CACM Regulation
amendments

EnC workshop
21 April 2021
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- Process
- Content
  - Organization of markets
  - Market coupling
  - Capacity calculation
  - Bidding zone review
  - Reporting & monitoring
  - SOGL
- Discussion
What went wrong 2019-2020
Informal discussions
Scoping phase Q4 2020
Ad hoc MESC workshop
EC request for recommendation Q1 2021
Start formal process
Drafting phase Q1 2021
Open for NRAs
Public Consultation on draft amendments Q2 2021
8 weeks PC* + Public workshop
Finalisation of amendments & recommendation Q2-Q3 2021
Decision phase BoR approval Q4 2021
Submission to EC Q4 2021

* ACER to consult stakeholders pursuant to Article 14 of the ACER regulation
**Drafting – endorsement – consultation**

- **Deliverables**
  - List of amendments
  - Reasoning
  - Options where applicable

- **Endorsement and communication to stakeholders**

**Drafting / Expert Teams**
- Drafting amendments & signaling options

**CACM TF**
- Discussing amendment proposals and options
- Decide on options to be included

**Survey / AEWG**
- Each NRA to participate in Survey & report to AEWG
- If an option is supported by > 33% of NRA it is included in PC

**Public Consultation**
- Consult each amendment & reasoning including supported options
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## New CACM Regulation’s structure (1/2)

<table>
<thead>
<tr>
<th>TITLE I: GENERAL PROVISIONS</th>
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<tbody>
<tr>
<td>_CHAPTER 1 – MCO organization</td>
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<tr>
<td>_CHAPTER 2 – Tasks &amp; responsibilities</td>
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<td>_CHAPTER 3 - Costs</td>
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<table>
<thead>
<tr>
<th>TITLE II: ORGANISATION OF MARKET COUPLING &amp; OF CAPACITY CALCULATION</th>
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<tbody>
<tr>
<td>_CHAPTER 1 – Market coupling development</td>
</tr>
<tr>
<td>_CHAPTER 2 - Single day-ahead coupling</td>
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<td>_CHAPTER 3 - Single intraday</td>
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<tr>
<th>TITLE IV: MARKET COUPLING</th>
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<tr>
<td>_CHAPTER 4 - Post coupling (C&amp;S, CID, SCHE)</td>
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<thead>
<tr>
<th>MARKET COUPLING</th>
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<td>TITLE III: CAPACITY CALCULATION</td>
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<tr>
<td>TITLE V: BIDDING ZONE REVIEW PROCESS</td>
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<tr>
<td>TITLE VI: REPORTING &amp; IMPLEMENTATION MONITORING</td>
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<tr>
<td>TITLE VII: TRANSITIONAL AND FINAL PROVISIONS</td>
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<tr>
<td>SOGL proposals</td>
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</table>
What is not covered in this presentation

- **3rd countries**
  Neither in the proposed amendment

- **Reporting and monitoring**
  RCC report on capacity calculation

- **Bidding zone review**
  No substantial changes compared to Regulation 943

- **Transitional and final provisions**
  Phasing out CRIDAs
  Deletion of previous transitional provisions (explicit capacity allocation in ID)
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### Decentralised approach

Some tasks are directly managed by the NEMO-TSO joint decision making body (JDMB) and some other tasks are assigned by the JDMB to other entities.

### Centralised approach

All tasks are managed by a single legal entity owned by all NEMOs and all TSOs.

### Network centric organisation

- **Rotation/Tender**: MCO1, MCO2
- **JDMB**: Fallback operator, CI distributor
- **Last Resort NEMO**

### One-stop-shop organisation

- **Legal Single Entity**
<table>
<thead>
<tr>
<th>TASKS</th>
<th>Decentralised approach</th>
<th>Centralised approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developing algos, systems &amp; procedures</td>
<td>NEMO &amp; TSO joint decision making body (JDMB)</td>
<td>Single legal entity</td>
</tr>
<tr>
<td>Assessing impact of products and functionalities on performance</td>
<td>Unbundled entities designated by the JDMB</td>
<td>Single legal entity</td>
</tr>
<tr>
<td>Receiving inputs</td>
<td>Entity designated by the JDMB</td>
<td>Single legal entity</td>
</tr>
<tr>
<td>Operating coupling through algorithms</td>
<td>NEMOs</td>
<td>Single legal entity</td>
</tr>
<tr>
<td>Validating and publishing results</td>
<td></td>
<td>Single legal entity</td>
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<tr>
<td>Calculating scheduled exchanges</td>
<td></td>
<td>Single legal entity</td>
</tr>
<tr>
<td>Performing co-optimization</td>
<td></td>
<td>Single legal entity</td>
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<tr>
<td>Performing backup</td>
<td></td>
<td>Single legal entity</td>
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<tr>
<td>Performing fallback</td>
<td></td>
<td>Single legal entity</td>
</tr>
<tr>
<td>Sharing congestion income</td>
<td></td>
<td>Single legal entity</td>
</tr>
<tr>
<td>Collecting congestion income</td>
<td></td>
<td>Single legal entity</td>
</tr>
<tr>
<td>Clearing and settlement between NEMO Trading hubs</td>
<td></td>
<td>Single legal entity</td>
</tr>
</tbody>
</table>

Development tasks: NEMOs
Operating tasks: Entity designated by the JDMB
Post-coupling tasks: Unbundled entities designated by the JDMB
<table>
<thead>
<tr>
<th>TASKS</th>
<th>Decentralised approach</th>
<th>Centralised approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving &amp; anonymising orders</td>
<td>Individual NEMOs</td>
<td>Individual NEMOs</td>
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<tr>
<td>Sending orders to the MCO</td>
<td>Individual NEMOs</td>
<td>Individual NEMOs</td>
</tr>
<tr>
<td>Validating results</td>
<td>Individual NEMOs</td>
<td>Individual NEMOs</td>
</tr>
<tr>
<td>Accepting &amp; rejecting orders</td>
<td>Individual NEMOs</td>
<td>Individual NEMOs</td>
</tr>
<tr>
<td>Informing market participants on the results of their orders</td>
<td>Individual NEMOs</td>
<td>Individual NEMOs</td>
</tr>
<tr>
<td>Clearing and settlement with market participants</td>
<td>Individual NEMOs</td>
<td>Individual NEMOs</td>
</tr>
<tr>
<td>Providing commercial schedules to TSOs</td>
<td>Individual NEMOs</td>
<td>Individual NEMOs</td>
</tr>
</tbody>
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**Last resort NEMO tasks**

- Entity designated by the JDMB

**Pre-coupling tasks**

**Post-coupling tasks**

**Single legal entity**
### TITLE II – CH 2 - Tasks and responsibilities

<table>
<thead>
<tr>
<th>TSO TASKS</th>
<th>RCC TASKS</th>
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<tbody>
<tr>
<td>Providing inputs to RCC for capacity calculation</td>
<td>Performing capacity calculation</td>
</tr>
<tr>
<td>Validating capacity calculation results</td>
<td>Providing capacity calculation results to TSO</td>
</tr>
<tr>
<td>Sending validated capacity calculation results to RCC</td>
<td>Sending validated capacity calculation results to MCO</td>
</tr>
<tr>
<td>Verifying coupling results</td>
<td></td>
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<tr>
<td>Respecting coupling results</td>
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**Note:**

- **Pre-coupling tasks:** Providing inputs to RCC, Validating capacity calculation results, Sending validated capacity calculation results to RCC, Verifying coupling results.
- **Post-coupling tasks:** Respecting coupling results.
<table>
<thead>
<tr>
<th>Methodology for eligible costs</th>
<th>Decentralised approach</th>
<th>Centralised approach</th>
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<td>To be submitted by all NEMOs and all TSOs to ACER</td>
<td>To be submitted by all NEMOs and all TSOs to ACER</td>
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<th>Annual Cost Report</th>
<th>Decentralised approach</th>
<th>Centralised approach</th>
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<tr>
<td></td>
<td>To be submitted by all NEMOs and all TSOs to NRAs/ACER</td>
<td>To be submitted by the MCO to NRAs/ACER</td>
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<table>
<thead>
<tr>
<th>Approval of the Annual Cost Report</th>
<th>Decentralised approach</th>
<th>Centralised approach</th>
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<tbody>
<tr>
<td></td>
<td>After 2 months from receipt, if no objections. Otherwise ACER decision</td>
<td>After 2 months from receipt, if no objections. Otherwise ACER decision</td>
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<thead>
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<th>Cost recovery</th>
<th>Decentralised approach</th>
<th>Centralised approach</th>
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<tbody>
<tr>
<td></td>
<td>Through network tariffs, regulated NEMO fees and other appropriate mechanisms</td>
<td>Through MCO fees on NEMOs and TSOs, which in turn recover through network tariffs, regulated NEMO fees and other appropriate mechanisms</td>
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<thead>
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<th>Cost sharing</th>
<th>Decentralised approach</th>
<th>Centralised approach</th>
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<tbody>
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<td>Current formula</td>
<td>Current formula</td>
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<th>Incentive schemes</th>
<th>Decentralised approach</th>
<th>Centralised approach</th>
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<tbody>
<tr>
<td>YES</td>
<td>YES</td>
<td>YES</td>
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General Requirements

• **General provisions**
  • Current proposal: Definition of SDAC and SIDC. SIDC is now composed of Continuous Trading and IDAs.

• **Pricing of cross-zonal capacity**
  • Current proposal: One article consolidating DA + ID + IDAs.

• **Algorithm Objectives**
  • Current proposal: Define scalability and repeatability. Improve definition of “maximizing welfare”. Consolidate DA + ID + IDAs.
  • Alternative: Separate Objectives and Requirements.
  • Allowing Non-Uniform Pricing models?

• **Firmness of CZ Capacity**
  • Current proposal: One article consolidating DA + ID + IDAs.
TCMs on Algorithm development

• **Products accommodated**
  • Current proposal: One article consolidating DA + ID + IDAs. Separation of tasks to be done by All NEMOs + TSOs and to be done by each NEMO individually.

• **Harmonised technical price limits**
  • Current proposal: One article consolidating DA + ID + IDAs. Alignment with Regulation 2019/943.

• **Algorithm methodology**
  • Current proposal: Streamlining governance of the Algorithm. Adds an explicit list of elements to be contained inspired in the current AM.
TCMs on market coupling operation

- **SDAC gate closure time**
  - Current proposal: GCT proposed in the Timings and procedures to allow for flexibility in setting the back-up and fallback procedures (everybody expects the proposal of 12:00)
  - Alternative (CRE): GTC set directly in CACM at 12:00

- **Fallback**
  - Current proposal: Timings and procedures will determine the whole fallback, which **implicitly** allows for regional differences
  - Alternative: include a provision **explicitly** allowing regional differences
    - Differences to be justified, need for description of criteria?
    - Risk that TSOs will not think about harmonization once they are explicitly allowed to go regional.
  - MCO Option 1 consequence: inclusion of a paragraph designating an entity to perform fallback
SDAC & SIDC

• Results provided by the algorithms (SDAC+IDAs) need clarification in terms of producing
  • Clearing price?
  • Clearing price with side payments / uplifts? (to be explicitly stated)
  • Clearing price according to a new (possible) definition?
  • Clearing price according to the objectives?

SIDC

• Explicit allocation of cross-zonal capacity
  • Deleted.

• CRIDAs
  • Phased out to be merged with IDAs, once IDAs are implemented. (moved to transitional arrangements)
New chapter on post-coupling processes merging amendment proposals on

- Clearing and settlement
- NEMO Balance responsibility
  - Decentralized: each NEMO is BRP for exchanges to other NEMOs (NEMOs submit all CTS)
  - Centralized: each NEMO is BRP towards the MCO, MCO is BRP for XB exchanges (submit external CTS)
- Congestion income distribution
- Firmness of CZC in case of force majeure
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New criteria for the determination of CCRs:
  - a BZ border can belong to multiple CCRs, if connecting two synchronous areas, or two different CCRs:
    - to allow FB CCMs to integrate these interconnectors with Advanced Hybrid Coupling approach
    - this may result in removing ‘bumper’ CCRs (such as Hansa)

Inclusion of CEP70 requirements across the CC articles of CACM
  - Inclusion of all RA (also costly ones) in capacity calculation and validation, to comply with CEP70

Reliability margin computation for NTC borders:
  - Option 1: keep the border-wise TRM value
  - Option 2: calculate line-wise FRM value, and use it in advance to the NTC calculation

NTC calculation – two options for NTC borders:
  - Option 1: keep the current NTC calculation, more details to regional methodologies
  - Option 2: calculate NTC values in two steps:
    - 1) determine the flow-based domain and RAM values;
    - 2) calculate max NTCs within the domain (not applicable for CCRs intending to move to flow-based)
• Articles on CGM and RD&CT methodology moved to the SO GL
  • All CGM provisions to be included in only one methodology to avoid inconsistencies
  • Discussion on RD&CT if to improve the text or just copy

• SO GL to be updated (CGM):
  • Inclusion of D-2 timeframe
  • Single methodology encompassing all the timeframes
  • Data exchange amended to include schedules (originally included in GLDPM)

• Two options for best RD forecast approach
  • Option 1: current process (without the best forecast of remedial actions in the CGM)
  • Option 2: includes the best forecast of all remedial actions in the CGM (relevant for capacity calculation only)
Next steps

• Public consultation 15 April – 10 June
• 2 workshops in May
• Florence forum 14-15 June
• June – assessment of stakeholder responses, dedicated meetings with all parties concerned
• July-November – drafting of the recommendation to the Commission
• 18 November AEWG (endorsement)
• 15 December BoR (voting)
Thank you for your attention!

Questions?