APPROVAL BY THE IRELAND-UNITED KINGDOM (IU) REGULATORY AUTHORITIES OF

THE IU TSO PROPOSAL FOR THE APPLICATION OF THE COORDINATED NET TRANSFER CAPACITY APPROACH TO CAPACITY CALCULATIONS

23 July 2018

I. Introduction and legal context

This document elaborates an opinion of the IU Regulatory Authorities, agreed on 23 July 2018, on the IU TSO proposal for the application of the coordinated net transfer capacity (hereinafter referred to as the "IU CNTC methodology") approach to calculate cross-zonal capacity for the day-ahead and intraday market timeframe in accordance with Article 20(7) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (Regulation 2015/1222).

This agreed opinion of the IU Regulatory Authorities shall provide evidence that a decision on the IU CNTC methodology does not, at this stage, need to be adopted by Agency for the Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of the Regulation 2015/1222. It is intended to constitute the basis on which the IU Regulatory Authorities will each subsequently make national decisions pursuant to Article 9(7)(b) and Article 9(10) of Regulation 2015/1222.

The legal provisions that lie as the basis for the application of the IU CNTC methodology, and this IU Regulatory Authority agreed opinion on the application of the IU CNTC methodology, can be found in Article 3, 9 and 20 of Regulation 2015/1222. These Articles are set out below for reference.

Article 3 of Regulation 2015/1222:

Objectives of capacity allocation and congestion management cooperation

This Regulation aims at:

(a) Promoting effective competition in the generation, trading and supply of electricity;

(b) Ensuring optimal use of the transmission infrastructure;

(c) Ensuring operational security;

(d) Optimising the calculation and allocation of cross-zonal capacity;

(e) Ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;

(f) Ensuring and enhancing the transparency and reliability of information;

(g) Contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;

(h) Respecting the need for a fair and orderly market and fair and orderly price formation;

(i) Creating a level playing field for NEMOs;

(j) Providing non-discriminatory access to cross-zonal capacity

Article 9 of Regulation 2015/1222:

Adoption of terms and conditions or methodologies

1. *TSOs and NEMOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*

   […]

5. *Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.*

6. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*

   e. the proposal for a harmonised capacity methodology in accordance with Article 21(4)

7. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*

   […]

   b. *decisions on the introduction and postponement of flow-based calculation in accordance with Article 20(2) to (6) and on exemptions in accordance with Article 20(7);*

   […]

8. *[…]*

9. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*

10. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6, 7 and 8, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*

11. *[…]*

12. *(…]*

13. *[…]*

14. *TSOs and NEMOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 13.*

Article 20 of Regulation 2015/1222:

Introduction of flow-based capacity calculation methodologies

[…]

7. *TSOs may jointly request the competent regulatory authorities to apply the coordinated net transmission capacity approach in regions and bidding zone borders other than those referred to in paragraphs 2 to 4, if the TSOs concerned are able to demonstrate that the application of the capacity calculation methodology using the flow-based approach would not yet be more efficient compared to the coordinated net transmission capacity approach and assuming the same level of operational security in the concerned region.*

[…]

II. The IU TSO proposal

The application of the IU CNTC methodology was included in the public consultation on the proposal of the common capacity calculation methodology of the IU Region. The IU TSOs consulted through ENTSO-E for over one month from 26 July 2017 to 31 August 2017, in line with Article 12 and Article 20 of Regulation 2015/1222.[1]

The final IU TSOs' proposal for the IU CNTC methodology was received by the last Regulatory Authority on 23 May 2018. The proposal includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222, in line with Article 9(9) of Regulation 2015/1222.

Article 9(10) of the Regulation 2015/1222, requires IU 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 Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by 23 July 2018.

The proposal contains the reasons by which IU TSOs seek to demonstrate that the application of the capacity calculation methodology using the flow-based approach would not yet be more efficient compared to the coordinated net transmission capacity (CNTC) approach and assuming the same level of operational security in the concerned region, as required by Article 20 (7).

In their proposed methodology, IU TSOs assert that the CNTC approach is the preferred approach on the basis that:

a) "The IU Region consists of independently controllable high voltage direct current (HVDC) interconnectors, whereas flow-based mechanisms mainly prove to be more efficient than a CNTC approach in highly meshed Alternating Current (AC) grids; and
b) The proposed CNTC methodology provides the full maximum permanent technical capacity (MPTC) of the interconnector (i.e. maximum possible amount) to the day-ahead market unless in the specific case of a planned or unplanned outage with significant impact on the interconnector exists in one of the bidding zones to which that interconnector is connected. In this case, a more detailed calculation is triggered for operational security purposes. A flow-based methodology would not lead to higher volumes of available cross-zonal capacity (and can only result in equal or lower cross-zonal capacities); and
c) Neither the feasibility, nor the impact, of applying a flow-based approach for the Great Britain transmission system is demonstrated at this point in time and will require further study." Given this, by association, further study will also be required for the IU Region before the flow-based approach can be applied in there.

III. IU Regulatory Authority position

According to Article 20(7) of Regulation 2015/1222, TSOs may jointly request the competent Regulatory Authorities to apply the CNTC approach if the TSOs concerned are able to demonstrate that the application of the capacity calculation methodology using the flow-based approach would not yet be more efficient compared to the CNTC and assuming the same level of operational security in the concerned region.

The IU Regulatory Authorities are of the opinion that the IU TSOs have sufficiently demonstrated in their proposal that the flow-based approach would not yet be more efficient compared to the CNTC approach. This is on the basis that the application of the CNTC will allow the MPTC value to be offered to the market in normal grid conditions and that the flow based approach can only result in

[1] The public consultation held 26 July 2017 to 31 August 2017 is available on the ENTSO-e website: https://consultations.entsoe.eu/markets/capacity-calculation-methodology-iu-ccr/

equal or lower cross-zonal capacities being offered to the market. As such, we support the application of the CNTC approach in the IU Region.

The IU Regulatory Authorities shall publish national decisions to approve the amended IU CNTC methodology within the two-month deadline as set out in Article 9(12) of the Regulation 2015/1222.

IV. Actions

The IU Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach agreement that the IU CNTC methodology meets the requirements of the Regulation 2015/1222 and as such can be approved by the relevant Regulatory Authorities.

The IU Regulatory Authorities must therefore make their decisions on the basis of this agreement in accordance with the two-month deadline as set out in the Regulation 2015/1222.

Following national decisions by the IU Regulatory Authorities, the IU TSOs will be required to publish the IU CNTC methodology as approved on the internet in line with Article 9(14) of Regulation 2015/1222, and must meet the implementation deadlines required by Article 6 of the IU CNTC methodology.