

Request for amendment by all Baltic Capacity Calculation Region  
National Regulatory Authorities

on

All TSOs' of Baltic Capacity Calculation Region common proposal for a  
methodology for a market-based allocation process of cross zonal  
capacity for the exchange of balancing capacity or sharing of reserves  
in accordance with article 41 of the Commission Regulation (EU)  
2017/2195 of 23 November 2017

18 June 2020

## 1. INTRODUCTION AND LEGAL CONTEXT

This document elaborates an agreement, between all Regulatory Authorities'<sup>1</sup> (“NRAs“) of the Capacity Calculation Region Baltic (“CCR”), ,on requesting an amendment for the Baltic CCR Transmission System Operators’ (“TSOs“) proposal for a methodology for a market-based allocation process of cross zonal capacity for the exchange of balancing capacity or sharing of reserves, in accordance with Article 41 of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (EBGL) (“MB Proposal”).

The MB Proposal was received by the last NRA on 20 December 2019. Article 5(6) of the EBGL requires relevant Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make decisions within six months following receipt of submissions of the last relevant National Regulatory Authority (NRA) concerned, i.e. by 20 June 2020.

This agreement of NRAs shall provide evidence that a decision on the MB Proposal does not, at this stage, need to be adopted by ACER pursuant to Article 5(7) of the EBGL. However, at the same time the MB Proposal is not approvable by the NRAs. Therefore, this agreement is intended to constitute the basis on which NRAs will each subsequently request an amendment to the MB Proposal pursuant to Article 6(1) of the EBGL.

The legal provisions that lies at the basis of the MB proposal and this NRAs’ agreement on the request for amendment () can be found in Articles 3, 38, 41 of the EBGL.

## 2. THE PROPOSAL and PROCESS

The NRAs have closely cooperated in assessing the TSOs’ MB proposal and as a result of this assessment have together come to the conclusion that the all Baltic CCR TSOs’ proposal cannot be approved due to the issues detailed in this document.

The NRAs, request all Baltic CCR TSOs’ to amend the proposal pursuant to Article 6(1) of EBGL and to revise the MB Proposal in line with the comments below.

## 3. BALTIC CCR NRAs COMMENTS on the PROPOSAL

### General comments

- 1) NRAs acknowledge that due to similarities in the requirements of the EBGL for the different proposals for cross zonal capacity allocation the proposals, be it according to Article 41 or Article 42 or also Article 40 of EBGL, TSOs tried to align these proposals by using the same layout for the legal submission.

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<sup>1</sup> Energy Authority of Finland (EV), Swedish Energy Markets Inspectorate (EI), Estonian Competition Authority (ECA), Public Utilities Commission of Latvia (PUC), National Energy Regulatory Council of Lithuania (NERC), Energy Regulatory Office of Poland (ERO)

The Methodology for a co-optimised allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves in accordance with Article 40(1) of EBGL (hereafter co-optimized CZCA methodology) has been amended and approved by ACER in 17<sup>th</sup> of June 2020 as decision No 12/2020. NRAs invite TSOs to further align the MB proposal to the final methodology for the co-optimized CZCA, both in terms of layout, acronyms and content, where relevant.

2) NRAs invite Baltic CCR TSOs to cooperate with the TSOs of other CCRs to explore possible alignment of details and high-level principles of the MB proposal across the regional proposals, still respecting the regional specificities.

3) Article 33(4) of EBGL depicts that:

*4. All TSOs exchanging balancing capacity shall ensure both the availability of cross-zonal capacity and that the operational security requirements set out in Regulation (EU) 2017/1485 are met, either by: (a) the methodology for calculating the probability of available cross-zonal capacity after intraday cross-zonal gate closure time pursuant to paragraph 6; (b) the methodologies for allocating cross-zonal capacity to the balancing timeframe pursuant to Chapter 2 of Title IV.*

Article 38(1) of EBGL (i. e. Chapter 2 of Title IV) foresees that TSOs should use for balancing capacity exchange or sharing of reserves one of the following methodologies: 1) co-optimised allocation process pursuant to Article 40; 2) market-based allocation process pursuant to Article 41 – the current MB proposal; 3) allocation process based on economic efficiency analysis pursuant to Article 42.

Therefore, NRAs would like to ask some explanation why Baltic CCR TSOs have chosen to present the proposal according to Article 41(1), if this is the methodology that is planned to be used in Baltic CCR from the four possibilities that EBGL provides, if this approach is planned to use on all borders or only some of the borders and what might be the oriented timeline for the implementation of this proposal. Regarding this explanation NRAs ask TSOs to present a short additional explanatory document.

4) According to EBGL Article 5(5), each proposal shall include a proposed timescale for their implementation. The implementation timescale shall not be longer than 12 months after the approval by the relevant regulatory authorities, except where all relevant regulatory authorities agree to extend the implementation timescale or where different timescales are stipulated in EBGL. Further, NRAs would like to point out that the “application” of the methodology in accordance with EBGL Article 38(1) is out of scope of this specific proposal, as this follows from a separate proposal for application of the methodology.

The MB Proposal, on the other hand, does not contain a proposal for a timescale for implementation, and seems to interpret the “application” in accordance with EBGL 38(1)(b) as the actual “implementation” in accordance with EBGL Article 5(5).

NRAs acknowledge that the implementation of the Market-Based allocation process can be a demanding process. Still, NRAs consider the implementation of the methodology as mandatory, according to Article 5(5) of EBGL, while the application of the methodology should be submitted as a separate proposal in accordance with article 38(1) of the EBGL, without any limit in time.

Therefore, NRAs ask TSOs to include a separate Article to the MB proposal regarding the implementation that would include a concrete timescale for the implementation of the

proposal which ensures that the methodology for CZCA is implemented and available for the potential usage in future balancing capacity cooperation processes.

5) All references to Regulation (EU) 714/2009 shall be changed to Regulation (EU) 2019/943.

Comments to specific articles of the proposal

### **Whereas**

NRAs do not see the value of paragraph 4 as this is just repeating the Article 41 of EBGL.

In paragraph 5 NRAs ask TSOs to describe the justifications more thoroughly, also supplement the section to cover the remaining objectives of Article 3 of the EBGL.

### **Abbreviations**

The NRAs ask the TSOs to ensure that all the definitions should be aligned with European Union Regulations. If the methodology uses terms, which are not defined in current applied regulations, detailed explanations should be added into the methodology.

Additionally, NRAs ask TSOs to align the abbreviations with the final version of the Co-optimized CZCA methodology, as approved by ACER.

### **Article 1**

NRAs ask to further align the content of this Article with the approved version of the co-optimized CZCA methodology.

Paragraph 3 deals with notification which preferably should be kept together with other provisions dealing with the same aspect. Therefore, NRAs see that the paragraph should be moved to Article 4 in the proposal.

Paragraph 4 should specify that in case two or more TSOs are going to use the MB Proposal concerned TSO shall submit a proposal in accordance with Article 38(2). This proposal shall contain concerned bidding zone borders, the market timeframe etc. A reference to Article 38 (2) in EBGL is needed to be added in the paragraph 4.

Paragraph 5 mentions that all TSOs within a balancing capacity cooperation implementing the MB Proposal shall establish common and harmonised rules and processes for the exchange and procurement of balancing capacity pursuant to Article 33 of the EBGL, and respecting the requirements set out in Article 32 of the EBGL. Although NRAs acknowledge that there is a common balancing market in Baltics, and in case any changes are needed to, it is preferable that those are done commonly, the Article 33 (1) foresees that the proposal should be developed by two or more TSOs. Therefore, as Article 33 (1) does not forbid to involve more than two TSOs, NRAs ask to align the wording of the paragraph with the wording of the Article 33(1) and use instead of “all TSOs” use “two or more TSOs”.

## **Article 2**

NRAs ask to further align the content of this Article with the approved version of the co-optimized CZCA methodology.

The concept under paragraph 2, point c is already defined in Article 3 in SOGL, thus definition is directly applicable and should not be defined in the MB proposal.

## **Article 3**

NRAs invite TSOs to change this Article into “Principles for applying the market-based cross-zonal allocation and to further align the content with the approved version of the co-optimized CZCA methodology”, removing the paragraphs that are out of scope of this MB proposal. In particular, paragraphs 2 to 4 seem out of scope, as they refer to terms and conditions for potential future cooperation between TSOs for the exchange of balancing capacity of sharing of reserves.

Regarding the reference in paragraph 1 to Article 25(2) of EBGL, NRAs advise to use instead the reference to Article 25(1) to state better the principle that only standard products will be use for balancing energy.

Paragraph 5 should include a reference to Article 18 of EBGL regarding the national terms and conditions related to balance service providers.

Paragraph 8 should include the reference to Article 38(9) of EBGL.

## **Article 4**

NRAs ask to further align the content of this Article with the approved version of the co-optimized CZCA methodology.

Regarding the paragraph 2 NRAs would like to point out that according EBGL Article 41 (1)(b) the determination of actual market value and the forecasted market value are part of the MB proposal, therefore, the applied forecasting technique and principles regarding the possible use of adjustment factors should as well be part of this MB proposal and the paragraph 2 should be removed.

## **Article 5**

The general description of the process should be clarified. NRAs ask TSOs to describe in more detail the precise calculation and a detailed specification how the comparison between the actual market value of cross zonal capacity for the exchange of balancing capacity or sharing of reserves and the forecasted market value of cross zonal capacity for the exchange of energy will be done.

Regarding the Cross-zonal capacity allocation optimisation it should be added that the more specific deadline of this process will be covered in EBGL Article 38(1) proposal, based on Article 38(2) principles. Also taken into account that the procurement itself shall not to be made

earlier than one day ahead, unless a derogation has been approved according the regulation 2019/943 Article 6 (9).

The paragraph 2 mentions some indications regarding GCT. It shall be added for the sake of clarity to the paragraph that more specific GCT will be defined according EBGL Article 33(1) proposal, after it is consulted with market participants.

In paragraph 3 point (b) the reference to EBGL Article 27 should be more specified to Article 27(2).

NRAs foresee that the paragraph 3 point (c) should also describe the following inputs that are at the moment not covered, like:

1. potential sharing of reserves volumes per product;
2. if necessary additional constraints and limitations in accordance to Article 6 of the proposal;

In paragraph 3 point c (iv) it is stated that actual or forecasted cross-zonal capacity shall be used for SDAC. It is unclear when should respective value be used. Therefore, NRAs require that the exact rules for defining the forecasted and actual market values as used in the MB Proposal shall be included in the amended proposal.

In paragraph 3 point (e) NRAs suggest this point to be removed, as not adding any value and only repeats the point of EBGL Article 58(3).

## **Article 6**

In Paragraph 1 the reference to EBGL Article 41(2) should be added regarding the 10% limit.

In Paragraph 2 NRAs would like to see more clarification how the average capacity for 10% determination is calculated.

In Paragraph 3 the definition for new interconnectors is used that differs from the definition that is given in the regulation 2019/943, Article 2 (5). As the definitions given in European Regulations cannot be altered, however in EBGL Art 41(2) it is ment under this concept the interconnectors where there is no full year data yet available, NRAs propose to change the wording in the paragraph in a way that it is stated that for interconnectors where there is no previous relevant calendar year data available the cross-zonal capacity allocation limitation shall be defined as 10% of the total installed technical capacity of this interconnector, without mentioning any date, like 18.12.2019, or the definition of *new interconnectors*.

NRAs see that Paragraph 4 is a copy from EBGL Article 41(2), therefore is not adding any value and could be removed from the methodology.

The Paragraph 6 content should be aligned with the approved version of the co-optimized CZCA methodology.

Paragraph 7 should be amended to add that any additional limits shall be set out in the proposals taking into account the requirements pursuant to the SOGL Article 165(3)(g) and Article 157(2)(g).

## **Article 7**

NRAs ask TSOs to clarify under paragraph 2 how the intraday market values are used. Also, the concept “similar period in the past” should be defined more specifically.

NRAs would like to clarify to TSOs that a detailed description of the forecasting methodology and the determination and use of the adjustment factors must be included in this methodology in order to be compliant with Article 41(1)(b) in EBGL. NRAs also invite TSOs to cooperate with the TSOs of other CCRs to explore possible alignment of details and high-level principles of this Article across the regional proposals, still respecting the regional specificities.

## **Article 8**

NRAs ask TSOs to further align the content of this Article with the approved version of the co-optimized CZCA methodology.

## **Article 9**

NRAs ask TSOs to further align the content of this Article with the approved version of the co-optimized CZCA methodology.

Paragraph 6 should be amended with the reference to the provision where this mandate is given.

## **Article 11**

NRAs ask TSOs to align the content of this Article with the approved version of the co-optimized CZCA methodology.

## **Article 12**

NRAs ask more alignment to the approved co-optimized CZCA methodology. According that the reference to Article 73 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM Regulation) should be added.

In paragraph 2 there is brought out that in specific cases the concerned TSOs may also use a sharing key different from 50%-50%. NRAs would like to clarify that for these cases TSOs should clarify the exact rules, and sharing key values that should be approved within the MB proposal.

### **Article 13**

NRA's ask TSOs to align the content of this Article with the approved version of the co-optimized CZCA methodology.