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Consultation report on the the proposal for the capacity calculation methodology in accordance with Article 10(1) of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation

16 March 2021

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1. Introduction

This document summarises the feedback to the comments raised by the stakeholders interested in the amended proposals for coordinated capacity calculation methodology for the long-term market timeframe (LT CCM) to be applied in the CCR Hansa region in accordance with Article 10(1) of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (FCA Regulation).

The abovementioned proposal was submitted to public consultation (conducted via the ENTSO-E consultation hub) between 19 January 2021 and 19 February 2021, in accordance with Article 6 of the FCA Regulation.

The document is structured as follows: section 2 contains the main responses from TSOs to the points raised by stakeholders and section 3 contains the remarks from stakeholders in detail.

2. Feedback from TSOs

For the sake of clarity, TSOs of CCR Hansa would like to remind that the LT CCM in accordance with FCA have been approved by the NRAs of the CCR in December 2020. Given the European Commission decision 2020/2123 of 11 November 2020, granting the Federal Republic of Germany and the Kingdom of Denmark a derogation of the Kriegers Flak combined grid solution pursuant to Article 64 Regulation (EU) 2019/943, an amendment to the approved LT CCM was necessary to accommodate this Commission decision. The TSOs therefore started an amendment process as allowed by the FCA Regulation.

In principle, the changes to the LT CCM were on the following points:

- Recital (2) of the “whereas” section: New reference to the Commission Decision (EU) 2020/2123 of 11 November 2020 on the derogation for Kriegers Flak Combined Grid Facility following Article 64 of Regulation (EU) 2019/943
- Recital (25) of the “whereas” section inserted explaining the content of the KF CGS derogation
- Article 2(1) amended to include reference to the KF CGS derogation decision
- Article 9(5) inserted to include the capacity calculation methodology for the KF CGS in compliance with the KF CGS derogation decision
- Article 19 has been deleted as obsolete.

Regarding the understanding raised in one of the responses, that the derogation of the 70 % criteria introduced in Article 16(8) of Regulation (EU) 2019/943 on the internal market for electricity was applicable only to the day-ahead, not to forward-market time frames, TSOs would like to clarify that the scope of the derogation (Article 5.3 of the EC Decision 2020/2123 of 11 November 2020) includes the time frames and Regulations on CACM, FCA and EB. The LT CCM of the Hansa CCR takes this decision and the minimum threshold of 70 % of the residual capacity in the calculation of LTTR on KF CGS into account.

Regarding the remark raised in one of the responses, that the amendment would not ensure optimal long-term capacity to be made available to the market, the TSOs would like to state that with the introduction of the KF CGS, the LTRs on the DK2-DE/LU border effectively increase.

3. Detailed feedback from stakeholders

Stakeholder/ Association	Detailed points
EDF	<p>EDF welcomes the opportunity to comment the amendments proposed by Hansa TSOs to the Common Coordinated Capacity Calculation Methodology for the long-term timeframe (LTCCM), related to the inclusion of the Kriegers-Flack combined grid solution (KFCGS) derogation decided by European Commission.</p> <p>*Regarding the implementation of derogatory regime agreed for KFCGS</p> <p>EDF understands that the derogatory regime agreed for KFCGS (pursuant to EC's Decision 2020/2123 of 11 November 2020 on the derogation for KF CGS following Article 64 of the Electricity Regulation 2019/943) is only restricted to the 70% criteria on the Day Ahead (DA) timeframe (introduced in the Clean Energy Package – Electricity Regulation Art. 16(8)), and is not supposed to be extended to other timeframes and related regulatory frameworks – such as FCA.</p> <p>From a principle point of view, EDF considers and stresses that derogatory regimes should neither (i) undermine progress on the path towards harmonization of electricity market rules at EU level nor (ii) be detrimental to the current functioning of electricity markets.</p> <p>When it comes to KFCGS, EDF would like to underline that the alleged need for derogation mostly highlights the potential inefficiency of the 70% criteria. In that context, EDF welcomes the current discussions led by the EC on the offshore hybrid projects market arrangements perspectives (cf. the working staff document on the EU offshore wind strategy). Yet again, EDF opines that a clear regulatory framework and market design is the prerequisite to trigger the needed investments as it provides essential visibility to market participants.</p> <p>*Regarding the proposed amendments to the LTCCM for CCR Hansa</p> <p>EDF understands that the KFCGS's derogation enables the CEP 70% criteria only to apply on the capacity remaining after all capacity expected to be required for the transmission of production from wind farms connected to the KF system to shore has been deduced (so called residual capacities).</p> <p>The proposed amendments to the LTCCM for CCR Hansa derive from that notion of residual capacities. As it stands in the proposal, TSOs are willing to limit the long term capacity (LTC) to the interconnection thermal capacity after deduction of the wind farm installed capacity. Thus, the LTC is reduced to the residual capacities that are being observed when both the offshore wind farms (of bidding zones DE/LU and DK) simultaneously produce their maximum power.</p> <p>Notwithstanding the high uncertainties on the offshore wind production in the long-term time frames, historical weather data tend to limit this case of simultaneous maximum production to only a fraction of the year.</p> <p>In such a context, EDF considers that the proposed amendment does not ensure optimal long-term capacity to be made available to the market, whereas it is one of the FCA Guideline key principles. It may reduce the long-term rights to a very low deterministic level.</p> <p>EDF underlines that, as it currently stands in the TSOs' proposal, the KFCGS's long-term Available Transfer Capacity (ATC) calculation hinders hedging capacities (although recognized as necessary for an efficient functioning of the electricity markets) and makes market participants bear all the risks caused by the offshore wind production uncertainties (instead of a fair risk allocation? between TSOs and market participants).</p> <p>To a certain extent, EDF wonders why the network elements from the Danish wind farms to the Danish shore, as the German ones to the German shore, are taken into account when calculating the long-term rights, and not the onshore internal network elements. From EDF's perspective, offshore internal network elements have the same status as onshore ones and do not stand for interconnectors as defined by the Electricity Regulation.</p> <p>Finally, the current electricity regulatory framework notably aims at maximizing the transfer capacities between bidding zones (hence the CEP 70%). In that context, TSOs have developed tools and coordinated methodologies (such as curtailments of long-term rights or redipatching and Countertrading (RD&CT)) to adapt the power flows on the grid so that security standards are continuously respected. EDF assumes that there is no reason for TSOs not to extend this approach to the LTCCM for CCR Hansa: e.g., rely on RD&CT measures and curtailment of LT rights in case the allocated LT capacities are greater than the actualized residual capacities.</p>