

Public consultation on

**Methodology for regional operational security coordination**

and

**Methodology for coordinated redispatching and countertrading**

**for the Core capacity calculation region**

Fields marked with \* are mandatory.

This consultation is addressed to all interested stakeholders, including regulatory authorities, market participants and transmission system operators.

Replies to this consultation should be submitted by **21 September 2020, 23:59 hrs (CET)**.

Questions should be addressed to ACER at: [ACER-ELE-2020-019@acer.europa.eu](mailto:ACER-ELE-2020-019@acer.europa.eu)

## Introduction

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\* Please indicate if your answer is confidential

Yes

No

The Agency will publish all non-confidential responses, and it will process personal data of the respondents in accordance with Regulation (EU) 2018/1725 of the European Parliament and of the Council of 23 October 2018 on the protection of natural persons with regard to the processing of personal data by the Union institutions, bodies, offices and agencies and on the free movement of such data, taking into account that this processing is necessary for performing the Agency's consultation task. For more details on how the contributions and the personal data of the respondents will be dealt with, please see the Agency's Guidance Note on Consultations and the specific privacy statement attached to this consultation.

## Context

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### OBJECTIVE

The objective of this consultation is to gather views and information from stakeholders regarding the proposals from Core transmission system operators' (TSOs) for:

1. the Methodology for regional operational security coordination (hereafter 'Core ROSC methodology') in accordance with Article 76 of Commission Regulation (EU) 2017/1485 (the 'SO Regulation'); and
2. the Methodology for coordinated redispatching and countertrading (hereafter 'Core RDCT methodology') in accordance with Article 35 of Commission Regulation (EU) 2015/1222 (the 'CACM Regulation').

The input from the consultation will be used for ACER's evaluation in preparing its decisions on these methodologies, in accordance with Article 6(10) of Regulation (EU) 2019/942.

### RELATED DOCUMENTS

[Regulation \(EU\) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators \('ACER Regulation'\)](#)

[Regulation \(EU\) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity \(recast\)](#)

[Regulation \(EU\) 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation \(EC\) No 714/2009 of the European Parliament and of the Council Text with EEA relevance](#)

[Regulation \(EU\) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation](#)

[Regulation \(EU\) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management](#)

[Core TSOs' Methodology for regional operational security coordination \(Core ROSC methodology\)](#)

[Common methodology for coordinated redispatching and countertrading for the Core Capacity Calculation](#)

[Region \(Core RDCT methodology\)](#)

[Explanatory Document to the methodology for regional operational security coordination Core](#)

[Explanatory Document for common methodology for coordinated redispatching and countertrading Core](#)

[ACER Guidance Note on Consultations](#)

## **LEGAL BACKGROUND**

TSOs of the capacity calculation region Core need to develop proposals for:

1. the Methodology for regional operational security coordination in accordance with Article 76 of the SO Regulation; and
2. the Methodology for coordinated redispatching and countertrading in accordance with Article 35 of the CACM Regulation.

Regulatory Authorities referred both proposals to ACER. The Methodology for coordinated redispatching and countertrading was referred to ACER on 27 March 2020 and the Methodology for regional operational security coordination was referred to ACER on 5 June 2020.

ACER must adopt a decision on the Core ROSC methodology in accordance with Article 6(10) of the ACER Regulation by 5 December 2020 because ACER received the Core ROSC methodology on 5 June 2020. As the Core ROSC methodology and Core RDCT methodology need to be fully consistent with each other as they describe the same underlying process, ACER in coordination with Core NRAs and TSOs decided to align the timeline for the adoption of the Core RDCT methodology with the timeline for the adoption of the Core ROSC methodology.

Core regulatory authorities: Austria, Belgium, Croatia, Czech Republic, France, Germany, Hungary, Luxembourg, Netherlands, Poland, Romania, Slovakia and Slovenia

## **Topic 1: Information on prices and costs provided by resource providers**

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Article 35(5) of the CACM Regulation requires that the relevant generation units and loads that provide redispatching and countertrading services to TSOs shall give TSOs the prices of redispatching and countertrading before redispatching and countertrading resources are committed. It further explains that the pricing of redispatching and countertrading shall be based on:

1. prices in the relevant electricity markets for the relevant time-frame; or
2. the cost of redispatching and countertrading resources calculated transparently on the basis of incurred costs.

Article 35(6) of the CACM Regulation requires that generation units and loads that provide redispatching and countertrading services to TSOs shall ex-ante provide all information necessary for calculating the redispatching and countertrading cost to the relevant TSOs. This information shall be shared between the relevant TSOs for redispatching and countertrading purposes only.

The proposals for the Core ROSC methodology and the Core RDCT methodology do not include such provisions and therefore do not address this requirement explicitly. Core TSOs clarified that their intention is to continue with national existing practices in Core CCR by which TSOs mainly use the indicative prices and costs of redispatching and countertrading when coordinating and optimising remedial actions.

ACER identifies three problems regarding topic. The first is the legal question on whether Article 35(5) and (6) of the CACM Regulation allows resources to provide indicative prices/costs of redispatching and countertrading actions which can then later be changed without any specific limitations.

The second problem relates to economic efficiency and incentives. Using indicative prices which can later be changed implies that after the optimal activation of redispatching and countertrading actions have been identified and these actions have been committed, the final settlement price of these actions can change, which would in ex-post analysis make the optimal solution a suboptimal one. Further, such a solution could provide many opportunities for manipulation since the bids prices/costs which are used for selection of the most economically efficient outcome are not those used for settlement. This would obviously provide economic incentive to provide consistently lower indicative prices in order for these resources to be committed and in ex-post raise the prices significantly to maximise the revenues.

The third problem is of a practical nature and revolves around the question of which options are available to address this topic. ACER understands that the process for coordination of redispatching and countertrading actions entails an inherent risk of the cost differences arising from the differences in ex-ante prices and costs (that are assumed during the regional optimisation) and ex-post prices and costs (that are known only after realisation of these actions). The only question therefore remains who should bear these costs differences and here ACER understands three options are available:

1. The ex-ante and ex-post prices/costs should be the same and any actual cost differences are borne and internalised by the providers of redispatching and countertrading action. For example, when market participants are bidding for balancing capacity they need to provide firm bid prices, even though the actual prices and costs for providing balancing capacity is only known in ex-post.
2. The ex-ante and ex-post prices/costs can be different, but any cost differences arising from these different prices/costs should be borne by the TSO that activates these redispatching and countertrading actions – i.e. these differences are not being shared with other TSOs in Core CCR.
3. The ex-ante and ex-post prices/costs can be different, and any cost differences arising from these different prices/costs are included in the total costs of redispatching and countertrading action that should be shared according to the regional cost sharing methodology.

Question 1: Do you consider that Article 35(5) and (6) of the CACM Regulation allows resource providers to make indicative prices/costs?

For IFIEC Europe, despite not having conducted a full-fledged legal analysis of the matter, it is clear that Article 35 (5) states that “The relevant generation units and loads shall give TSOs the prices of redispatching and countertrading before redispatching and countertrading resources are committed”, which for IFIEC Europe indicates that indicative prices should not be allowed.

IFIEC Europe is mostly concerned that if ACER were to conclude that the regulation allows for the application of indicative prices/costs, this could lead to unwanted behavior, up to inefficient market results and even a risk for market manipulation. In case of such decision, IFIEC Europe insists strongly that appropriate actions to amend the regulation should be initiated as soon as possible to avoid such impact. IFIEC Europe also wants to point out that it is very important in this discussion to also take into account the overall cost impact. Redispatch and countertrade are not only a very complex issue, they also relate to an important and ever-increasing cost factor for the consumers. As such, IFIEC Europe insists that this aspect is duly taken into account in the discussion, and not merely a discussion on the benefits of countertrading and redispatch from the point of view of those offering these services to the system and the system operators themselves.

Question 2: Do you consider that providing indicative prices provides good incentives for economic efficiency and prevents possible manipulations?

IFIEC Europe does not believe that a methodology based on indicative prices provides the correct incentives for economic efficiency nor prevents possible market manipulation behavior. On the contrary, IFIEC Europe is strongly concerned that this will lead to an additional mechanism with inefficiency and manipulations.

Furthermore, IFIEC Europe does not understand why a move towards indicative bidding would be needed, as a.o. the Nordic redispatch and countertrade providers are obliged to fix their bid (both price and volume) before they are committed.

Question 3: Who should bear the inherent risks related to differences between indicative and realised costs?

IFIEC Europe believes that the resource providers should bear the risk of differences between indicative and realized costs and that in any case such differences should not be automatically passed-through to consumers. This would reduce incentives for resource providers to sub-optimize their bids and/or game the mechanism, which in turn should lead to improved efficiency and reduced risk of manipulation.

## Topic 2: Deviations between recommended, ordered and delivered volumes of redispatching and countertrading actions

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Similarly as in case of indicative vs. realised **prices** and costs, the costs of redispatching and countertrading actions may also deviate due to differences between recommended, ordered and activated **volumes** of these actions. More specifically, an RSC may identify the most optimal set of redispatching and countertrading actions and recommend them to the connecting TSOs to order these actions from resource providers. For various reasons the ordered volumes could deviate from the recommended volumes. Then, once the resource providers received the information on the ordered volume, they can, for various reasons, deviate from this volume and deliver an activated volume, which is different from the ordered volume.

All these deviations raise the question how they impact the settlement between a TSO and a resource provider and the cost sharing among TSOs.

Regarding the deviations between recommended and ordered volumes, ACER considers that the TSO that deviates from the recommended volume shall bear the costs related to these deviations, unless such deviations have been agreed or confirmed by other TSOs in Core CCR as well.

Regarding the deviations between ordered and activated volume, these deviations should not in principle impact the total costs to be shared in the region. Therefore, the Core ROSC methodology and the Core RDCT methodology may specify the rules for such settlement, or it could keep these settlement rules subject to national framework governing redispatching and countertrading.

Question 4: Do you agree that cost differences related to volume deviations between recommended and ordered volumes are shared only in case those deviations are agreed or confirmed by all Core TSOs?

IFIEC Europe does not have a specific position on this aspect at this point in time, but reserves itself the right to come back to this whenever new elements would be brought to the discussion.

Question 5: Do you agree that the settlement of cost differences related to volume deviations between ordered and activated volumes is not governed within the Core ROSC methodology and the Core RDCT methodology? If not, how would you propose to govern and define such settlement?

IFIEC Europe does not have a specific position on this aspect at this point in time, but reserves itself the right to come back to this whenever new elements would be brought to the discussion.

### Topic 3: Other Comments

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Question 6: If you would like to comment on other topics, please indicate clearly the related Article, paragraph and sub-paragraph of the **Core ROSC methodology** or the **Core RDCT methodology** and add a sufficient explanation.

IFIEC Europe believes it is important to find effective and efficient solutions for redispatch and countertrade as these costs are rapidly increasing and still trending upwards. If applicable regulation is not sufficient to achieve this target, it should duly and timely be amended with a clear focus on the overall system cost impact, which will finally be paid by consumers.

