

Response to amending the harmonised cross-zonal capacity allocation methodology

Brussels, 11 October 2024

Key messages

The cross-border reservation of transmission capacity by the TSOs for balancing purposes poses a serious risk to the availability of cross-zonal transmission capacity in the preceding trading timeframes.

By reserving cross-zonal transmission capacity specifically for use in the balancing timeframe, TSOs remove available capacity from the allocation in the other timeframes. In doing so, they restrict market participants' ability to adjust their positions across borders in the most economically efficient manner (including in the intraday market) and contribute to overall system balance.

This applies both to the co-optimisation process and the Market-Based approach that will replace the local methodologies by 2025, which is indeed the focus of this consultation.

Detailed comments

Leaving aside our fundamental concerns with cross-zonal capacity by TSOs for balancing purposes, **we support the additional quality and control checks in the forecasting methodology and validation process.** In case of poor forecasting accuracy, both the proposed markup or factor to be applied on the CZCA value for the exchange of energy or the additional limitation on the available cross-zonal capacity can be used to minimise the impact on SDAC. Another possible means to protect SDAC from over-allocation of CZC to the exchange of balancing capacity could be setting up a dry-run for any change of the forecasting methodology for a certain period of time, to demonstrate a minimum level of forecasting accuracy before it is applied. Lastly, while we note improvements in the amendments, we request further details on the forecasting methodology. We call on the

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TSOs to provide practical examples with threshold, and accuracy targets to better understand this process.

We strongly recommend maintaining the possibility of sequential bidding processes. Only this way do BRPs and BSPs have the opportunity to re-optimize their bids for subsequent auctions. For this reason, the balancing capacity auctions in the market-based CZCA approach should be performed sequentially, not with a common gate-closure time for different SBCPs. The CZCA optimisation function (CZCAOF) can be called repeatedly for aFRR, mFRR and RR bids.

Concerning timing, there are sparse alternative schedules for balancing capacity procurement in the different balancing capacity cooperations. Therefore, it is probably useful to find a common timing. With the FCR cooperation at 8 am, aFRR, mFRR and RR in hourly sequences would be an obvious choice. We would welcome disclosing in the methodology a target timing, preferably at 9.00 am at the earliest.

Any **adjustment to the bidding gate closure times** significantly impacts the processes of market participants, including necessary adjustments to IT systems. Therefore, we reiterate our previous position that consultation, announcement, and implementation of the timelines should last longer (i.e. min six months, three months and one month respectively).

We disagree with the introduction of interdependencies between different SBCPs, sacrificing the option of sequential bidding because a common GCT is required. Cross-border procurement already minimises the risk of an unsatisfied TSO demand for a specific SBCP. There is no need to additionally forfeit the benefits of re-optimisation by sequential bidding.

Concerning **the process to define the maximum volume of allocated cross-zonal capacity** for the exchange of balancing capacity or sharing of reserves for market-based allocation, we continue to oppose the possible increase beyond 10% of reservation of

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capacity on CNECs for any reason other than allowing TSOs to meet their BC demand. This would deteriorate the functioning of liquid day-ahead markets even further. TSOs should remove this possibility. Market participants should have visibility on increases beyond the 10% in CNECs limits if TSOs expect unsatisfied demand via public announcements.

Contact

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