

Key challenges & issues in light of stakeholder comments

FCA NC

1st Public Workshop



Reliable Sustainable Connected

Capacity Calculation



Coordinated capacity calculation methodology for each allocation timeframe to be developed: it must be able to treat the uncertainty related to the long-term timeframe and be compatible with day ahead and intraday capacity calculation

The same principles as CACM, with the option of a complementary approach based for example on a statistical method

Coordinated calculation for each capacity calculation region, with a European Common Grid Model (CGM)

Generation & Load Data Provision Methodology to be developed

Common Grid Model methodology to be developed

Scenarios to treat uncertainty

Statistical approach to help with the management of uncertainty

Splitting of Cross Zonal Capacity



How to split the capacity between the different allocation timeframes (yearly, monthly, daily...) ?

Methodology to be developed, in coherence with the capacity calculation methodology

- Manage uncertainty
- Address market needs
- Grant market liquidity

Currently each interconnection follows different splitting rules

e.g. 1/3, 1/3, 1/3
Maximise yearly allocation



Questions and discussion

Long Term Hedging Products



Long Term Transmission Rights

Cross zonal risk hedging products issued by TSOs and linked to the underlying physical transmission capacity. According to the European Target Model these products can be either PTR (with UIOSI) or FTRs (option or obligation).

Product Design

The NC FCA describes the main characteristics of LTRs, gives guidance regarding the choice of LTRs and defines principles for remuneration.

PTRs with UIOSI entitle their holder to physically transfer energy. In case the holder decides not to use the capacity, it is offered to the DA allocation and the holder gets a remuneration linked to the DA market results

FTRs entitle their holder to get a remuneration linked the DA market results. In this case all capacity is offered to the DA Market Coupling.

Decision on Risk Hedging Opportunities

LTRs are a hedging solution to be implemented on those Bidding Zone borders where deemed necessary. This necessity is determined in a process followed by NRAs and TSOs as described in the NC FCA.



Questions and discussion

General Principle for Firmness



The goal of TSOs is to reach a well-balanced risk distribution among all stakeholders according to their respective roles and responsibilities

If curtailment becomes absolutely necessary all stakeholders shall bear a part of the risk,

Reason that all stakeholders shall bear part of the risk is that many different factors influence the transmission grid which is a complex system including market participants such as generators, consumers or traders. These reasons are only partially predictable by TSOs.

Further reasons for ENTSO-E position

TSOs (end consumers) bear the full risk already after the DAFD and ensure an undisturbed delivery in the DA and ID market after allocation, therefore market participants shall be involved in the risk sharing before DAFD

TSOs cannot price the costs of guaranteeing firmness as prices are established in auctions (no minimum prices)

Before DAFD MPs have time to adjust their positions. If there was full firmness there would be no incentive to make use of this option and contribute to system security.

Long-term transmission rights are backed by cross zonal capacity

Firmness Regime in FCA NC



The firmness regime from the FCA NC guarantees a well-balanced risk distribution among all stakeholders according to their respective roles and responsibilities

	<i>Allocation</i>	<i>LTFD</i>	<i>DAFD</i>	<i>Real time</i>
FCA NC	Price Spread Capped or Initial Price Paid	Price Spread Capped or Initial Price Paid	Full Firm	



Questions and discussion

Single Platform – Rationale for the Process

NC FCA foresees the implementation of single platform(s)

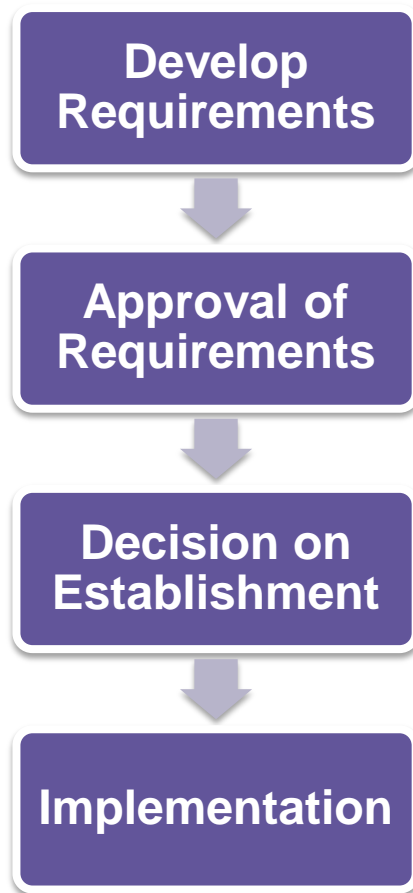
The single platform(s) will be not only *single* for market participants, it will be also *single* for TSOs

→ All TSOs (allocating LT TRs) have to use this platform(s)

For a regulation-like document a shorter process is not foreseen, given the monopoly role to be established and the number of involved TSOs and NRAs.

However, the NC FCA does not preclude an earlier implementation on a voluntary basis.

Single Platforms – Process of Establishment



- Common sets agreed by TSOs reflecting the needs of all involved parties
- Transparent basis for establishment, no oversizing → cost recovery
- Security for TSOs necessary to enroll in such investments
- NRAs/ACER are able to cross-check with their own expectations
- Joint decision of all TSOs required
- Different ways of choosing a provider are possible (→ taking into account that public procurement legislation might be applicable)
- Any chosen technical, organizational and commercial solution requires time for full implementation
- Endorsement by all TSOs is a precondition



Questions and discussion

Harmonised Allocation Rules – Background

Allocation Rules deal with the procedures for auctioning Long Term Transmission Rights, the terms on which Market Participants may participate in Explicit Auctions and the terms for use of Cross Zonal Capacity.

Legal status of allocation rules: A contractual arrangement between the System Operators, Allocation Platform(s) and Market Participants.

Allocation rules usually evolve from year to year to reflect changes in the circumstances or interests of the relevant parties.

→ At least for these two reasons it's not possible to include a high level of detail on allocation rules in a network code which will have a regulation-like status.

Harmonised Allocation Rules – Content and Process

Required content of harmonised allocation rules

the minimum requirements for participation, financial matters, type of products offered in explicit auctions, nomination rules, curtailment and compensation, secondary trading, UIOSI, force majeure and liability

The basic principles can already be found throughout the network code

The process of introducing of the harmonised allocation rules

System Operators define the format, structure and agree on the drafting process



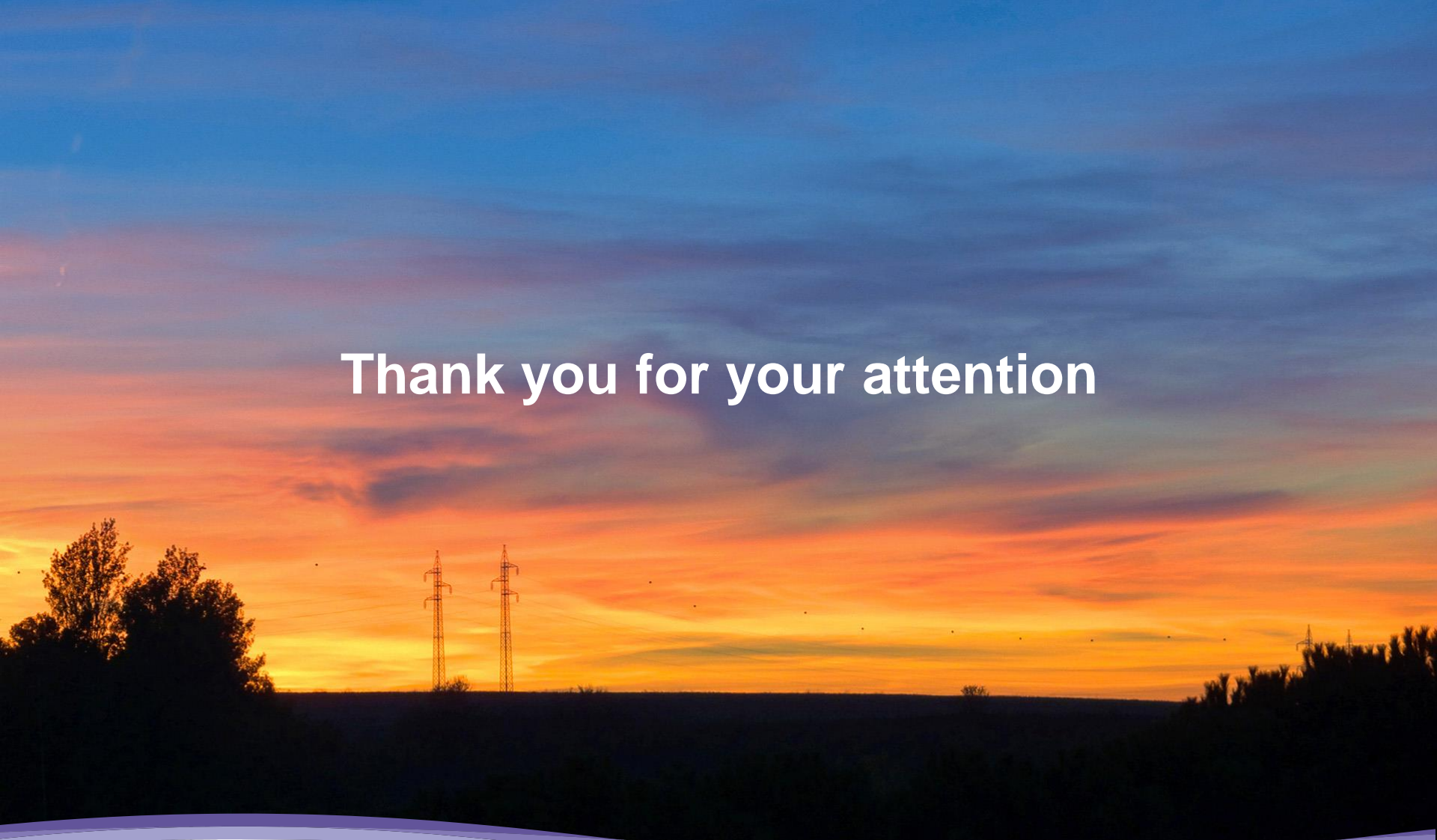
System Operators draft the harmonised Allocation Rules. During the drafting process consultation with stakeholders and a relevant adaptation of the harmonised Allocation Rules is foreseen.



NRAs approve the harmonised Allocation Rules



Questions and discussion



Thank you for your attention