation, all the Core CCR regulatory authorities referred the Amended Proposals to the Agency, for the Agency to adopt a decision. In order to take an informed decision, the Agency launched a public consultation on 4 December 2018 inviting all interested parties to express their views on potential amendments of the Amended Proposals. The closing date for comments was 24 December 2018.

More specifically, the public consultation invited stakeholders to comment on the following aspects of the capacity calculation methodology ('CCM'):

- (i) The avoidance of undue discrimination between internal and of cross-zonal trade, and in particular the suggested approaches on the selection of critical network elements and contingencies ('CNECs'), as well as the minimum remaining available margin ('minRAM');
- (ii) TSOs' intervention to ensure operational security, at the end of the calculation process (i.e. 'capacity validation');

- (iii) The quality of the capacity calculation input parameters, and in particular the suggested approaches to the Flow Reliability Margin ('FRM') and Generation Shift Key ('GSK');
- (iv) The use of allocation constraints by the Core TSOs;
- (v) The calculation of intraday ('ID') capacity, and in particular the consistency between the day-ahead and the intraday methodologies, the suggested approach to the timing and the frequency of ID capacity calculation and the suggested approach to cross-zonal capacity at the intraday cross-zonal gate opening time;
- (vi) The overall transparency of the CCM; and
- (vii) The foreseen implementation timeline.

## **2 Responses**

By the end of the consultation period, the Agency received responses from 26 respondents.

This evaluation paper summarises all received comments and responses to them. The table below is organised according to the consultation questions and provides the respective views from the respondents, as well as a response from the Agency clarifying the extent to which their comments were taken into account.

ACER views	
Question 1: Please comment on the suggested approach on the selection of critical network elements and contingencies.	
<p>22 respondents provided an answer to this question.</p> <p>6 respondents share the Agency's observation that cross-zonal capacities for the market are low. 2 of these respondents further believe that TSOs manage internal congestions at the cost of cross-zonal capacity.</p> <p>1 respondent further supports the gradual two-year approach to removing internal lines from capacity calculation, as well as the possible derogation after those 2 years, as suggested by the Agency</p> <p>14 respondents object to the exclusion of internal critical network elements after two years.</p> <p>7 of those respondents observe that in a zonal market design, cross-zonal trade, regardless of the zonal configuration, will always affect some internal network elements. 4 among those respondents observe that the flow-based methodology by design should take into account congestion on internal network elements. 7 of those respondents further suggest that inclusion be allowed based on a sound market economic efficiency analysis.</p>	<p>The Agency agrees.</p> <p>The Agency disagrees with the systematic inclusion of internal network elements into capacity calculation based only on the criteria of significant physical impact. This criteria is indeed an important one as it is mandated by Article 29(3)(a) of the CACM Regulation. However, it should not be the only one, since the reference to the rules for avoiding undue discrimination between internal and cross-zonal exchanges in accordance with Article 21(1)(b)(ii) and Article 29(7)(d) of the CACM Regulation aims to ensure compliance with point 1.7 of Annex I to Regulation (EC) No 714/2009. This point requires that <i>'TSOs shall not limit interconnection capacity in order to solve congestion inside their own control area, save for the abovementioned reasons [i.e. economic efficiency] and reasons of operational security'</i>. As the Agency's Decision needs to respect the applicable Union legal framework, the inclusion of internal network elements in capacity calculation therefore needs to be conditional on economic efficiency and operational security. Therefore, the Agency introduced a selection criteria for internal network elements to become critical network elements, which is based on economic efficiency and, in exceptional cases, during capacity validation, TSOs may add internal network elements to the list of CNECs due to operational security.</p>

Respondents' views	ACER views
<p>2 respondents favour limiting the inclusion of internal network elements based on a threshold for power transfer distribution factors ('PTDFs') (1 respondent suggests a 15% threshold); 1 among those respondents believes such threshold offers a better guarantee of compatibility between the Core CCM is and Core TSOs' system security.</p> <p>In opposition with those respondents, 2 respondents are opposed to any derogation (and the inclusion of internal critical network elements) after two years.</p>	<p>Even though cross-zonal trade may indeed affect internal network elements, this fact is not a sufficient reason for these elements to limit cross-zonal trade. This is because in the zonal market model, these elements should generally be assumed as physically non-congested and if the congestion would indeed appear on those elements, they should be managed by means of equal competition and access for cross-zonal and internal exchanges and not by introducing competition only for cross-zonal exchanges while keeping the priority access for internal exchanges.</p> <p>Further, the Agency notes that there is no requirement in the Union legislation, which would require by design that a flow-based CCM takes into account internal network elements.</p>
<p>6 respondents believe that the CCM should set proper incentives for network investments.</p> <p>2 respondents observe that excluding internal lines from the CCM has the opposite result, by disincentivising investment in cross-border infrastructures. 1 respondent further believes that this approach will punish those countries that have built up a significant cross-border transport infrastructure or are planning to do so. 5 respondents believe that the focus should be on network elements subject to frequent 'reductions'. 1 respondent judges the Agency's approach to be unfair and inefficient, as it does not target undue discrimination but rather forces TSOs operating large bidding zones to trigger massive amounts of redispatching and/or countertrading.</p>	<p>The Agency considers that a policy based on efficient congestion management can never fulfill all the energy policy objectives, namely in this case the incentives to develop cross-border infrastructure investments. Generally, a combination of measures is needed to address different policy objectives. The Agency considers that investments in interconnections should be incentivised through different regulatory measures and they should be implemented only when the networks inside bidding zones is sufficiently strong to accommodate new interconnectors or when these investments are combined with planned reconfiguration of bidding zones.</p> <p>The Agency also notes that redispatching and/or countertrading is not the only way to address the discrimination issue (and most likely not the most efficient one).</p>

Respondents' views	ACER views
<p>4 respondents observe that the transition period of two years is too short to consider alternative measures such as splitting the bidding zones or infrastructure investments. In general, TSOs will need more time for the implementation of the CACM Regulation. 1 respondent observes that TSOs are liable for a secure system operation and will relieve overloaded lines by applying remedial actions. 2 respondents suggest to extend the initial transition period to 5 years in order to avoid an inefficient, carbon-emitting and possibly unsafe use of remedial actions, 1 suggests a specific possibility of an extension for those internal lines with significant cross-border impact (zone-to-zone PTDF &gt;5%).</p> <p>In contradiction with this observation, 1 respondent believes that the transition period of two years is unjustified, as TSOs should already have implemented solutions two years ago, in the context of the Agency's Recommendation.</p>	<p>The Agency considers that a transition period is needed, since it implies a significant change in how cross-zonal capacities are calculated. Even though the legal framework related to point 1.7 of Annex I to Regulation 714/2009 has been applicable for several years, this does not change the fact that immediate implementation of this solution is not feasible. The Agency considers that the proposed transition period is sufficiently long as it includes the following timeline:</p> <ol style="list-style-type: none"> <li>1. at least 21 months for the implementation of the methodology</li> <li>2. 18 months for the development of a proposal</li> <li>3. 6 to 12 months for the approval of the proposal.</li> </ol> <p>This should provide sufficient time to TSOs to analyse and implement, where necessary, the alternatives.</p>

Respondents' views	ACER views
<p>4 respondents discuss the issue of bidding zone configuration: 1 respondent observes that any consideration of an 'optimal bidding zone configuration' is out of the legal scope of the provisions of the CACM Regulation on capacity calculation, which another respondent supports by stating that a decision on amending or maintaining bidding zones falls within the concerned Member States. 2 respondents assume that a bidding zone reconfiguration is very unlikely to occur due to political and technical resistance. 1 respondent states that as a principle, TSOs should only be requested to do as much as they are able to, but not be sanctioned for any effects or developments beyond their powers, for example, a change in the configuration of bidding zones.</p> <p>1 respondent, supporting bidding zone reconfiguration, considers that long-term structural congestions will necessary be solved by ensuring that bidding zones are efficiently configured, following a clearly defined review process.</p>	<p>The Agency agrees that bidding zone reconfiguration is out of scope of the CCM and the legal scope of the Agency's Decision. For this reason, the Agency did not impose any obligations on this subject. Rather, the Agency defined conditions under which TSOs can include internal network elements to the list of CNECs that may reduce cross-zonal capacity, which is within the scope of the Decision. Therefore, the main added-value of the Agency's Decision is to protect the interest of the internal market and to optimise the capacity of the interconnectors by making sure that reductions due to congestions on internal network elements are indeed efficient considering the legally possible alternatives. The Agency does not consider it justified to limit the cross-zonal capacities due to the unwillingness or national restrictions imposed on some TSOs to implement the alternative possibility provided by the Union legislation.</p>
<p><b>Question 2: Please comment on the suggested approach to minimum remaining available margin.</b></p>	
<p>22 respondents provided an answer to this question.</p>	
<p>4 respondents are opposed to the setting of minRAM: 1 respondent observes that the European energy policies in general, and the Clean Energy Package in</p>	<p>The Agency finds it necessary to ensure minimum capacity available for cross-zonal trade in order to avoid non-discrimination between internal and cross-zonal exchanges.</p>

<p><b>Respondents' views</b></p>	<p><b>ACER views</b></p>
<p>particular, do not constitute a framework that contributes to German end-consumer welfare. In a context where German consumers face the cost of the energy transition, increased network charges due to higher redispatching costs, or any alternative are politically challenging: a split in bidding zones would result in higher tariffs in South Germany and additional investments (Süd-link) would bear the same result. This is why fixed cross-border capacity bears no positive outcome for German consumers.</p> <p>1 respondent believes that artificially increased cross-zonal trade will not bring any benefit except for traders, and sees potential loss in profitability from a generator perspective, market distortion, increased costs associated to increased use of remedial actions, undermining the positive effects of scarcity pricing.</p> <p>1 respondent believes that minRAM is not transparent enough.</p> <p>1 respondent believes that minRAM is an artificial tool altering the mathematical soundness of the algorithm without guaranteeing that the level of capacity made available to the market is maximised up to the level of optimal welfare.</p> <p>1 respondent believes that the setting of minRAM is out of scope as the intention of flow-based capacity calculation is to align operations and markets.</p>	<p>While the Agency shares the concerns of stakeholders about the minRAM approach (i.e. transparency, overall benefits for end consumers, overall impact on market efficiency when the costs of remedial actions are taken into account), it notes however that this approach is the only one available to the Agency to address the discrimination between internal and cross-zonal exchanges. Without such a measure, the undue discrimination between internal and cross-zonal exchanges would remain unresolved.</p> <p>On the necessity of this requirement, the CCM establishes common harmonised rules for calculation of interconnection capacity serving the overall objective of establishing a fully competitive Internal Electricity Market with common harmonised rules for access to interconnection capacity. Therefore, regardless of the individual policies applicable in different Member States, these policies should not have any impact on the access rules for interconnection capacity. In the absence of such common rules, the concept of Internal Electricity Market would be seriously endangered.</p>

Respondents' views	ACER views
<p>On the contrary, 9 respondents see merit in minRAM threshold.</p> <p>7 respondents see merits in The Agency's proposal to address undue restriction of cross-zonal trades by the enforcement of minRAM. 1 respondent believes that the approach is justified if the percentage remains manageable from a system security point of view, as seen in the Core CCR and the former Central Western European region. 1 respondent believes that the approach may provide a certain level of certainty to the market.</p>	<p>The Agency agrees.</p>
<p>7 respondents anticipate negative consequences from an initial setting of too high a value of minRAM. 5 respondents consider that too high a minRAM value would jeopardize economic efficiency. 4 respondents see risks for system security, and 1 sees further risks regarding security of supply for central Europe. The risk, which those respondents point at, is one of a TSO potentially facing rising levels of unscheduled flows through its system, up to a level that redispatching could not address. 3 respondents underline a specific impact for third countries sharing the same synchronous area with any Member State. 2 among those note that the problem can be more critical in bidding zones where market participants must have balanced positions in the day-ahead timeframe, therefore call for consistency between national rules and rules defined in the Agency's Decision.</p>	<p>As outlined above, the Agency finds it necessary to comply with the Union legislation on harmonised and efficient rules for access to interconnectors between Member States. This is essential to establish a truly competitive and non-discriminatory Internal Electricity Market. Therefore, the Union rules on access to interconnectors should not be bound or tailored to specific national markets. While specific national markets and jurisdictions may indeed face difficulties, costs or inefficiencies when implementing these rules, these are, in the Agency's view, mostly unavoidable.</p>



Respondents' views	ACER views
<p>9 respondents specifically discuss the starting threshold for the minRAM trajectory. 1 respondent observes that the setting of an initial value of minRAM at 40% would not be based on available experience, unlike the 20% minRAM suggested in the Amended Proposal, pursuant to current practices in the former Central Western European region. 2 other respondents further consider 20% as an acceptable compromise, considering that in the former Central Eastern European region, TSOs have little or no experience with flow-based capacity calculation. 1 respondent would support a starting point up to 30%. 1 respondent would support an initial range for minRAM, rather than a fixed target. Finally, 1 respondent qualifies 'any minRAM (20%)' as 'ambitious'.</p> <p>On the contrary, 3 respondents would support more ambitious approaches. 1 respondent considers that 20% it is not ambitious enough. This respondent further observes that in 2018, remaining available margin ranged on average around 30% for active constraints on internal lines and close to 50% for cross-border lines, therefore an overall 30% threshold would actually be a step back, and the political signal that 70% of the cross-border could possibly be reserved for loop flows. 2 additional respondents support the last statement.</p>	<p>The Agency is of opinion that it is important to define the objective, which is compliant with the currently applicable Union legislation. In the Agency's understanding, the minimum RAM should be 70% of the maximum admissible flow of critical network elements and further justification of this value can be found in the Decision. The Decision also explains that this requirement is without prejudice to possible deviations as long as those are compliant with the Union legislation.</p>

Respondents' views	ACER views
<p>13 respondents suggest alternative approaches to establishing a minRAM threshold.</p> <p>8 respondents suggest that the threshold for minRAM be based on an economic analysis aiming at welfare maximisation, further suggesting that the analysis is revised every other year.</p> <p>1 respondent suggests that minRAM takes account the PTDFs. Based on the observation that a small RAM increase on a CNEC with a low PTDF can free up a significant amount of capacity, this respondent suggests calling for lower minRAM thresholds on critical network elements with lower PTDFs, thereby targeting the effort in a cost-efficient manner, and guaranteeing feasibility.</p> <p>1 respondent suggests that the minRAM threshold be considered over 80% of trading hours only.</p> <p>3 respondents suggest that the minRAM threshold should be a 'benchmark target' (i.e. non-binding). 1 among them argues that the CACM Regulation does not mandate any pre-defined goal.</p>	<p>The Agency considered the option to use economic efficiency as a criteria to define the minimum thresholds for cross-zonal capacities. However, as outlined above, such efficiency criteria would presently likely be impacted by specific national market aspects and would thus make the Union rules on access to interconnection capacities highly dependent on specific national market design features and thereby the potential negative impacts of national market design choices would spill over to other markets. The Agency does not see this as a proper basis for defining common Union rules for access to interconnection capacity.</p> <p>The Agency finds the proposal of defining relative minimum RAM interesting as it would 'normalise' the minimum capacity according to the relevance of different critical network elements for cross-zonal trade. However, the Agency objects the notion that the legitimacy of capacity reductions on interconnectors or internal critical network elements due to loop flows, reliability margins and internal flows can differ in relation to the significance of the underlying network elements for cross-zonal trade. In the Agency's view, the legitimacy of those reductions should be set in absolute terms.</p>
<p>3 respondents express concerns over the linear trajectory for increasing the minRAM: 2 respondents anticipate that it will incur significant costs. 1 respondent considers that the increase should not be automatic, but the assessment of the success of one step should condition the launching of the next one.</p>	<p>The Agency does not consider it legally feasible to provide discretion to TSOs to fulfil legal requirements. The fact that TSOs are not complying with the Union legislation today should not be a reason for providing them a continuous comfort for non-compliance.</p>

Respondents' views	ACER views
<p>3 respondents discuss the end-goal of reaching a threshold of 75% minRAM.</p> <p>2 respondents consider that such threshold is not ambitious enough. 1 of them considers that it goes against European Regulations, Directives and the Treaty of Lisbon. 1 considers that it contradicts the approach to economically efficient CCMs in the draft recast Regulation. 1 respondent considers that the threshold is too ambitious.</p>	<p>The Agency considers that with currently available information the 70% target for minimum RAM represents an expectation that, in a bidding zone configuration, the level of loop flows, internal flows and reliability margin should not increase beyond 30%. Therefore, in the context of a zonal market design, TSOs may not be able to provide more cross-zonal capacities. Nevertheless, this assumption is currently based on best available information and it may therefore change in future once more data and information become available.</p>
<p>2 respondents support the introduction of a loop-flow threshold (1 among them suggested a value of 10%), with the aim that loop flows considered in capacity calculation should be reduced up to this level. 1 of these respondents further requests that <i>'It should also be avoided that NRAO [i.e. non-costly remedial action optimization] creates margin on internal lines considered in capacity calculation by increasing the loop flows on the border above the agreed threshold.'</i></p>	<p>The Agency accommodated this proposal and introduced an option for TSOs to define initial settings of remedial actions to reduce the level of loop flows below the threshold level. The Agency also defined this threshold level using the same assumptions as the ones used in the definition of the minimum RAM factor. Finally, the Agency also provided a constraint for the optimisation of non-costly remedial actions such that the latter does not lead to an increase of loop flows beyond the threshold level.</p>
<p>2 respondents support preventive remedial actions to be taken into account in the base case when there is a certainty that they will be activated as they relieve structural constraints, in order to reflect better the actually feasible minRAM values.</p>	<p>The Agency considers that such an approach is not needed, since the minimum capacity (i.e. minRAM) can achieve the same result, which is to ensure the maximisation of cross-zonal capacities even if structural congestions or loop flows are present. Such an approach (i.e. defining a common grid model ('CGM') with all expected remedial actions) would also reverse the cause and effect ordering, since a CGM is needed to identify congestions that would occur without remedial actions and only then the optimal remedial actions can be chosen to address these congestions.</p>
<p><b>Question 3: Please comment on the suggested approach to the validation process.</b></p>	
<p>15 respondents provided an answer to this question.</p>	

Respondents' views	ACER views
<p>10 respondents approve the process; 1 among those respondents further sees it as a guarantee for transparency and liability over recurring capacity reductions.</p> <p>2 respondents ask further analysis to be provided when a TSO claims 'insufficient remedial actions' as a reason for reduction, namely an obligatory analysis of whether capacity contracting for remedial action by the individual TSOs is sufficient, and if increasing capacity contracting would be economically efficient.</p>	<p>The Agency agrees that Article 21(1) of the Amended DA Proposal and Article 19(1) of the Amended ID Proposal do not describe in sufficient detail the content of the report, which the coordinated capacity calculator ('CCC') has to issue every three months and do not require the Core TSOs to provide the CCC with all the information needed. During the consultation process, stakeholders confirmed that experience in the former Central Western European region revealed that without a clear definition of the expected information requirements, the risk was that TSOs would limit the reporting to generic and insufficient information.</p> <p>In order to avoid such outcomes, the Agency updated the description of the report to be issued by the CCC every three months, in order to ensure that the Core NRAs receive a complete description of the situations leading to capacity reductions. Also, the Agency added additional requirements for the publication of information related to capacity reductions:</p> <ul style="list-style-type: none"> <li>• the corresponding flow components calculated during capacity calculation;</li> <li>• the forecasted physical flow and the realised physical flow;</li> <li>• the detailed reason for violations, including the operational security limit(s) that would have been violated with the calculated cross-zonal capacities, and under which circumstances they would have been violated; and</li> <li>• the proposed measures to avoid similar reductions in the future.</li> </ul> <p>In order to ensure that the CCC has access to the data required for the report referred to in the previous paragraph, the Core TSOs that have reduced capacity on critical network elements ('CNEs') must provide the CCC with detailed information about these reductions, as well as the information on the measures to alleviate such reductions in the future.</p>

Respondents' views	ACER views
<p>1 respondent considers that the reporting requirements (namely the detailed action plan) are too heavy.</p> <p>2 respondents are opposed to the threshold of reductions occurring more than 1% of market time units to trigger a detailed action plan. 1 respondent considers that the threshold is too high, as an action plan should be triggered for every instance of reduction, while 1 respondent considers that action plans will be triggered too often.</p>	<p>The Agency considers capacity reductions below the minimum levels required to avoid undue discrimination (i.e. minRAM) as serious violations of interconnection access rules and therefore justify significant reporting requirements such as to ensure full transparency of these reductions. Only then, the regulatory authorities and stakeholders will be able to assess whether the reductions were indeed unavoidable or whether they are the results of TSOs' negligence.</p> <p>When these reductions occur frequently, the concerned TSOs should also provide the CCC with an action plan describing how such deviations are expected to be alleviated and solved in the future. The CCC should annex this action plan to the quarterly report.</p> <p>Following consultation with regulatory authorities and TSOs, the Agency deems the content of the action plan and the threshold for the triggering of such action plan proportionate to the objective pursuant to Article 3(f) of the CACM Regulation.</p>
<p>1 respondent considers that the implementation should allow for 'learning-by-doing' due to the current lack of experience in the validation step.</p>	<p>In order to ensure coordination of remedial actions in capacity validation and to fulfil the requirement of Article 25(2) of the CACM Regulation, the Agency split the DA capacity validation process into two main steps.</p> <p>The first capacity validation step conducted by the CCC in coordination with the Core TSOs aims at ensuring that all available remedial actions taken into account in capacity calculation are coordinated among the Core TSOs. As this step may require a rather sophisticated coordination process that is not in practice today, the DA CCM allows for a gradual implementation ('learning-by-doing').</p> <p>The second validation step is conducted individually by each Core TSO, and does not require gradual implementation.</p> <p>Article 19 of the ID CCM only includes the second validation step, and does not require gradual implementation either (see also question 8 below).</p>
<p>1 respondent is opposed to the possibility to add temporary internal network elements to capacity calculation during the validation period and considers</p>	<p>The Agency generally agrees with the principle that reductions of capacity during the validation process should be avoided. On the other hand, the Agency recalls that TSOs bear legal responsibility for operational security and therefore should have the necessary means to ensure such operational security, including by adding temporary internal network elements to</p>

Respondents' views	ACER views
<p>that this should be subject to a formal joint approval of the Core regulatory authorities.</p>	<p>capacity calculation during the validation process, and without prior authorisation from the Core regulatory authorities. The Core regulatory authorities cannot issue a joint decision in time needed to address urgent operational security issues occurring on a daily basis. Nevertheless, such reduction should be exceptional and temporary by nature, as otherwise the CCC would process the information as an input to the CCMs. Therefore, the CCMs request that TSOs are sufficiently transparent about such situations and their resolution (see above).</p>
<p>6 respondents are concerned with the two-year time limit: the time needed to solve some of the problems to be tackled in the detailed action plans (e.g. investment, market configuration) is more than 2 years.</p>	<p>Article 20(15) of the DA CCM (respectively Article 19(12) of the ID CCM) related to detailed action plans triggered by frequent reductions of capacity during validation does not include such time limit, but is intended to ensure transparency, pursuant to Article 3(f) of the CACM Regulation.</p>
<p>1 respondent advocates for the introduction of a 'requester pays' principle in the cost allocation of remedial actions as an incentive for TSOs to address congestions according to their detailed action plan.</p>	<p>The CCMs generally have no implication on the actual application of remedial actions and the related cost sharing. These two aspects are to be fully determined within the context of the redispatching and cost sharing methodologies developed pursuant to Articles 35 and 74 of the CACM Regulation.</p>
<p>1 respondent suggest 'limitations of third countries' to be added to the list of reasons for reduction.</p>	<p>The Agency observes that such limitations are non-specific and may be covered by reasons listed in Articles 20(5)(a) and 20(5)(b) of the DA CCM (respectively 19(2)(a) and 19(2)(b) of the ID CCM), namely:</p> <ul style="list-style-type: none"> <li>(a) an occurrence of an exceptional contingency or forced outage pursuant to Article 3 of the Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation ('SO Regulation');</li> <li>(b) when all available costly and non-costly RAs are not sufficient to ensure operational security, taking the CCC's analysis pursuant to paragraph <b>Error! Reference source not found.</b> into account, and coordinating with the CCC when necessary.</li> </ul>
<p><b>Question 4: Please comment on the suggested approach to FRM.</b></p>	
<p>15 respondents provided an answer to this question.</p>	

Respondents' views	ACER views
<p>9 respondents overall support the Agency approach.</p> <p>4 respondents explicitly support the 10% Cap, while 1 respondent objects that it may not fit the risk level that single TSOs experience now.</p> <p>1 respondent suggests the inclusion of 'good principles' for FRM calculation, and in particular the inclusion of (i) the general objective to have FRMs as low as possible by working on improving different drivers of uncertainty, (ii) the reduction of FRM in intraday compared to day-ahead, (iii) the need to have a statistical sample which is large enough to ensure robustness of the analysis.</p>	<p>Answers to the Public Consultation overall confirm the approach proposed by the Agency.</p> <p>During early discussions with regulatory authorities and TSOs, the Agency considered applying a cap on FRM in order to mitigate the concerns that reliability margin could be very high due to inappropriately defined bidding zones. Finally the Agency decided not to follow this approach, since the rules for applying the minimum available RAM already implicitly cap all legally justified reductions of cross-zonal capacity. Hence, an additional cap on FRM would not bring any added value with respect to the final outcome.</p> <p>Both CCMs include a temporary FRM equal to 10% of Fmax for the CNECs not already used in existing flow-based capacity calculation initiatives, for the first calculation (Article 8(10)(b) of the CCMs).</p> <p>Finally, as regards the first calculation of FRMs, the Agency considers that a one-year historical sample period is sufficiently large, as a longer sample period would bear the risk that FRM calculation would not be responsive enough to recent changes in the network and the underlying uncertainties.</p>
<p>9 respondents discuss the implementation timeline. 5 respondents explicitly support the timeline, with a special emphasis from 1 respondent on the need for TSOs to respect the implementation timeline, as already benefitting from a transition period of at least 2 years. 4 respondents object to the timeline, as being too short and colluding with other deliverables of the methodology, such as GSK proposal, allocation constraints, definition of relevant CNECs, plus update of the static grid model.</p>	<p>As a general approach, the Agency supports firm implementation timelines as ensuring firm legal responsibility and thereby enforceability. After discussion with the Core regulatory authorities and TSOs, the Agency concluded that requesting a significant review of the CCM, among them also the FRM calculation, no later than 18 months after the implementation of the methodology is not overly burdensome on TSOs. The Agency considers that these requirements for review are still relatively minor compared to the requirement to develop the original proposal for the methodology. Hence, they are not considered too challenging to be implemented within the timeframe given by the Agency.</p>

Respondents' views	ACER views
<p>1 respondent considers that TSOs should not conduct FRM calculation at CNE level. This respondent observes that calculations based on N-1 (CNEC level) lead to larger FRM than calculations based on N (CNE level); and that Article 22(1) of the CACM Regulation supports N as mentions that FRM should cover deviations between expected power flows and realised power flows, and not between expected power flows and simulated power flows.</p>	<p>Since the Agency currently has no evidence in support of one approach over the other, the Amended Proposals have been amended so that this choice is made once TSOs have performed the first calculation of probability distributions, and no later than 18 months after the entry into force of the methodology. This will allow comparing both approaches (see Articles 8(7) to 8(9) of the CCMs).</p>
<p>1 respondent calls for the elaboration of principles for non-interconnector cross-zonal infrastructures and guidance on the inclusion in the CCM of cross-zonal infrastructures such as distribution, which are not included in the CGM.</p>	<p>The Agency notes that the legal scope of the CCMs is provided by the CACM Regulation and Regulation 714/2009, which sets out non-discriminatory rules for access conditions to the network for cross-border exchanges in electricity and, in particular, rules on capacity allocation and congestion management for interconnections and transmission systems affecting cross-border electricity flows. Further, interconnector is defined by Regulation 714/2009 as a transmission line which crosses or spans a border between Member States and which connects the national transmission systems of the Member States. For this reason, the Agency understands that the scope of the CCM applies solely to transmission level and obligations can be imposed only on TSOs.</p> <p>Furthermore, the Agency understands that distribution interconnectors have marginal impact on the cross-border flows and capacities (i.e. their PTDFs are generally very low).</p>
<p>Regarding non-Core regions, 1 respondent suggests that an appropriate change of the FRM or final adjustment value for dedicated cross-zonal elements close to non-Core borders might be one possible option to ensure grid security of non-Core grids.</p>	<p>See Agency's response related to third countries in Question 6.</p>
<p><b>Question 5: Please comment on the suggested approach to GSK.</b></p>	



Respondents' views	ACER views
<p>15 respondents provided an answer to this question.</p> <p>6 respondents recommend that TSOs define a limited set (e.g. 3) of possible methodologies for the GSK definition and select the one that leads to the smallest FRMs on the most frequently active CNECs for a representative panel of situations. The distribution of errors in forecasting relates to its quality and the ability of the GSK to show to what extent a net position shift may affect the location of generation/load within a bidding zone; therefore, harmonised GSKs could be detrimental if leading to higher FRMs on the most critical CNECs.</p> <p>To the contrary, 2 respondents doubt about the possibility to harmonise GSKs, because the generation portfolios in Core differ considerably.</p>	<p>The Agency observes that respondents generally support some degree of harmonisation. Opinions vary about the extent of the harmonisation.</p> <p>The Agency generally agrees with the observation that the Amended Proposals fail to achieve harmonisation of the approach to GSKs as they do not provide any principle or methodology specifying how the best forecast of the relation of a change in the net position of a bidding zone is achieved and only include a set of TSO-specific methodologies. Nevertheless, the Agency notes that the choice of a GSK is to some degree arbitrary as it requires deciding which generators are exporting and which are serving domestic consumption. The Agency favours the merit order principle by which the most expensive generators are participating in export and they can generally be defined by observing historical changes in generation output in relation to different underlying factors, such as net positions, prices, load, etc. The Agency established this as the main principle for defining a GSK.</p> <p>However, the Agency has no further understanding for proposing a fully harmonised method beyond the principle described above. For this reason, the Agency provided an obligation on all TSOs to submit a proposal for further harmonisation of the GSK 18 months after the implementation of the methodology. This will allow TSOs to gain some experience on the criteria and metrics for defining the efficiency of GSKs.</p>
<p>1 respondent suggests the inclusion of 'good principles' for GSK calculation, in particular the inclusion of (i) the objective that the selected GSK methodology results in forecasts as close as possible to load patterns observed in reality and (ii) the automation of GSK calculation.</p>	<p>Beyond the setting of above-mentioned principle, the Agency requested that the proposal for improvements of GSKs should define the criteria and metrics for defining the efficiency and performance of GSKs and allowing for quantitative comparison of different GSKs. This monitoring and the determination of a fully harmonised methodology will allow more automation of the GSK calculation.</p>

Respondents' views	ACER views
<p>4 respondents are concerned with the proposed timeline as they object that it is not feasible to perform all required analyses in parallel. The 18 months deadline for GSKs coincides with the FRM proposal, the allocation constraints, the definition of relevant CNECs, long-term allocated capacity ('LTA') parameter and the demand to publish an up-to-date static grid model every 6 months.</p>	<p>As a general approach, the Agency supports firm implementation timelines as ensuring firm legal responsibility and thereby enforceability. After discussion with the Core regulatory authorities and TSOs, the Agency concluded that requesting a significant review of the capacity calculation methodology, among them also the GSK calculation, no later than 18 months after the implementation of the methodology is not overly burdensome on TSOs. The Agency considers that these requirements for review are still relatively minor compared to the requirement to develop the original proposal for the methodology. Hence, they are not considered too challenging to be implemented within the timeframe given by the Agency.</p>
<p>2 respondents suggest to add that rules shall be common to all GSKs of the CCR (or alternatively to add criteria for deviations by TSOs from the harmonised GSK methodology) and clear justification and publication process, in order to increase transparency towards market parties.</p>	<p>The Agency's proposal includes the requirement that the Core TSOs develop a harmonised methodology for GSK 18 months after the implementation (Article 9(6) of the CCMs). Further, the Agency requested that the TSOs' proposal for a harmonised methodology include rules and criteria for TSOs to deviate from the harmonised generation shift key methodology.</p>
<p><b>Question 6: Please comment on any other input parameter.</b></p>	
<p>10 respondents provided an answer to this question.</p>	
<p>1 respondent generally agrees with the proposed approach.</p>	
<p>5 respondents encourage TSOs to provide all details about the methodology used for forecasting the reference situation and propose a similar approach as the one used for GSKs, i.e. the definition of a limited set of possible approaches and select the one that leads to smallest FRMs on the most frequently active CNECs for a representative panel of situations.</p>	<p>The Agency agrees with this general objective of ensuring best possible forecasts as inputs to the CCMs. Regarding FRM calculation, the CCMs ensure transparency by harmonising calculation first, then requesting that TSOs study the causes of uncertainty (see Article 8(2) of the CCMs). Nevertheless, the Agency notes that forecasting reference situations is outside the scope of CCM as it is determined within the scope of Common Grid Model Methodology.</p>

Respondents' views	ACER views
<p>1 respondent underlines that TSOs should be given a strong incentive to improve the quality of the base case and its capacity calculation parameters, to bring the base case closer to the real time grid situation and maximise the cross-zonal capacity that can be provided.</p>	<p>The Agency observes that this aspect of the debate is relevant in the context of the discussions about the Common Grid Model Methodology, which is outside the scope of this Decision. Nevertheless, in order to mitigate possible negative impacts on the available cross-zonal capacity, Article 10(5) of the DA CCM allows the Core TSOs to define individually the initial setting of its own non-costly and costly RAs based on the best forecast. More information on this can be found in the Decision.</p>
<p>1 respondent is concerned that the methodology for LTA inclusion is not applicable where borders have not had any allocation before, as the methodology is based on 'historical values'.</p>	<p>The Agency is aware of this fact and considers that its impact is negligible. This is because the LTAs provide additional cross-zonal capacity not only on the concerned border, but on all CNECs which are impacted by such LTA. Second, and more importantly, the Agency expects that the minRAM requirement will exceed the LTA inclusion in almost all cases and therefore the lack of cross-zonal capacities due to the lack of LTAs on some borders will be replaced by the minRAM requirement, which will determine the final RAM on CNECs.</p>
<p>1 respondent points out that the methodology does not take potential security impacts on neighboring grids into account. flow-based CCM in the Central Western European region increases N-1 violations on the Swiss grid during the increase of capacities in certain market directions as security checks with neighbouring TSOs is not part of the process. The proposal includes provisions to take into account flows originating from non-Core TSO grids (Article 17), but entirely neglects the vice versa impact on these non-Core TSOs' grids.</p>	<p>The scope of the Agency's Decision is the capacity calculation (and implicitly the congestion management) on the bidding zone borders of the Core CCR. The Agency understands that this may indeed have an impact on third countries. However, the Agency understands that congestion management on the borders of third countries is the responsibility of the TSOs on those borders, which may include capacity calculation and allocation as well as remedial actions to be applied on those borders. In case those would be insufficient to ensure operational security, the concerned Core TSOs may reduce cross-zonal capacities (in capacity validation process) in the Core CCR to ensure operational security on the concerned interconnectors.</p>
<p><b>Question 7: Please comment on the suggested approach to allocation constraints.</b></p>	
<p>19 respondents provided an answer to this question.</p>	<p>The Agency observes that stakeholders' views on the use of allocation constraints are divided. As a general principle, the Agency concludes that stakeholders, on the one hand, wish to have full transparency on allocation constraints, and on the other hand, wish to use allocation constraints as an efficient solution to the problem faced.</p>

Respondents' views	ACER views
<p>4 respondents state that allocation constraints currently used are justified.</p> <p>2 respondents state that the three Core TSOs proposing to use such constraints provided materials on the need, the computations and application of those constraints. The CACM Regulation does not seem to provide further requirements on the justification of those limits.</p> <p>2 respondents states that Polish allocation constraints are justified due to having a central dispatch model, which requires the TSO to acquire reserves along with the energy.</p> <p>5 respondents disagree with the proposed time limit.</p> <p>2 respondents state that the proposed 2-year period should be extended and adjusted to the time when evaluation of solutions planned for Polish balancing market would be possible.</p> <p>4 respondents state that allocation constraints should be allowed without a time limit, of which 2 further state that applying allocation constraints is allowed under the CACM Regulation with no phase-out after some time. It is also applied in CCR Baltic and CCR Hansa. Removing allocation constraints would result in additional TSOs' requirements on Polish generation facilities and possibly additional costs to Polish consumers without any evidence of benefits.</p>	<p>The Agency amended the Amended Proposal to reflect both points.</p> <p>The Agency agrees with the principle that allocation constraints may be used when those are technically justified, but they must also be an efficient mean to address the underlying operational security issue. First, the Agency observes that TSOs propose to use allocation constraints based on Article 23(3) of the CACM Regulation, which specifies that TSOs may only apply allocation constraints that are needed to maintain the transmission system within operational security limits and that cannot be transformed efficiently into maximum flows on critical network elements.</p> <p>The explanations provided by the concerned TSOs vary. For the Belgian and Dutch allocation constraints, the Agency recognise the validity of technical justification; however, the efficiency with respect to alternatives has not been demonstrated. For the Polish allocation constraint, neither technical validity nor economic efficiency has been demonstrated so far in the Agency's view.</p> <p>Therefore, the Agency adopted the following approach: unless legal compliance in terms of technical and economic justification is demonstrated by the relevant TSOs and approved by the Core regulatory authorities within two years after implementation, the allocation constraint should no longer be applied (see Article 8 of the DA CCM and Article 7 of the ID CCM).</p> <p>This approach guarantees that TSOs ensure a sufficient level of transparency over the need for such allocation constraints, and the oversight of regulatory authorities of the Core CCR. On the other hand, TSOs may prolong the use of allocation constraints as long as they demonstrate that such constraints remain the best solution to the problem faced following a yearly assessment pursuant to Article 24 of the DA CCM (respectively Article 22 of the ID CCM).</p> <p>The Agency observes that obligations thereby set on TSOs are proportionate to the overarching requirements set by Article 23(3) and Article 3 of the CACM Regulation.</p> <p>Further justification can be found in the Decision.</p>

Respondents' views	ACER views
<p>1 respondent does not agree on postponing the removal of allocation constraints. This respondent expresses concern over the situation in Poland, where capacities are set without taking into account economic efficiency. This respondent further observes that this is against the spirit of the CACM Regulation and Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing.</p>	<p>The Agency is generally also unsupportive of those allocation constraints. However, the Agency does not consider it feasible to prohibit these allocation constraints without providing some transitional period to the concerned TSOs in order to, either improve their justification or to adjust their procedures in order to cease applying them.</p>
<p>2 respondents state that if neighbouring network constraints are not directly handled by the algorithm, allocation constraints may be the simplest (and only) way to ensure system security in some situation by indirectly considering limitations of third countries.</p>	<p>See the Agency's responses with regard to the impact on third countries in Question 6.</p>
<p>9 respondents request additional refinements concerning transparency. 5 respondents recommend a yearly TSO report on welfare losses induced by the allocation constraints, based on a parallel run for situations when allocation constraints are active. 1 respondent insists, regarding the derogation process proposed for inclusion on internal CNEC, on the need to have a clear and systematic framework where common requirements are set to assess the efficiency of allocation constraints compared to alternative solutions. 1 respondent would like to add a provision for transparency towards all stakeholders concerning the eventual justification of allocation constraints.</p>	<p>The Agency agrees and has provided requirements on these aspects in both CCMs.</p>

Respondents' views	ACER views
<p>1 respondent states that the complexity of network constraints taken into account as input to the SDAC algorithm used by Nominated Electricity Market Operators ('NEMOs') should be sustainable to avoid negative impact on the performance of the SDAC algorithm. NEMOs should have sufficient time to run simulations and tests.</p>	<p>The Agency agrees, yet this issue is outside the scope of this Decision.</p>
<p>1 respondent states that all the Core NRAs should always agree on inclusion of any external constraints.</p>	<p>The Agency agrees, yet such agreement can only be made through the adoption or amendment of the CCMs, as there is no time nor legal framework for such approval within a daily capacity calculation process.</p>
<p>1 respondent states that relevant analysis should not impose excessive obligations on TSOs and subsequently on NRAs.</p>	<p>The Agency disagrees. Allocation constraints, which are justified technically and legally, should indeed not impose excessive obligations on TSOs. However, when this is not the case, the TSOs should face those obligations until all doubts have been removed.</p>
<p>2 respondents state that the transition period should be designed such that the methodology would not require any amendments.</p>	<p>The Agency observes that the current wording guarantees a legally robust and thereby enforceable methodology. The transition period with a possibility of extension can only be decided jointly by the Core regulatory authorities. Within the current legal framework, this can only be done through the amendment of the CCMs, since the CACM Regulation provides a clear governance for the underlying coordination of TSOs and regulatory authorities.</p>
<p>1 respondent states that the CCM should include a provision for the possibility to introduce allocation constraints if needed.</p>	<p>The Agency agrees. This possibility is provided by regular reviews and the possibility for amendment of the CCMs.</p>
<p>1 respondent questions the set threshold of tolerance for allocation constraints limiting the market at 0.1% of hours per quarter, as the presented threshold favours the CACM Regulation goal of maximising the economic surplus over the CACM Regulation goal of contributing to security of supply.</p>	<p>The Agency disagrees with the interpretation that the threshold referred to by the respondent induces a bias. Articles 7(3)(b) of the CCMs request that <i>'if applicable and in case the external constraint had a non-zero shadow price in more than 0.1% of hours in a quarter, provide to the CCC a report analysing the effectiveness of the allocation constraint in preventing the violation of the underlying operational security limits for each ID CC MTU when the external constraint had</i></p>

Respondents' views	ACER views
<p>The threshold triggers a demonstration that the use of allocation constraints is proportionate to the problem faced. During the consultation process with regulatory authorities and TSOs, one argument in favour of allocation constraints was that they seldom effectively constrain the market. However, discussions lacked quantified evidence. The threshold will allow an objective monitoring.</p>	<p><i>a non-zero shadow price and analysing alternative solutions to address the underlying operational security limits.</i></p> <p>The threshold triggers a demonstration that the use of allocation constraints is proportionate to the problem faced. During the consultation process with regulatory authorities and TSOs, one argument in favour of allocation constraints was that they seldom effectively constrain the market. However, discussions lacked quantified evidence. The threshold will allow an objective monitoring.</p>
<p><b>Question 8: Please comment on the consistency between day-ahead and intraday (removal of minRAM, LTA inclusion and validation, use of RAs to increase intraday capacity).</b></p>	
<p>15 respondents provided an answer to this question.</p>	
<p>13 respondents support increased consistency between DA and ID CCMs.</p>	<p>After consultation with the TSOs and regulatory authorities of the Core CCR, the Agency maximised the consistency between DA and ID CCMs such that the two differ only in the following aspects:</p> <ul style="list-style-type: none"> <li>The ID CCM does not include any requirement for the adjustment of minimum RAM and LTA inclusion. This is because the possibility to maximise cross-zonal capacities in intraday timeframe is limited by the inability to take into account the costly remedial actions, as there is no sufficient time between the end of capacity calculation and allocation and first delivery hour for coordinated application of remedial actions. Nevertheless, Article 5(10) of the ID CCM specifies, <i>'Core TSOs shall analyse the possibility of introducing the adjustment of a minimum RAM as applied in the day-ahead capacity calculation methodology'</i>.</li> </ul>
<p>2 respondents consider that the ID CCM is not detailed enough. DA and ID CCMs should include the same approaches to the selection and application of CNECs, external constraints, reference programs for non-Core borders, FRMs, GSKs, calculation process etc. should apply for both day-ahead and intraday. Both methodologies should explicitly describe these approaches.</p>	<ul style="list-style-type: none"> <li>The first validation step ('coordinated validation' as described in Article 20(3) of the DA CCM) was not included in the ID CCM as the CCC and TSOs would not have sufficient time to coordinate remedial actions before the first delivery hour.</li> <li>The ID CCM introduces additional calculation process for updating of cross-zonal capacities remaining after the single day-ahead coupling ('SDAC');</li> </ul>

Respondents' views	ACER views
<p>5 respondents consider that TSOs must commit to consider (costly) remedial actions (including countertrading) ahead of or during the ID capacity calculation. Otherwise, it might be impossible to design a flow-based domain that encompasses the last reported market clearing point. This allows for the early (e.g. 5 pm day-ahead) implementation of countertrading and cross-zonal redispatching necessary to secure operation of the CNECs, making it possible for TSOs to compare on an equal footing cross-zonal and internal remedial actions.</p> <p>1 respondent considers that even though minRAM requirements may not be feasible in intraday due to timing constraints, Core TSOs must investigate all possible ways to increase cross-zonal capacity in intraday in a timely manner, given the reduced uncertainty when coming nearer to real time.</p> <p>1 respondent claim that the ID CCM should be in line with the cross-border intraday market project XBID ('XBID project').</p>	<ul style="list-style-type: none"> <li>The ID CCM introduces two (re-)calculations in contrast to DA CCM where calculation is performed only once.</li> </ul>
<p>1 respondent claim that the ID CCM should be in line with the cross-border intraday market project XBID ('XBID project').</p>	<p>The Agency agrees. Until the solution offered by XBID project is not able to allocate cross-zonal capacities in form of flow-based parameters, the TSOs should convert these to available transmission capacities.</p>



Respondents' views	ACER views
<p>1 respondent believe that basing LTA inclusion in the transitional period (i.e. before coordinated long-term capacity calculation methodology is approved) on historical values might not be appropriate, especially in the context of borders, which have not had any allocation before. To that respect, LTA values should be commonly coordinated, in an attempt to mimic to the maximal possible extent the process foreseen by long-term capacity calculation based on Commission Regulation (EU) 2016/1719 (the 'FCA Regulation'). However, if the use of the historical values is still unavoidable, we should apply also some transition period as already proposed regarding e.g. FRM, GSK, etc.</p>	<p>See Question 6 above with regard to the use of historical values. The Agency considers that requiring a fully coordinated long-term capacity calculation before the methodology pursuant to the FCA Regulation is implemented would not make sense as it would further delay the implementation of the CCMs (and duplicate the work on implementation of long-term capacity calculation). For this reason, the Agency considers that it is sufficient that TSOs coordinate only the changes in long-term allocated capacities until the full implementation of the long-term capacity calculation.</p>
<p><b>Question 9: Please comment on the on the suggested approach to the timing and frequency of ID capacity calculation.</b></p>	
<p>15 respondents provided an answer to this question.</p>	<p>The majority of respondents wish that the ID CCM be more ambitious than the Amended ID Proposal.</p>
<p>2 respondents agree with the approach. 1 respondent notes that it will leave enough time for market participants to adjust their strategy before the first allocation. 1 respondent however requests that TSOs be required to optimise processes in order to deliver ID capacity calculation results earlier in the evenings, e.g. 8 or 9 p.m.</p>	<p>The ID CCM takes account of those comments as follows: The Agency provided legal clarity on the number of calculations and their exact timings. These are aligned with the methodology for pricing intraday cross-zonal capacity established pursuant to Article 55 of the CACM Regulation, but should be reviewed after the Core TSOs gain more experience with the operation of these methodologies; Article 11 of the ID CCM specifies the methodology to calculate cross-zonal capacities provided to the NEMOs before the intraday cross-zonal gate opening time. The Agency is also concerned about the long period between the end of the SDAC and the time when the first ID capacity re-calculation is finished. The Agency is of opinion that TSOs</p>
<p>8 respondents believe that the approach lacks ambition. 4 respondents observe that the proposal is the minimum acceptable. 7 respondents do not see evidence suggesting that an earlier deadline is</p>	

Respondents' views	ACER views
<p>unfeasible. 3 respondents explicitly do not support the proposal as they support an earlier timing for the first allocation. 1 respondent requests first allocation at 18:00 at the latest. 1 respondent observes that based on the proposal, requirements for additional recalculation could remain undefined and thus proposes to include clear and strict timings and deadlines.</p> <p>1 respondent states that the operational security analysis must be performed after nomination of the day-ahead market results as a precondition for intraday capacity calculation to start.</p> <p>1 respondent asks for consistency with the XBID project.</p>	<p>should optimise these processes, namely to adjust to parallel operation of continuous trading, operational security analysis and ID capacity calculation as discussed in Question 10.</p> <p>Nevertheless, the Agency decided not to challenge TSOs on this aspect since the proposed timings are strongly interlinked with other methodologies (i.e. three common grid model methodologies established pursuant to CACM Regulation, FCA Regulation and SO Regulation and the intraday cross-zonal capacity pricing methodology) some of which are already established and were not adopted by the Agency. These methodologies are also European-wide and affect all European TSOs. Therefore, any change in the timelines would need to be fully coordinated with all TSOs, all regulatory authorities and across different methodologies. The Agency will focus on this problem and discuss with TSOs and regulatory authorities on the appropriate opportunity to improve these timings.</p> <p>The Agency agrees.</p>
<p>17 respondents provided an answer to this question.</p> <p>5 respondents would like to make the provision of day-ahead leftovers compulsory. The reason is to ensure equal treatment through bidding zones. The Agency should reject the possibility for TSOs to withhold leftover capacities after the day-ahead clearing until intraday capacities have been recalculated, to ensure a fair and non-discriminatory treatment, improving price formation, allowing portfolio optimisation and improving efficiency of market coupling. The TSOs from all the Core CCR have not properly justified why they would not be able to follow the process of opening the market and performing the recalculation</p>	<p><b>Question 10: Please comment on the on the suggested approach to the cross-zonal capacity at the intraday cross-zonal gate opening time.</b></p> <p>The Agency generally agrees that this is the right solution and that TSOs should gradually implement a solution where cross-zonal trading and capacity recalculation are performed in parallel. Nevertheless, based on consultation with TSOs this currently represents a significant challenge for them, since parallel processes would require significant changes in existing processes, namely the operational security analysis and coordination and application of remedial actions. Parallel processes would require that TSOs continuously monitor the developments of the intraday market, regularly exchange information and coordinate their actions to adapt continuously their congestion management processes to the changes in the intraday market. This, in the Agency's view requires some time to improve those processes and therefore a transition period is needed for the parallel solution to be applied. Nevertheless, the Agency notes that a parallel solution would be much easier to implement if TSOs would be willing to implement a more optimal definition of bidding zones where all intraday trading</p>

Respondents' views	ACER views
<p>in parallel. The Agency should allow TSOs to suspend shortly (up to 10 min) the XBID project in order to readjust capacities when finalising the capacity recalculation process.</p> <p>1 respondent explains that providing day-ahead leftovers at intraday cross-zonal gate opening time ('IDCZGOT') lessens, or even removes the rationale of conducting ID capacity calculations as it forces this process' output in a certain direction, which may not be optimal.</p>	<p>would create much less congestion problems in the network and much less need for TSOs' actions.</p> <p>In the Agency's view frequent recalculation of cross-zonal capacities during the intraday timeframe essentially allows TSOs no other choice but to adapt their processes such that capacity calculation, congestion management and intraday trading can be performed in parallel. While this may indeed mean that TSOs processes may be based on information, which is continuously changing, this requires that TSOs speed up their procedures to be more adaptive to continuous trading and by this they would always need to keep track of the market changes and adapt speedily and continuously to them. Finally, TSOs will also have a last chance to ensure operational security after the intraday gate closure time where continuous trading will no longer interfere with their processes.</p>
<p>4 respondents claim that the Agency's proposal seems to overrule implementing its own Decision 04-2018. Until the implementation of the CCM for intraday, the additional exemption would make even less sense considering the TSOs' arguments: should the recalculation process prevent TSOs from releasing leftover capacities from day-ahead to the market, there would be even less reason to exonerate TSOs to release these capacities when the recalculation process is not in place. Many stakeholders have developed diverging legal interpretations of the Agency's previous decision on IDCZGOT and could decide legally to challenge the Agency's Decision on this basis, which could become an obstacle to its prompt implementation.</p>	<p>While the Agency is committed to provide obligations (where the Agency has such competence) on TSOs to provide DA leftovers at the IDCZGOT, it cannot do so without considering the concerns of TSOs related to operational security. TSOs claim that they currently may be unable to ensure operational security, if intraday cross-zonal trading is allowed during the time when they are analysing and identifying the congestions in the network and addressing these congestions with remedial actions. The concerns of TSOs may make sense from the perspective that any trading during their congestion management processes may make those procedures ineffective, since the decisions on remedial actions are based on the forecasts of flows, yet these forecasts are constantly changing due to continuous trading. Therefore, such trading (even if based on DA leftovers) may commence once TSOs have finished the congestion management procedures. While the Agency is not fully convinced about the underlying concerns, it cannot completely exclude the possibility that a legal obligation to provide DA leftovers at the IDCZGOT would indeed lead to operational security problems. Therefore, in the Agency's view the TSOs should keep the final discretion when it comes to operational security or at least be provided with sufficient transition period with regard to changes in applicable rules, which may impact</p>

Respondents' views	ACER views
<p>While the amount of capacity to be made available at the gate opening time depends on the recalculation process, it seems clear that from one month after the approval of the CCM, the TSOs have to set the gate opening time at 15:00 at all borders of the CCR and release some capacity. However, the methodology assumes that TSOs would have possibility to effectively open the market and thereby allocate capacity only at 22:00. This reading contradicts the Agency's Decision 04-2018.</p>	<p>The Agency decided for the latter solution as it is convinced that with proper planning and adaptation of congestion management procedures, TSOs should be able to avoid operational security problems in case of parallel processes of congestion management and intraday market.</p> <p>The Agency also notes that a transition solution is not explicitly conditioned on the implementation of the intraday capacity calculation, yet the latter does have some impact on the transition period as it allows TSOs to test properly the parallel procedures of intraday capacity calculation, congestion management and intraday trading.</p>
<p>3 respondents claim that the Core TSOs cannot provide leftover capacity after the day-ahead market clearing for allocation, because it would disqualify the extensive operational security analysis, as the market outcome may move away from what the day-ahead market fixed. Nevertheless, these respondents also explain that Core TSOs have the obligation to carry out a common and coordinated ID capacity calculation; therefore a solution where individual TSOs decide whether to offer leftover capacity to the day-ahead market would contradict this obligation.</p>	<p>The Agency provided for individual TSOs the discretion to offer zero cross-zonal capacity at the IDCZGOT in cases where such capacity is in the form of available transmission capacities' ('ATC') values. The way these values are calculated ensures that they are simultaneously feasible, which means that TSOs on the concerned bidding zone border should be able to decide on the capacity allocation of these ATCs independently from other bidding zone borders.</p>
<p>2 respondent ask the Agency to include a clear deadline for the transition period, in order to give a clear signal to the TSOs to be ambitious enough to develop such process in the nearest possible future. Every solution chosen for this methodology should clearly indicate when the capacity would be available for the market participants.</p>	<p>The Agency provided a clear transition period and full clarity on the applicable rules during the transition period. The latter ones are included in Annex II to the ID CCM.</p>

Respondents' views	ACER views
<p><b>Question 11: Please comment on the on the suggested approach to transparency.</b></p>	
<p>15 respondents provided an answer to this question.</p>	
<p>12 respondents support the proposal from the Agency.</p>	<p>A majority of respondents support the suggested approach and asked for even more information to be published.</p>
<p>9 respondents object to the derogation from transparency obligation—observing that the burden of proving that national legislation has superiority over the methodology should be left to the Members States. 1 additional respondent urges the Agency, NRAs, Members States and TSOs not to use this criterion unduly.</p>	<p>The Agency agrees that national legislation should not take precedence over a methodology established pursuant to Union law, except in cases where specific national provisions are established pursuant to Union legislation. Such is the case in Regulation (EU) No 543/2013 and Regulation (EU) No 1227/2011, which both provide an exemption for an information classified as sensitive critical infrastructure protection related information in their Member States as provided for in point (d) of Article 2 of Council Directive 2008/114/EC. As the scope of the information in question is the same as the one provided in those two regulations, the Agency therefore provided the same exemptions as referred to in these two regulations.</p>
<p>1 respondents observe that the publication requirements will require a high effort from TSOs.</p>	<p>The Agency believes that the approach to transparency is proportionate to the objective set by Article 3(f) of the CACM Regulation.</p>
<p>4 respondents asked for the publication of additional information:</p> <ol style="list-style-type: none"> <li>1. The full flow-based domain before and after the application of the LTA patch, or any other patch (e.g. minRam). It is important that the domain as obtained without patch is published, since it reflects the physical situation.</li> <li>2. On top of Core positions for the base case, the expected individual positions considered by TSOs of at least all direct neighbours should be published (rather than just a global view).</li> </ol>	<p>The Agency responded to these requests as follows:</p> <ol style="list-style-type: none"> <li>1. This information is implicitly provided within the requirement to publish all the flow components for each CNEC before pre-solving. This includes components like adjustment for the minimum remaining available margin ('AMR') or LTA margin. All these components are sufficient to identify the flow-based domain during any step of capacity calculation.</li> <li>2. The Agency added this information by requiring the reference net positions (contained in the CGM) of all bidding zones in the Synchronous Area Continental Europe as well as exchanges of high voltage direct current ('HVDC') interconnectors with other synchronous areas.</li> <li>3. The Agency required equal information for all CNECs impacting capacity calculation regardless of whether they are internal or cross-zonal.</li> </ol>

Respondents' views	ACER views
<p>3. Assuming that no internal CNECs are selected, only information on cross-border CNECs would be published, following the Agency's transparency requirements. This would be problematic since no information on the decision to allocate capacity at the border would be available to the market. Information on grid elements influencing PTDF calculation should be available. The Agency must find a solution, for instance, by requesting TSOs to publish information (as for cross-border CNECs) for internal lines that influence the calculation. This kind of approach was in place during the flow-based parallel run in the former Central Western European region.</p> <p>4. The transparency obligations should also detail what TSOs should publish in case they are not able to respect the minimum level of capacity imposed by the CCM. The methodology should detail:</p> <ul style="list-style-type: none"> <li>(a) An exhaustive list of conditions for which the rule can be suspended.</li> <li>(b) A clear obligation on TSOs to inform market participants about the suspension at the time of the decision, with all the details available on the reasons for the suspension at that moment.</li> <li>(c) An obligation on TSOs to issue a yearly report to regulators and the market on the application</li> </ul>	<p>4. The Agency added these requirements. On the measures to uphold higher cross-zonal capacities, the Agency notes that higher cross-zonal capacities do not necessarily require any measures to uphold them. This is because physical congestions are only identified after the SDAC and based on the polluter-pays principle, the cause is attributed to flows resulting from internal exchanges.</p> <p>5. The Agency added these requirements.</p> <p>6. The Agency added the requirement on vertical load and production, but finds the additional requirements on decentralized generation imbedded in the vertical load with the technology type breakdown as excessive. This information is also more related to the CGM than to the CCMs.</p> <p>7. The Agency kept and clarified a general requirement on static grid model, but found it difficult to extend this requirement in the absence of a clear legal basis.</p>

Respondents' views	ACER views
<p>of the rule, with extensive details on the reasons leading to its suspension.</p> <p>(d) Full transparency should be ensured on measures needed to uphold higher cross-zonal capacities. This includes inter alia internal zonal measures, redispatch, and their costs, the cross-border information on scheduled and unscheduled.</p> <p>4 respondents suggest further clarification:</p> <p>5. Real names of CNECs should be 'split' between CNE and Contingency.</p> <p>6. Vertical load and production:</p> <p>(a) TSO should provide an estimation of the decentralized generation imbedded in the vertical load (ideally with the technology-type breakdown).</p> <p>(b) TSO should provide a breakdown of the Generation by fuel type, as some fuels play a big role in the flow-based domain.</p> <p>7. Every six months, publication of an up-to-date static grid model by each Core TSO. The CCM should specify that the static grid model should be detailed enough. For instance, detailed substation topology (Switch/Breaker/Connected Generation) should be published. Transmission lines below 400kV and Transformers/PST should be described and published if they are modelled in the operational grid model (D2CF).</p>	

Respondents' views	ACER views
<p>1 respondent wants to see the same level as in the former Central Western European region applied to the Core CCR.</p>	<p>While the transparency requirements set in the former Central Western European region were used as a benchmark in the discussion, the Agency provided increased transparency requirements to ensure compliance with Article 3(f) of the CACM Regulation.</p>
<p>1 respondent calls for a rationalisation of the format of data published and a sustainable retrieval process in the long-run.</p>	<p>The Agency shares the view that transparency over the data published implies a responsibility over the quality of and easy access to the data published. Therefore, the Agency introduced the following requirements:</p> <ul style="list-style-type: none"> <li>• In order to guarantee accuracy, consistency and comparability of the information published on the platform, the Agency clarified the granularity of the information to be published, and, in particular, for each information item related to a CNEC.</li> <li>• To address the requirement of Article 20(9) of the CACM Regulation, the Agency also added an obligation on the Core TSOs to establish and make available a tool, which enables market participants to evaluate the interaction between cross-zonal capacities and cross-zonal exchanges between bidding zones;</li> <li>• Finally, the Agency set a process to guarantee the quality of the data published (Article 25 of the DA CCM and Article 23 of the ID CCM).</li> </ul>
<p>1 respondent calls for an extension of the transparency requirements to non-Core borders.</p>	<p>The Agency added obligations on the reference net positions for the whole Continental Europe and reference exchanges over HVDC links that are contained in the CGM.</p>
<p><b>Question 12: Please comment on the on the suggested implementation timeline.</b></p>	
<p>18 respondents provided an answer to this question.</p>	<p>The Agency observes that stakeholders' views on the use of Allocation Constraints are divided.</p>
<p>3 respondents support a firm and ambitious implementation deadline.</p>	<p>The Agency agrees and has provided such deadlines in the CCMs.</p>



Respondents' views	ACER views
<p>10 respondents find the suggested deadline challenging. 6 respondents support a firm but realistic deadline implying that the proposed deadline of 1 April 2020 is not realistic because an external parallel run should be performed at least over one year.</p>	<p>The Agency supports firm and legally binding deadline and firm legal responsibility ensuring clear enforceability. Article 28(3) of the DA CCM clarifies that the DA CCM should be implemented no later than 1 December 2020. This deadline has been consulted with the Core TSOs and regulatory authorities and is widely recognised to include sufficient time for:</p> <ol style="list-style-type: none"> <li>1. The development of the relevant IT tools</li> <li>2. The establishment of CCC</li> <li>3. The testing of internal TSO and CCC procedures</li> <li>4. The testing of the methodology with market participants and NEMOs. This period should be at least 6 months long as required by CACM Regulation.</li> <li>5. The reasonable reserve time in case of delays in the above phases.</li> </ol> <p>For the ID CCM, the Agency provided a relative implementation deadline, which is one year after the implementation of DA CCM for the first recalculation and one additional year after for the second recalculation.</p>
<p>2 respondents want legally binding deadlines. These respondents call for a legally binding timeline, where delays have consequences.</p>	<p>The Agency agrees. The adopted CCMs have legally binding deadlines and in case of delays, the concerned regulatory authorities and the EC will be able to enforce compliance.</p>
<p><b>Question 13: Please provide any further comment on the Core Capacity Calculation Methodology.</b></p>	
<p>17 respondents provided an answer to this question.</p>	
<p>5 respondents call for legal robustness of the decision, and believe that the exclusion of internal CNECs can be legally challenged.</p>	<p>The Agency considers that references in the CACM Regulation to rules for avoiding undue discrimination and specific reference to point 1.7 of Annex I to Regulation 714/2009 provides a sufficient and clear legal basis for excluding internal network elements from capacity calculation except where this is needed for reasons of economic efficiency or operational security. Further justification can be found in the Decision.</p>

Respondents' views	ACER views
<p>6 respondents call for an assessment of the compatibility of the Core CCM with CCMs of neighbouring CCRs.</p>	<p>While such compatibility is indeed important, the legal framework for adoption of the regional methodologies makes it difficult to ensure full consistency. Nevertheless, basic consistency is already provided by the legal framework established in the CACM Regulation and additional harmonisation will occur pursuant to the harmonisation process established in Article 21(4) of the CACM Regulation.</p>
<p>2 respondents expressed concerns over costs triggered by the CCM.</p>	<p>See the Agency's response above on the efficiency criteria to address undue discrimination.</p>
<p>1 respondent observes that TSOs do not cooperate to integrate markets and calls for an assessment of their regulatory incentives to do so.</p>	<p>The Agency supports harmonisation of incentives, however, they cannot be provided without a legal basis in national jurisdictions or Union legislation.</p>
<p>1 respondent suggests adding the following requirement: <i>'Considering the highly meshed structure of the grid in the synchronous area Central Europe, it will be necessary to extend this methodology to non-European borders and TSOs not part of the Core Region, applying the same principles and rules and responsibilities. This will be made binding for all concerned TSOs via private contract arrangements. This is especially important for the borders between France and Switzerland, Germany and Switzerland and Austria and Switzerland.'</i></p>	<p>The Agency is only competent to decide on rules for cross-zonal capacities on Union bidding zone borders as established in the Determination of CCRs. The interconnection rules on the borders with third countries is outside the legal scope of the Agency's Decision.</p>
<p>1 respondent appreciates stakeholders' involvement in the Agency's drafting process.</p>	<p>The Agency is committed to involving all the concerned parties and to considering all stakeholders' concerns.</p>
<p>2 respondents stress that the main objective of the CCM is to maximise cross-border capacity, 1 respondent adds transparency as the second objective.</p>	<p>The Agency agrees.</p>

Respondents' views	ACER views
<p>For 1 respondent, the concept of advanced hybrid coupling should be a part of the Core CCM.</p>	<p>The Agency tried to incorporate this concept in the CCM and to provide clear obligations on TSOs. However, when consulting TSOs on this issue, the Agency understands that the concept of advanced hybrid coupling is not yet mature enough to be defined in the CCM. Therefore, the Agency provided an obligation for an amendment of the CCMs to incorporate this concept at a later stage.</p>
<p>1 respondent is concerned about the impact of the CCM on very small bidding zones, regarding social welfare, as because of their small sizes, overall social welfare within such zones will not be affected much by changes in capacities at their borders.</p>	<p>The Agency does not understand this comment.</p>
<p>1 respondent is concerned about the various fixed thresholds in the Core CCM (FRM, unscheduled allocated flows...) in situations when Core TSOs are eventually responsible to enforce those thresholds without direct influence of them.</p>	<p>The Agency disagrees. TSOs are primarily and the most responsible for operating the electricity networks. They do have in their powers to affect all these underlying uncertainties.</p>

### 3 List of respondents

Organisation	Type
50Hertz Transmission GmbH	TSO
Austrian Power Grid	TSO
Bundesnetzagentur	NRA
CEZ, a.s.	Energy company
CNMC	NRA
Consumer Association of North-Rhine Westphalia	Association
Core TSOs	Transmission System Operators of the Core Region
CRE	NRA
EDF SA	Energy company
EFET - European Federation of Energy Traders	Association
Elia Group (Elia & 50Hertz)	Energy company
Energie AG Oberösterreich Trading GmbH	Energy company
Energie-Nederland	Energy company
Energy Regulatory Office (URE)	NRA
EPEX SPOT	Power exchange
Federation of Enterprises in Belgium (FEB)	Association
IFIEC Europe	Association
Market Parties Platform (MPP)	Association

Organisation	Type
Nord Pool AS /European Market Coupling Operator AS	Power exchange
Österreichs E-Wirtschaft (OE) - Association of Austrian Electricity Companies	Association
Polish Electricity Association	Association
Polish Power Plants Association	Association
PSE	TSO
Swiss Federal Electricity Commission ElCom	NRA
Swissgrid	TSO
TIWAG-Tiroler Wasserkraft AG	Energy company