State of play in monitoring the 70% requirement in the EU - ACER’s role

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CEP 70% target: Introduction

The EU CEP Regulation (2019)*:

- Article 16(8) enforces the minimal amount **70%** of cross-zonal capacity to be offered to the market
- Applies to both Flow-based and NTC-based
- Relates to day-ahead and intraday timeframes
- Binding for EU MSs since 1 January 2020
- The Regulation allows reasoned derogations, or gradual achievement of CEP target, until 2025
- TSOs need a set of preconditions at CCR level, to comply with the CEP70 target:
  - Coordinated Regional Operational Security Coordination (ROSC) to optimise the congestion management, with coordinated application of remedial actions
  - Accompanied with the methodology of Cost Sharing of redispatching costs

* https://eur-lex.europa.eu/legal-content/EN/TXT/?toc=OJ%3AL%3A2019%3A158%3ATOC&uri=uriserv%3AOJ.L_.2019.158.01.0054.01.ENG
CEP 70% target: ACER’s recommendation

- ACER Recommendation 01/2019* provides the practical approach to calculate the Margin Available for Cross Zonal Trade (MACZT)
  
  - **MACZT = MCCC + MNCC ≥ 70\%Fmax**
  
  - **MCCC**: portion of Fmax of a CNEC made available *within* the observed “coordinated area”
    - At Flow-based: MCCC is equal to RAM of a CNEC
    - At NTC-based: MCCC = Σ NTCxPTDF;
      - only positive contributions taken into account
      - temporarily calculated only at “the most-limiting CNEC”
  
  - **MNCC**: portion of Fmax possessed by market flows from *other* regions
    - netted flows by the “external” cross-border exchanges
    - equivalent for NTC and FB (at FB: it is UAF, i.e. “Unscheduled Allocated Flow”)

CEP 70% target: ACER’s role

- CEP Regulation requires monitoring of 70% target to be performed by NRAs
- ACER advice requested by the Electricity Cross-border Committee of EU Member States
- ACER provides overall monitoring, in order to facilitate the maximally coordinated approach applied per CCRs / MSs
- ACER’s monitoring is based on the ACER Recommendation 01/2019
  - Monitoring for the 1\textsuperscript{st} half of 2020 is available (excerpts at the following slides)
  - Monitoring for the 2\textsuperscript{nd} half of 2020 is ongoing
- DC borders: 70% target was met most of the time, but few substantial exceptions
- Neighbouring AC CNECs often limit the HVDC capacity (DE-SE4, DK1-SE3, NL-DK1)
  - Often no transparent information on limiting AC CNECs
- Polish allocation constraints influence the availability of capacities with SE and LT
- CWE region: FB approach enables smooth monitoring of MACZT, on all CNECs, since all inputs are direct outputs of FB capacity calculation (MCCC=RAM, MNCC=UAF)
- Room to improve in DE, BE and NL
- BE&NL impacted by loop flows
- More information (was) needed for FR
- 3rd country flows on these graphs: actually a high influence of CH
With considering exchanges with third countries

not considering exchanges with third countries

MACZT <20%
20% <= MACZT < 50%
50% <= MACZT < 70%
MACZT >= 70%

- room for improvement for all countries and borders
- High influence of 3rd countries in SEE and CEE
Key findings

- DC borders: 70% target met mostly, but with a few notable exceptions

- AC borders: significant room for improvement for most regions and borders

- Robust and extensive data are required - room for data improvement
  - In the 2nd semester TSOs have kept on improving the data
  - the data completeness and quality is expected to improve significantly in the future when the CCMs (Core FB, Nordic FB) are implemented

- the need for harmonisation and transparency on the compliance assessment at national level
  - more coordination for countries inside of a same coordination area would help to ensure more consistency in the data and the monitoring
NRAs should grant derogations as a last resort measure, and only where necessary for maintaining operational security.
Germany,

1st semester 2020

The 20% minimum values (CWE- minRAM) introduced in the CWE region in April 2016 will continue to be granted regardless of the above start values, provided that this is possible in compliance with system security.

The starting value of 11.5% gives a total capacity of 736 MW for the profile of DE(50Hertz) -> PL & CZ and DE(TenneT) -> CZ, which must be made available by the German side for cross-zone trading (both in import and export direction). The capacity offered may be reduced as part of harmonisation by the Polish and/or Czech transmission system operators. The MW value published here can be used by cross-bidding zone trading on the profile DE(50Hertz) -> PL & CZ and DE(TenneT) -> CZ (and in the opposite direction) but also by any trade across other bidding zone limits.
AC borders – Results for South West Europe (SWE)

Percentage of the time when the relative MACZT is above the minimum 70% target (green) in the SWE region – first semester of 2020 (% of hours) in

South West Europe (SWE) region: 70% target met more than half of the time

Source: ACER calculation based on TSOs data.
AC borders – Results for Italy North

Percentage of the time when the relative MACZT is above the minimum 70% target (green) in the Italy North region, not considering exchanges with third countries – first semester of 2020 (% of hours)

Source: ACER calculation based on TSOs data.

Italy North region: Urgent need for better data, as margin could only be monitored less than 20% of the time
Main conclusions on derogations and action plans

- **2020**: derogations given in 16 MSs
  - 3 MSs (DE, NL, PL) have action plan, and 2 MSs (AT, RO) plan to have them
  - Substantial **alignment and harmonisation of derogations** only found in SWE and **Italy North**, and partially in CWE
- **2021**: 13 derogations requested to date

- **Significant room to further harmonise derogations** across the EU e.g.
  - **Reasons underlying the request** for a derogation
    - Include minimum target(s) for the derogation or a way **to monitor improvements** towards the 70% target
    - NRAs should grant **derogations as a last resort measure, and only where necessary for maintaining operational security**
Future ACER 70% reports

- **At national level:** Ensuring compliance with the 70% target is the NRA’s task

- Compliance coordination is key. **Uncoordinated approaches could put the overall binding 70% target at risk**

- **At EU level:** Comparability of results depends critically on the provision of harmonised and coordinated data by TSOs, in line with ACER’s Recommendation

- **ACER’s call to action:** Let’s concentrate efforts on **increasing cross-zonal capacity** to meet the 70% target and **in improving the provision of the data** for monitoring purposes
Thank you for your attention!

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