

ENTSOe consultation on CZCAHM

A Eurelectric response paper

May 2024

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- 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.

ENTSOe has launched on the 22nd of March a public consultation on a proposal for amending the Cross-Zonal Capacity Allocation Harmonised Methodology and Explanatory Document pursuant to the Art. 38(3) of EB Regulation. Eurelectric welcomes the opportunity to give its opinion on this proposal and underlines that the following feedback only relates to proposed modifications.

Regarding interdependency mentioned in articles 2 and 16, Eurelectric notes that TSOs propose to merge TSO applications within a single balancing capacity platform when (i) they are part of one flow-based CCR and/or when (ii) one TSO applies substitution of reserves between two or more applications. For the sake of simplicity **Eurelectric supports the use of a reduced number of different platforms and advocate for the largest possible harmonization between platforms notably in terms of interfaces with market participants.** In parallel, Eurelectric invites ENTSOe to clarify why it does not consider interdependencies more generally when applications belong to the same CCRs (including when applying a CNTC approach).

Regarding the price forecasting mentioned in article 16, Eurelectric **shares its concerns and opposition when it comes to TSOs forecasting market prices and volumes being for the BC or the DA market, as outlined in the proposal.** A detailed implementation of the forecasting methodology should be created and consulted. The pieces of information in the methodology for a harmonized CZCA are not detailed enough to ensure a right forecast done by TSOs. These proposals should be examined:

- For both BC and DA markets, TSOs should develop a methodology that describes how the quality of the prognoses are ensured through measurement, benchmarking and evaluating them at certain intervals.
- Any simplistic approach, e.g., considering that “the same day in the previous week/month/year” is a relevant reference, should be excluded or yesterday, as is the case for Nordic aFRR, is a relevant reference, should be excluded unless it can be clearly justified through a CBA.
- Such prognoses should be based on a thorough statistical analysis on historical data and account for any known information of the future that is relevant, i.e., weather information, forward markets, grid information, production unit outages etc.
- The resulting methodology should be made public to ensure auditability and replicability. TSOs would not necessarily have to develop the prognoses themselves as many are available from vendors/independent entities, in particular for DA markets.

Regarding the definition of the GCT for BSPs mentioned in article 16, Eurelectric underlines that the definition of processes and timelines and the subsequent operational declination can be lengthy and would likely require significantly more than 3 months. Eurelectric considers that the GCT should be set at least 12 months before implementation and the consultation should last for at least one month.

Regarding article 17, Eurelectric notes that ENTSOe propose that *“The TSOs of the corresponding application [...] develop a process to derive the limit per CNEC from intended limits per bidding zone border”*. Eurelectric invites ENTSOe to justify such a proposal restricting the perimeter of this process definition to the TSOs of the corresponding application while it can have impacts on several other areas. Eurelectric rather considers that such a process definition should be the result of a larger concertation, including NRAs and market participants.

1/ article 24

At first order, this proposal on congestion income affects primarily TSOs. There may be however second order impacts that we would like to avoid (e.g. if TSOs consider such redistribution in the definition of the CZC allocated to the exchange of BC?)

2/ article 27

ENTSOe suggests to allow for longer derogation before harmonizing existing balancing capacity exchange methodologies. We could express a position against this to move more rapidly toward a harmonized methodology applying clearer principles.

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



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