

## **ENTSO-E's technical comments on ACER's 'Report on the result of monitoring the margin available for cross-zonal electricity trade in the EU in the first semester of 2020'**

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According to European legislation, it is the national regulators that are responsible to oversee compliance with the CEP70 rule<sup>i</sup>. ENTSO-E understands that ACER's report on the implementation of the CEP70 rule, intends to deliver a harmonized view across Europe.

TSOs have provided data and engaged with the Agency in the context of the monitoring, giving constructive feedback on both the draft Recommendation<sup>ii</sup> for implementing CEP70 and the draft CEP70 monitoring report. It is unfortunate that this feedback has not been fully reflected in ACER's report and therefore it is important at this point for TSOs to highlight the key aspects which should be taken into account.

In the following points, ENTSO-E highlights our key technical comments in relation to ACER's report.

### **1. European market integration reality is better than what is shown in ACER's report**

The target set by the so called "CEP70 rule" prescribed in Article 16 of Regulation 943 /2019, requiring that at least 70% of the technically available capacity should be allocated to cross-zonal trade, is a challenging one. Most countries have therefore established transitional arrangements (derogations, action plans).

In recent years, electricity markets have become fully interconnected and their performance has greatly improved. TSOs, in cooperation with all stakeholders, are continuously working to ensure optimal use of transmission infrastructure and market functioning while maintaining the highest system security. Arising from transmission investments and improved coordination, availability of cross-border capacities and price convergence in Europe is continuously increasing.

However, ACER's report does not recognize the fact that wholesale prices do converge in an increasing number of hours and that more cross-border capacity during such instances would not have benefited consumers. Consequently, TSOs are of the opinion that the European electricity market performs better than shown in ACER's report.

### **2. Member States are not presented on equal footing**

In ACER's report, different principles and standards have been applied for different Member States, especially with respect to the presentation of the results. A harmonized view cannot be achieved if the presentation varies from country to country in terms of the covered period, definition of coordination areas, consideration of allocation constraints and inclusion of exchanges with third countries. Additionally, transitional arrangements established in most countries, such as derogations and action plans, should be transparently presented.

### **3. Flows from third countries should always be included**

Exchanges of electricity with third countries are today's reality and TSOs must include them in day-to-day operations. This has also been confirmed by the conclusions from the 35<sup>th</sup> Electricity Regulatory Forum<sup>iii</sup>. Electricity exchanges with third countries will therefore contribute to overall trading margins. Presentation of the CEP70 results excluding the exchanges with third countries will disproportionately affect the countries that are located in geographical proximity to third countries.

### **4. Operational reality should be considered**

The results obtained by ACER and presented in the report often differ from the data provided and the results obtained separately by the TSOs. It appears that the TSO data has been recalculated to fit a one-size-for-all framework. The recalculation seems to have led to results different from the practices applied by TSOs in day-to-day operations. ENTSO-E believes that the monitoring principles for the capacity calculations applied by TSOs under today's conditions must be consistent with those applied in day-to-day operations.

### **5. All the capacity offered for cross-zonal trading should be taken into account**

TSOs offer capacity for cross-zonal trading in all timeframes. ACER's report on the monitoring of the CEP70 rule is limited to day-ahead timeframes and does not recognize the capacity made available in other timeframes. In particular, capacity made available for balancing as well as capacity made available for the intraday and long-term timeframes are not considered in ACER's report.

### **6. Monitoring principles should consider TSOs' experiences during 2020**

Whilst ACER's report on the monitoring of the CEP70 rule marks an important milestone to deliver an initial harmonized view across Europe, it is important that TSOs' implementation experiences are given due consideration in future monitoring reports of the CEP70 rule. ENTSO-E will continue a dialogue with ACER with special attention to the operational capacity calculation procedures and the legislative provisions of Regulation 943 /2019.

In summary, the TSOs' experiences gathered throughout 2020 from implementing the CEP70 provisions into the day-to-day operations should be given due consideration. Therefore, European TSOs would like to continue the dialogue with ACER to align monitoring principles and ensure that divergences between the TSOs' views on CEP70 fulfillment and the views of ACER and national NRAs are mitigated. ENTSO-E looks forward to discussing these key points with ACER and NRAs in the upcoming meetings on the CEP70 implementation.

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<sup>i</sup> Article 16 of Regulation 943 /2019, requiring that at least 70% of the technically available capacity should be allocated to cross-zonal trade

<sup>ii</sup> ACER Recommendation for implementing the 70% minimum margin of capacity available for cross border trade in electricity issued on 9 August 2019

<sup>iii</sup> [https://ec.europa.eu/info/sites/info/files/energy\\_climate\\_change\\_environment/events/documents/florenceforum2020\\_conclusions.pdf](https://ec.europa.eu/info/sites/info/files/energy_climate_change_environment/events/documents/florenceforum2020_conclusions.pdf)