

CONSULTATION RESPONSE

Energy Traders Europe response to the ENTSO-E consultation on amending the Cross-Zonal Capacity Allocation Harmonised Methodology

Brussels, 22 May 2024

Energy Traders Europe appreciates the TSOs consultation for amending the Harmonised Allocation Processes of Cross-Zonal Capacity for the exchange of balancing capacity or sharing of reserves (HCZCAM) in accordance with Article 38(3) of Commission Regulation (EU) 2017/2195 (EBGL).

General comments

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

By allocating transmission capacity specifically for use in the balancing timeframe, TSOs remove available capacity from the allocation in the other timeframes, thereby restricting market participants' ability to adjust their positions across borders in the most economically efficient manner (including the intraday market), and to contribute to overall system balance.

This also applies to the Market-Based approach that will replace the local methodologies by 2025.

Specific comments on the articles

Governance of balancing capacity platforms

Art. 16.2 b)

All application TSOs per each balancing capacity platform shall establish the following processes:

- a. calculation of the results pursuant to Article 5(2) by using the market-based cross-zonal capacity allocation optimisation function software;*
- b. the forecast of day-ahead energy bids for all relevant bidding zones and market time units in accordance with Article 18 (5) and*
- c. the forecast validation process in accordance with Article 19*

The details about day-ahead forecasting are missing in the explanatory documents and multiple article references make it hard to understand. With a perfect forecast, the optimal

capacity split can be determined. Any error, likely unavoidable, in the forecasted market results will result in a suboptimal CZC split decision.

We would welcome if the TSOs provide practical examples with threshold, accuracy targets to better understand this process.

Art. 16.9

*In accordance with Article 14(1) all application TSOs per balancing capacity platform shall agree on a single gate closure time for balancing service providers to submit balancing capacity bids. Before setting the exact time of a balancing capacity platform gate closure time, TSOs shall publicly consult stakeholders. Such a consultation will be performed at least ~~three~~ **six** months before implementation of the gate closure time and last for at least ~~two weeks~~ **one month**. The announcement of the gate closure time shall be made at least ~~four weeks~~ **three months** before taking effect or any time there are changes to it. This announcement shall also include exceptions for instances when the gate closure time is delayed or when the bidding window is reopened. In these instances, the TSOs shall announce these changes as soon as possible and with a reasonable lead time before the actual application.*

As indicated previously, we strongly recommend maintaining the possibility for sequential bidding processes. Only this way, BRPs and BSPs have the opportunity to re-optimize their bids for subsequent auctions. For this reason, also the balancing capacity auctions in the market-based CZCA approach should be performed sequentially. The CZCA optimisation function (CZCAOF) can be called repeatedly for aFRR, mFRR and RR bids.

Concerning timing, there are not many alternative schedules possible 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 8am, aFRR, mFRR and RR in hourly sequences would be an obvious choice. We would welcome that a target timing is disclosed in the methodology and at 9.00 am at the earliest.

Any adjustment to the bidding gate closure times has significant impacts on market participants processes, including necessary adjustments to IT systems. Therefore, consultation and implementation timelines should last longer (i.e. min six months and one month respectively).

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

Art. 17.3 c)

We strongly oppose the possible increase beyond 10% for any reason other than allowing TSOs to meet their BC demand. This would potentially deteriorate functioning of liquid day-ahead markets based on inherently erroneous market price forecasts. TSOs should remove this possibility.

Market participants should have visibility on increases beyond the 10% in CNECs limits if TSO expect unsatisfied demand via public announcements.

Contact

Lorenzo Biglia

Manager for European Electricity Markets

E-Mail: l.biglia@efet.org