ACER decisions on HCZCAM and RCC tasks

A Eurelectric response paper

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- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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WG Market Integration & Network Codes

Contact:
Donia PEERHOSSAINI, Advisor - Wholesale Markets -
dpeerhossaini@eurelectric.org

Topic 1: Harmonised methodology for cross-zonal capacity allocation for the exchange of balancing capacity or sharing of reserves (HCZCAM Proposal)

Background

Pursuant to Article 38(3) of the EB Regulation, the HCZCA methodology harmonises cross-zonal capacity allocation processes (i.e. Articles 40, 41 and 42 of the EB Regulation). Therefore, it will replace the existing methodologies pursuant to Articles 40, 41 and 42. The methodologies approved under these Articles are:

- The methodology for a co-optimised allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 40(1) of the EB Regulation ('co-optimisation methodology') (ACER Decision 12-2020). Following this methodology, the following related documents were published:
  - Implementation impact assessment
  - Co-optimisation roadmap study
  - all TSOs' requirements for the price coupling algorithm
- The methodologies for a market-based allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 41(1) of the EB Regulation ('market-based methodologies') for the following capacity calculation regions:
  - Nordic (ACER Decision 22-2020)
  - Core (ACER Decision 11-2021)
  - Baltic (ACER Decision 10-2021)
  - GRIT (regional decision by NRAs)
  - Italy North (regional decision by NRAs

The HCZCAM Proposal addresses the co-optimised allocation process pursuant to Article 40 of the EB Regulation and the market-based allocation process pursuant to Article 41 of the EB Regulation, but does not include an allocation process based on economic efficiency analysis pursuant to Article 42 of the EB Regulation.

The co-optimised allocation process

The HCZCAM Proposal includes the co-optimised allocation process which was so far addressed by the methodology for a co-optimised allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 40(1) of the EB Regulation ('co-optimisation methodology'). Due to the existing European-wide applicability of the co-optimisation methodology and the limited developments since its approval, the content changes of the provisions for the co-optimised allocation process in the HCZCAM Proposal compared to the co-optimisation methodology are very limited.

Since the co-optimised allocation process requires actual balancing capacity bids together with the actual bids from market participants in the day-ahead market, it can only be done within the single day-ahead coupling (SDAC) process. Therefore, as already foreseen by the co-optimisation methodology, the co-optimised allocation process pursuant to the HCZCAM Proposal would be implemented via the TSOs' submission of the requirements for the SDAC algorithm pursuant to Article 37 of the CACM Regulation. While the development of the TSOs' set of requirements for the price coupling algorithm for considering the co-optimised allocation process needs to be addressed in the implementation article of the HCZCAM Proposal, the discussions on the actual implementation of the co-optimised allocation process within SDAC is subject to the algorithm methodology pursuant to Article 37 of the CACM Regulation. Following the TSOs' submission of requirements for the price coupling algorithm resulting from the co-optimisation methodology, a submission of an amendment proposal of the algorithm methodology is expected for November 2023.

While the HCZCAM Proposal entails limited needs for updating the set of submitted requirements for the price coupling algorithm. However, if such update would be needed following the approval of the HCZCAM Proposal, TSOs may still submit an updated new set of requirements to NEMOs as an input to such algorithm methodology amendment process after ACER's approval of the HCZCAM Proposal.

Q1.1 Please provide your comments on the HCZCAM Proposal's provisions regarding the co-optimised allocation process.
Please always indicate the relevant Article in the Proposal which your comment refers to.

As expressed in earlier Eurelectric responses, we do not favor keeping co-optimisation in the text of the methodology at this point in time. Even though co-optimisation with multilateral linking should be the long-term target as long as it does not have negative impacts such as reducing algorithm performance or reducing the variety of the energy products and bidding flexibility offered for the Single Day-Ahead Coupling (SDAC) and further implementations on products and services already planned, the implementation impact assessment (IIA) and technical feasibility study (roadmap study) did not remove our doubts on the feasibility of co-optimization implementation and significative deterioration in algorithm performance. EUPHEMIA is already at its limit in terms of capability. The reduction of the "Market Time Unit" to 15min will put further stress on the performances of the algorithm. We clearly object to any prolongation of time needed for calculation or results publication. It seems like further R&D needed before the implementation of the co-optimised allocation process.
Given the development complexity of this project, huge and numerous challenges, the unwillingness of TSOs to implement this methodology (also recognised by ACER in one of its motivations for removing provisions about Inverted Market-Based process), we are in favor of deleting the co-optimisation process from the HCZCAM.

Redaction comments in case the co-optimisation is kept in the text:

- Article 7.2.a: can you confirm that the "opposite direction" mentioned in the last sentence refers to BC bids and DAM bids being in opposite directions?

- Article 7.2.e: Delete the mention to the social welfare, which is not defined. The objective function is already detailed in article 11.

The market-based allocation process

In comparison with the co-optimised allocation process, the market-based allocation process is currently subject to regional market-based methodologies, which require harmonisation with the HCZCAM Proposal. Further, while the co-optimised allocation process needs to be integrated in SDAC and will therefore be subject to the governance of the MCO function, the market-based allocation process is not subject to an existing governance structure. The required forecasting process is another element which is not required for the co-optimised allocation process but needs to be considered for the market-based allocation process.

In addition to revisions of the HCZCAM Proposal to improve structure and clarity and to ensure compliance with the legal requirements, ACER sees the possible need for revising also substantial parts of the HCZCAM Proposal, as outlined below.

Deletion of provisions for allowing pay-as-bid and provisions partly addressing an 'inverted market-based process'

While the co-optimised allocation process is limited to the principle of marginal pricing (pay-as-cleared), Article 4(3) of the HCZCAM Proposal also allows pay-as-bid as a pricing principle for the market-based allocation process. In ACER's Decision 11-2021 on the Core market-based methodology the use of the pay-as-bid pricing principle for the Core market-based process was rejected. The main reason for this was the requirement for equal treatment pursuant to Article 41(4) of the EB Regulation and the need for marginal pricing in SDAC pursuant to Article 38(1)(b) of the CACM Regulation. An appeal against this decision was dismissed by ACER's Board of Appeal in case A-013-2021.

Therefore, ACER intends to delete all provisions related to the pay-as-bid pricing principle in the HCZCAM Proposal.

Q1.2.1 **Do you agree to the intended revisions by ACER concerning the pricing principle?**
Yes

Q1.2.2 **Please provide your comments concerning the pricing principle.**

We agree with ACER revisions intending to delete all provisions related to the pay-as-bid pricing principle in the HCZCAM proposal, in particular for the market-based allocation process which is consistent with its decision for the Core market-based methodology. We prefer marginal pricing regime and call for a harmonized treatment compared to co-optimisation and inverted marked-based timeframes. Also, the calculation of the economic surplus might be challenging if a pay-as-bid mechanism is in place for the Balancing Capacity (BC) market (BSP surplus notably being non-existent).

The HCZCAM Proposal addresses the possibility of an 'inverted market-based process', which would require real bids from SDAC and a forecasted market value of cross-zonal capacity for the exchange of balancing capacity and sharing of reserves. However, the HCZCAM Proposal is incomplete regarding the inverted market-based process since it does not include a description of forecasted market value for CZC for the exchange of balancing capacity or sharing of reserves in accordance with Article 41(1)(b) of the EB Regulation. Further, an inverted market-based process could only be applied once co-optimisation is available and there is currently no concrete intention to apply such process.

Therefore, ACER intends to delete all provisions concerning the inverted market-based process in the HCZCAM Proposal, while all TSOs may introduce such process in a complete form through a proposal for an amendment to the HCZCAM.

Q1.2.3 Do you agree to the intended revisions by ACER concerning the 'inverted market-based' process?
Yes

Q1.2.4 Please provide your comments concerning the 'inverted market-based' process.

We agree with ACER decision intending to delete all provision concerning the inverted market-based process in HCZCAM. We fail to understand the real advantages of the Inverted Market-based timeframe for the cross-border balancing capacity market. We are of the opinion that inverting the processes of balancing capacity and energy procurement is not efficient given the subordination of BC market over the energy market.
Also, the economic behavior of Balance Responsible Parties (BRPs)/BSPs will not be as readable as the uncertainty about the volume and the prices is forcing them to take huge assumptions that come at a cost. The cost of uncertainty is translated into risk premiums, which are eventually paid by the end consumer. Therefore, we are not convinced of the added value of the IMB timeframe in terms of social economic welfare.

As an example of the complexity behind the IMB timeframe from a MP perspective, let's consider an asset owner that is willing to be active on both BC and DA market via its BRP and BSP roles. The MP will bid all its capacity in the DAM and rebid its flexibility in the BC market, while potentially having to enter into ID transactions to be able to provide the Balancing service to TSOs. In the role of the BRP, the MP will take a view on what will be bid on the BC market, by derating its bid on the DAM and by adding a risk premium to cover the risk of not being selected in the BCM.

Furthermore, an inverted market-based process could only be applied once co-optimisation is available. As mentioned above and acknowledged by ACER, since TSOs are not expressing the willingness to apply co-optimisation and the challenges that this process presents, we are in favor of not developing this methodology.

Limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves

The HCZCAM Proposal describes the process to define the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves for the co-optimised allocation process under Article 8 of the HCZCAM Proposal and for the market-based allocation process under Article 16 of the HCZCAM Proposal. Further, there are additional provisions for such limits under Articles 7 and 13 of the HCZCAM Proposal. Some of these limits are subject to TSOs' decisions without the involvement of regulatory authorities.

ACER is of the opinion that any limits beyond the ones needed in accordance with the SO Regulation should be well justified and subject to regulatory approval. Therefore, ACER intends to revise these parts of the HCZCAM Proposal to the effect that default limits from the EB Regulation apply to the processes to define the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, while other limits are allowed if justified and approved within an Article 38(1) of EB Regulation proposal. A similar provision is already included in the co-optimisation methodology.

Q1.2.5 Do you agree to the intended revisions by ACER concerning provisions on limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves?

Yes

Q1.2.6 Please provide your comments concerning provisions on limits for maximum volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.

We agree that any adjustment to the limits for maximum volume of cross-zonal capacity for balancing capacity should be subject to regulatory approval. We have raised this concern already in the past and we thank ACER for its acknowledgement.

At the same time, we do not agree that it should be possible to raise the limit from 10% to 20%, given the potential impact on the DAM. Especially given that the increase of the limit is likely to be done under stressed system circumstances, which are moments when CZC is especially important to the SDAC. In this regard, we do support the fact that the limit can only be increased if the balancing capacity demand of TSOs cannot be satisfied. However, we are also of the opinion that the fallback procedure should be activated before the limit is raised, improving the chances that CZC is not unnecessarily taken from the SDAC.

Required clarifications regarding forecast process, forecast error and forecast error consideration

ACER understands that the method for forecasting the cross-zonal capacity market value for SDAC described in the HCZCAM Proposal requires the market-based cross-zonal capacity allocation optimisation function and the following inputs:

- Preliminary day-ahead cross-zonal capacity results from the capacity calculation methodology pursuant to Article 21 of the CACM Regulation; and
- Forecasted day-ahead energy bid curves.

While it is important to differentiate between the forecasted market value of cross-zonal capacity for the exchange of energy and forecasted SDAC bid curves, the HCZCAM Proposal does not clarify this differentiation and mostly just refers to an undefined 'forecasting process'. Therefore, ACER intends to clarify and improve the description of how to determine the forecasted market value of cross-zonal capacity for the exchange of energy. The HCZCAM Proposal defines the forecast error under Article 2(2)(f) and how such forecast error should be considered in the market-based allocation process under Article 17.

While the description on how to consider the forecast error should be generally improved, ACER is of the opinion that, by default, the negative impact of a forecast error on the day-ahead market should be similar throughout different regions. Hence, forecast errors should be considered in a harmonised manner throughout any regions which are applying the market-based process. In general, ACER is concerned about the lack of TSOs' assessment of the potential efficiency of the proposed forecasting method. Such assessment and any resulting conclusions, would also be helpful when determining how a forecast error should be considered in the market-based allocation process. Harmonising a forecast error consideration based on the proposed approach of reducing the maximum cross-zonal capacity limit without having clarity on the potential forecast accuracy could be problematic. While such approach can limit the impact of a forecast error, it could also significantly reduce the effectiveness of the whole market-based process, since at some point it would not allow any allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves. A forecast error consideration in the form of a mark-up (or something equivalent) could reduce the positive forecast error to protect the day-ahead market against inefficient forecast. With such forecast error consideration, allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves would in general still be possible, but having considerable forecast errors this would only be possible if the market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves is significantly higher than the expected market-value from day-ahead energy.

Therefore, ACER sees the need to further assess the forecast efficiency of the proposed method and improve and harmonise the forecast error consideration.

Q1.2.7 Do you agree to the concerns shared by ACER concerning forecasting and the forecast error consideration?
Yes

Q1.2.8 Please provide your comments concerning the process for forecasting the market value of cross-zonal capacity for the exchange of energy.
Given the lack of detailed forecast methodology, it remains unclear how the CZCAOF can optimize the CZC allocation between the SDAC and procurement of balancing capacity without itself also having a flow-based-like optimization process. Given the

interdependency of available CZC on different bidding zone borders inherent to the flow-based methodology, the impact of allocation of CZC to the procurement of balancing capacity on other borders cannot be correctly assessed without such a process. Therefore, we agree that requirements and operations details of the forecast process are needed. We believe that they should be included either as part of the HCZCA methodology without waiting for the 12 months suggested in Art 25.1 or developed at a later stage but subject to market consultation.

In that process, we recommend considering the following proposals:

- A truly market-based solution should incorporate, in the process of forecasting the CZC market value for energy exchange, at least the price indices that are available on forward markets for the considered delivery period
- Any simplistic approach, e.g., considering that "the same day in the previous week/month/year" is a relevant reference, should be excluded
- A thorough statistical analysis based on historical data should be performed to identify the explanatory variables which best account for the observed price differentials. Besides, TSOs should find a way to include in their forecast price impacting features that can hardly be captured in historical data, such as grid element or production unit outages.

It is essential to clarify in the methodology what kind of entity can run the forecast process and how it is designated. Indeed, article 15.1.b provides that the process can be delegated to "one TSO or another entity". Then, it is implied in article 25.4 that only TSO(s) can run the process because the IT implementation falls on "the final TSO(s) responsible for operating the forecast". What if TSOs choose to delegate this responsibility to a third party in certain countries? This option should not be explicitly forbidden in the text.
Article 14.3.b provides that the entity is designated by the application TSOs per balancing capacity platform, but the timeline is not clarified in article 25.

The frequency of the application of the forecast is also unclear. It is implied in article 17.1 that the forecast process runs every day, but it should be explicitly required.

Q1.2.9 Please provide your comments concerning forecast error or forecast error consideration for the market-based allocation process.

ACER's proposal to introduce a mark-up when the forecast error rises is interesting and should be further studied by the TSOs. It seems more appropriate, even though it will require some expertise to calculate an adequate mark-up. Eurelectric, however, needs more details before clearly favoring or rejecting the proposal, as mentioned above, more analysis on this is needed.The forecast validation process requirements should be further clarified. Especially the frequency at which it will run. The explanatory document mentions a frequency between once a day to once a month, but the range is not mentioned in the methodology. Furthermore, the proposal in the art 17.8 is puzzling: it suggests that the cross-zonal procurement of BC could start without the application TSOs and the relevant RCCs having agreed on something as straightforward and crucial as the forecast validation process. In our opinion, an

agreement between application TSOs and each RCC is a prerequisite of the methodology application.

Other comments concerning the HCZCAM Proposal

Q1.3 Please provide any other comments related to specific provisions of the HCZCAM Proposal.

- We have concerns on the deadlines that the proposal puts forward to inform market participants. The deadline to inform market participants of upcoming changes in art.5.1 and art.24.4 (3 months), as well as art.24.5 (1month) is too short for market participants to correctly anticipate and adapt. In order to correctly assess and anticipate such changes, market participants should ideally be informed 12 months in advance, and at a minimum 6 months. The publication of information covered by art.24.3 should not be allowed a maximum deadline of one week. Such information should be disseminated at the latest 24 hours after the use of the allocated cross-zonal capacity.
- The term 'TSO BC volume sensitive demand' in art.2.2(b) – which should rather be art.2.2(h)? – refers to '[…] substitution of reserves for cost minimization and volume shortage'. This seems in contradiction with art.4.12 that states that 'each TSO shall not put a price on its TSO BC demand […]'. It is not clear how a TSO can express its volume sensitive demand in order to perform cost minimization without pricing its demand. In any case we do not agree with the TSOs pricing their balancing capacity demand; TSOs should procure the required balancing capacity as required by the SO Regulation and this should not be subject to a price cap. We therefore request to remove 'cost minimisation' from the definition of 'TSO BC volume sensitive demand' in art.2.2(b), as well as the reference in art. 4.13, allowing only such approach for volume shortage reasons. Not being entirely sure we understood well Art. 4.13, we recommend to clarify whether the concept defined is related to the right to substitute aFRR/mFRR as provided in SOGL.
- In art.16.1(b), it is stated that on 'bidding zone borders within an LFC Block or bidding zone borders of one single TSO, no volume limitation shall be applied […]'. Such allocation without volume limitation has potentially significant impact on the exchange of energy across borders in the SDAC, both directly on the bidding zone border in question, as well as other bidding zones given the interdependencies of cross-zonal capacity allocation in the flow-based methodology. The reasoning mentioned in the explanatory document on page 62 that any such limitation could 'severely impact the efficient procurement of balancing capacity' seems insufficient, as a similar argument can be made for any limitation on cross-border procurement but is in those cases rather correctly counterbalanced by its impact on the DAM. We therefore ask that also on bidding zone borders within an LFC block or of a single TSO a limitation on CZC allocation for balancing capacity procurement is applied.

- The step of the designation of the entities responsible for the operation of a balancing capacity platform and the related forecast process is missing from article 25 (see comments above for more details).
- Multilateral linking, as used in article 4.14 should be defined. It is relevant to guarantee the types of links which will be available for BSPs. Moreover, it would be beneficial, if the objective is indeed to reflect the technical constraints of the BSPs, to also allow linking between bids of a same product but in opposite directions (upward and downward bids) for the same MTU and for the same quality product but between consecutive MTUs.
- Article 13.1.d: The BSPs need more than one hour between the notification of their accepted BC bids and the gate closure time of the SDAC (need to re-run the dispatch of their assets to reflect the BC commitment). A period of at least two hours will be needed – as is the usual case today.
- Article 24.1: This information should be published on the transparency ENTSOE website to centralize all data in one place.
- Articles 7.2.m and 13.4: what are the foreseeable situations where the CZC allocated to the exchange of BC is not needed and what are the criteria to conclude that the CZC is not needed? As a CZC capacity is allocated by SPBC and by direction of activation, maybe allocating the CZC to another BC product should be considered?

Redaction comments:

- Article 4.11: this paragraph is hard to understand. How a common allocation to both directions prevents higher volumes of CZC allocated? Does it refer to the direction of the allocated CZC or of the activation of the balancing product? The principle should be mentioned again in article 20.
- Articles 13.1.b and 13.1.c: regarding the cooptimised allocation process, a delay of 15 minutes is required in article 7.1.c. Why shouldn't the delay also be specific and harmonized for the market-based allocation process?
- Article 13.2.d provides that each CZCAOF of the respective balancing capacity platform "shall be operated by an application TSO connected to the respective balancing capacity platform". It does not correspond to article 15.1.a. It is not relevant to have these precisions in article 13 as it is the purpose of article 15 to clarify this.
- Article 13.2.e.vi: What is the purpose of allowing TSOs to define the "maximum volume of balancing capacity to be exchanged with each TSO within the application"? As long as the CZC calculation takes into account all technical restrictions, there shouldn't be a need to discriminate exchanges between TSOs (and not bidding zones).
- Article 14: the reference to the DAMOF is absent in some subparagraphs. For example, in 14.2.a "All application TSOs that plan to become part of an application shall be jointly responsible for building cross-zonal capacity allocation optimisation function software including the capacity procurement optimisation function and the function"

- Article 14.3.a should be divided in several subparagraphs as several topics are covered.
- Article 18.4.b is too vague. The situations with a “volume shortage” should be defined, as well as the way TSOs will give this information to the CZCAOF. Furthermore, another solution would be that the TSO increases its dimensioning of the involved SPBC. Again, as mentioned before, we are not comfortable with the notion of the TSO BC volume sensitive demand.
- Article 22.3: this provision is not justified in the explanatory document and the redaction is unclear. What is the purpose?

Topic 2: RCC task of regional sizing (Sizing Proposal)

The Sizing Proposal is structured into two sub-tasks, which in combination should fulfil the requirements for the RCCs' task of regional sizing of reserve capacity pursuant to point 7 of Annex I of the Electricity Regulation. These sub-tasks are:

- the determination of minimum reserve capacity at SOR level; and
- the short-term assessment of availability of sharing amounts.

Pursuant to Article 4 of the Sizing Proposal, the RCC should determine required minimum reserve capacity at SOR level considering reserve requirements and possibilities for sharing of reserves on a yearly basis. If the amount calculated by the RCC on a SOR level is deviating beyond the defined thresholds from the amount of the summed up required minimum reserve capacity of all relevant load frequency control (LFC) blocks, the RCC needs to issue recommendations to TSOs for re-considering the sharing of reserves within the SOR.

Pursuant to Article 5 of the Sizing Proposal, for cases where the sharing agreement between LFC blocks are applied, the RCC shall on a day-ahead basis assess whether sufficient reserve capacities and sufficient cross-zonal capacities are available and consequently notify TSOs about risks of insufficient availabilities or possibilities to increase the sharing amount.

Q2.1 Please provide your comments related to the determination of minimum reserve capacity at SOR level.

Please always indicate the relevant Article in the Proposal which your comment refers to.

In art.4.7 and Art.5.11, where TSOs choose to deviate from the RCC recommendation, not only the other TSOs of the SOR should be informed, but also the NRAs of the SOR. Given the potential impact on system security, strict and correct oversight of TSO actions and decisions by NRAs should be possible.

Eurelectric notes that all TSOs will have to send their reserve capacity requirements on a yearly basis, for the comparison with the minimum amount for the SOR. It is Eurelectric's understanding, following the 2022 ENTSO-E Balancing Report, that the dimensioning process of some TSOs only takes place on a day-ahead basis. The proposal should clarify what these TSOs are expected to send to the RCC for the yearly control.

Q2.2 Please provide your comments related to the short-term assessment of availability of sharing amounts.

Please always indicate the relevant Article in the Proposal which your comment refers to.

In Art.5.4/5, the actual methodology to assess the availability of sufficient reserve capacity or cross-zonal capacity is missing and postponed to the hand of each RCC. Instead, only the inputs and objective are mentioned. As this methodology is

the core of the proposal, we believe that further elaboration providing a common approach for RCCs about how such an assessment will be performed should be part of the proposal. This detailed methodology could leave room for RCC for local adjustments.

Given the lack of details on the methodology or relevant TSOs' studies, it remains hard to evaluate the feasibility of this assessment. Indeed, in article 5.4, the RCCs are asked to assess the "simultaneously expected demands for reserve capacity" (shouldn't it actually be demand for balancing energy, as balancing capacity procurement stems from this?). It is unclear if it is really feasible to accurately foresee imbalances from a day-ahead morning perspective (at the latest at 10:30 am). For example, the TSOs do not always have an accurate vision of the generation dispatch in the morning of D-1, as it is usually finalized after the SDAC.

In Art.5.5, the relevant available CZC resulting from the DA CC is mentioned. However, in the future there will be additional CC in the Intraday timeframe. Also, the output of these calculations should be taken into account to assess the availability of sufficient cross-zonal capacity.

Eurelectric struggles to understand the meaning of article 5.6: does the condition mentioned applies to the case where the control capability receiving TSOs is involved in less than 3 sharing agreements? If not, what is planned?

Eurelectric believes that a link between this methodology and the procurement methodology should be made. Indeed, the timings of articles (Procurement proposal) 4.4 and (Sizing proposal) 5.4 must be coherent: the TSOs will be able to send their locally dimensioned reserve capacity only after the RCC has sent them a recommendation on the available volume of non-contracted energy bids. As the timing of the non-contracted bids notification is unclear in the Procurement proposal, except as it happens in D-1, it is uncertain whether the RCC will have all the relevant information for its Sizing task.

Q2.3 Please provide any other comments related to specific provisions of the Sizing Proposal.

Please always indicate the relevant Article in the Proposal which your comment refers to.

In art.3.4, it should not be optional to nominate one RCC for coordination purposes in case a TSO is active in one or more SORs with more than one RCC. Such coordination is crucial to correctly perform the functions of this methodology and exactly the added value of the RCC involvement. The 'may nominate' should therefore be replaced by 'shall nominate'.

Definition of subtasks: The proposed subtasks of this methodology do not duly take into account point 8 of Annex I of Regulation (EU) 2019/943:" The determination of the amount of balancing capacity shall (…) take into account possible substitutions between different types of reserve capacity with the aim to minimise the costs of procurement".

Timeline: It is crucial to have a planning with detailed steps. Eurelectric urge the TSOs to take into account existing implementation projects (not only regarding balancing, but also more general market integration) when designing specific timeline. Ongoing projects should have a clear priority, aim should be not to overburden market participants with several workstreams running in parallel. This should apply to all new projects, including balancing capacity cooperation project on a local level, market parties must have sufficient time for their implementation. Also, we should firstly ensure all regions are on the same level when it comes to balancing energy procurement and only then further steps should be taken.

Topic 3: RCC task of facilitating the procurement of electricity balancing capacity ('Procurement Proposal')

The Procurement Proposal covers two main topics regarding the RCCs' task of facilitating the procurement of electricity balancing capacity, which are:

- the assessment of non-contracted platform bids; and
- the RCCs' involvement in the regional procurement of balancing capacity.

The daily assessment of non-contracted bids on balancing energy platforms aims to allow TSOs to reduce their volume of required reserve capacity, in accordance with point 8.1 of Annex I of the Electricity Regulation.

Regarding the RCCs' support for the TSOs' procurement of the required amount of balancing capacity in accordance with point 8.2 of Annex I of the Electricity Regulation, the Procurement Proposal requires the RCCs to provide the relevant cross-zonal capacity data to the harmonised processes for the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing or reserves and to perform the processes allocated to the RCCs by the HCZCAM Proposal. The HCZCAM Proposal requires the RCCs to perform the task of forecast validation in the harmonised market-based allocation process. Pursuant to Article 17(5) of the HCZCAM Proposal, this task includes recommendations for improving the forecasting of SDAC bid curves, which is performed by a forecasting entity, and to determine the forecast error by running the market-based cross-zonal capacity optimisation function, which needs to be provided to the RCC by the relevant balancing capacity platform entity.

Q3.1 Please provide your comments related to the assessment of non-contracted platform bids.

Please always indicate the relevant Article in the Proposal which your comment refers to.

SOGL already allows TSOs to account for expected non-contracted energy bids in their dimensioning. Is there a harmonization/survey related to of how the TSOs use the expected platform (cross-border) bids until 2026? Perhaps rules should be determined before there is a proper coordination. In general, link between SOGL and its rules on reserves´ dimensioning could be better explained in the proposal.

The proposition stipulates that the RCCs take margins with regards to the estimated volume of non-contracted energy bids, before notifying it the TSOs. However, it does not mention an additional margin taken by TSOs before reducing their need to procure reserve capacity. It is true that it is out of the scope of the RCC tasks, but changes in the availability status of capacity or energy bids between DA and the balancing time frame should be accounted for to ensure the system security.
That being said, we strongly discourage the consideration of non-contracted platform bids for the fulfilment of a TSO's required reserve capacity from the dimensioning process. We consider that relying on the potential availability of non-contracted platform bids is not compatible with secure system operation. This

concept is inappropriate on a regional level already and even harder to maintain in combination with the potential availability of CZC. Such an approach should not be fostered by RCC support.

We have doubts that the methodology described in Art.7 will provide sufficiently reliable forecasts for the availability of non-contracted platform bids. It is not clear that probability density functions looking back 60 days will sufficiently capture shifts in underlying fundamentals like gas units being in the money (and thus running), offshore wind production (increasingly able to provide aFRR), differences between summer and winter availability of capacity providers (differing a lot in countries with district heating systems), etc. As this methodology is the core of the proposal and the proposed function of the RCCs, we urge further reflection on which methodology will best capture future availability of non-contracted platform bids, and at least a test beforehand whether the methodology is sufficiently robust.

In art.4.7, where TSOs choose to deviate from the RCC recommendation, not only the other TSOs of the SOR should be informed, but also the NRAs of the SOR. Given the potential impact on system security, strict and correct oversight of TSO actions and decisions by NRAs should be possible.

Q3.2 Please provide your comments related to role foreseen for RCCs by the Procurement Proposal and the HCZCAM Proposal to support the procurement of balancing capacity.

Please always indicate the relevant Article in the Proposal which your comment refers to.

The role of the RCC proposed in the articles 6.1 and 6.2 is crucial. How will the existing balancing capacity cooperation (e.g. Alpaca and its foreseen extension in 2024) be treated in this regard?

Articles 6.1.d and 6.2.d provide that RCCs shall be responsible for the publication of CZC allocated to the exchange of balancing capacity and the associated market value. Having an intermediary does not seem to have an added value. Wouldn't it be simpler if the entity operating co-optimised allocation process or an inverted market-based allocation was responsible for the publication?
Article 6.1.e and 6.2.e are in contradiction with article 7.2.c and 13.2.k, 13.2.l of the HCZCAM where the application TSOs are designated as responsible for the coordination with the balancing energy platforms.

Last but not least, to be consistent with ACER HCZCAM proposal where it is suggested to delete provisions concerning the inverted market-based process, we suggest to delete it in this proposal as well to avoid any uncertainty. Likewise, since co-optimisation with unilateral linking present serious drawbacks and the development of multilateral linking seems to be technically challenging, we suggest discarding co-optimisation process for now. Co-optimisation with multilateral linking should be the long -term target as long as it does not have negative impacts such as reducing algorithm performance or reducing the variety of the energy products and bidding flexibility offered for the SDAC and further implementations on products and services already planned. We prefer to suggest focusing on the development

of the market-based methodology while considering our concerns regarding TSOs forecasts (forecasting methodology should be consulted in details with Market Participants).

Q3.3 Please provide any other comments related to specific provisions of the Procurement Proposal.

Please always indicate the relevant Article in the Proposal which your comment refers to.

- Eurelectric is in line with the two proposed subtasks. However, it is not clear why the assessment of non-contracted platform bids is in the procurement methodology rather than in the Sizing proposal. Indeed, it seems that synergies with the Short-term assessment of availability of sharing amounts could be found.
- The Article 7.1 does not really fit under the title "Monitoring and reporting" as it refers to the data collected by the RCCs to execute their tasks. Why is it not inserted after the 3.5?
- The Article 4.7 of the proposal provides that, if a TSO does not take the RCC recommendation into account, it should inform the RCC as well as other TSOs. Market participants would also like some visibility on this matter, at least with a reporting TSO by TSO in the national Balancing reports. Eurelectric notes that the monitoring by RCCs, which was present in art.7.2 of the last version, have disappeared.
- The same applies to Article 4.6 of the proposal, where TSOs may "adapt the final balancing capacity procurement volume" based on RCCs calculations. It should be ensured that this information is timely communicated to market parties, before the GOT of relevant BCC, so they may take it duly into account.
- Article 8.1: Is it correct to understand that the deadlines, which are the starting point of the 30 months period, are the ones defined in EBL, without taking the derogations into account?
- Timeline: Eurelectric urge the TSOs to take into account existing implementation projects (not only regarding balancing, but also more general market integration) when designing specific timeline. Ongoing projects should have a clear priority, aim should be not to overburden market participants with several workstreams running in parallel. Also, we should firstly ensure all regions are on the same level when it comes to balancing energy procurement and only then further steps should be taken.
- As the missions will be clarified along the way and the context may change until 2026, Eurelectric would appreciate to be regularly informed about the progress of the implementation of these new RCC tasks – via EBSG, MESC or other relevant channels.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
EU Transparency Register number: 4271427696-87