


ACER

 Agency for the Cooperation
of Energy Regulators

Forward Capacity Allocation Network Code ENTSO-E Public Workshop

10/07/2013
ACER

Reminder : ACER expressed concerns on four mains issues in the FCA NC draft submitted for public consultation

ACER has shared their concerns with ENTSO-E since the earliest stages of the process (December). Major concerns remain and are related to:

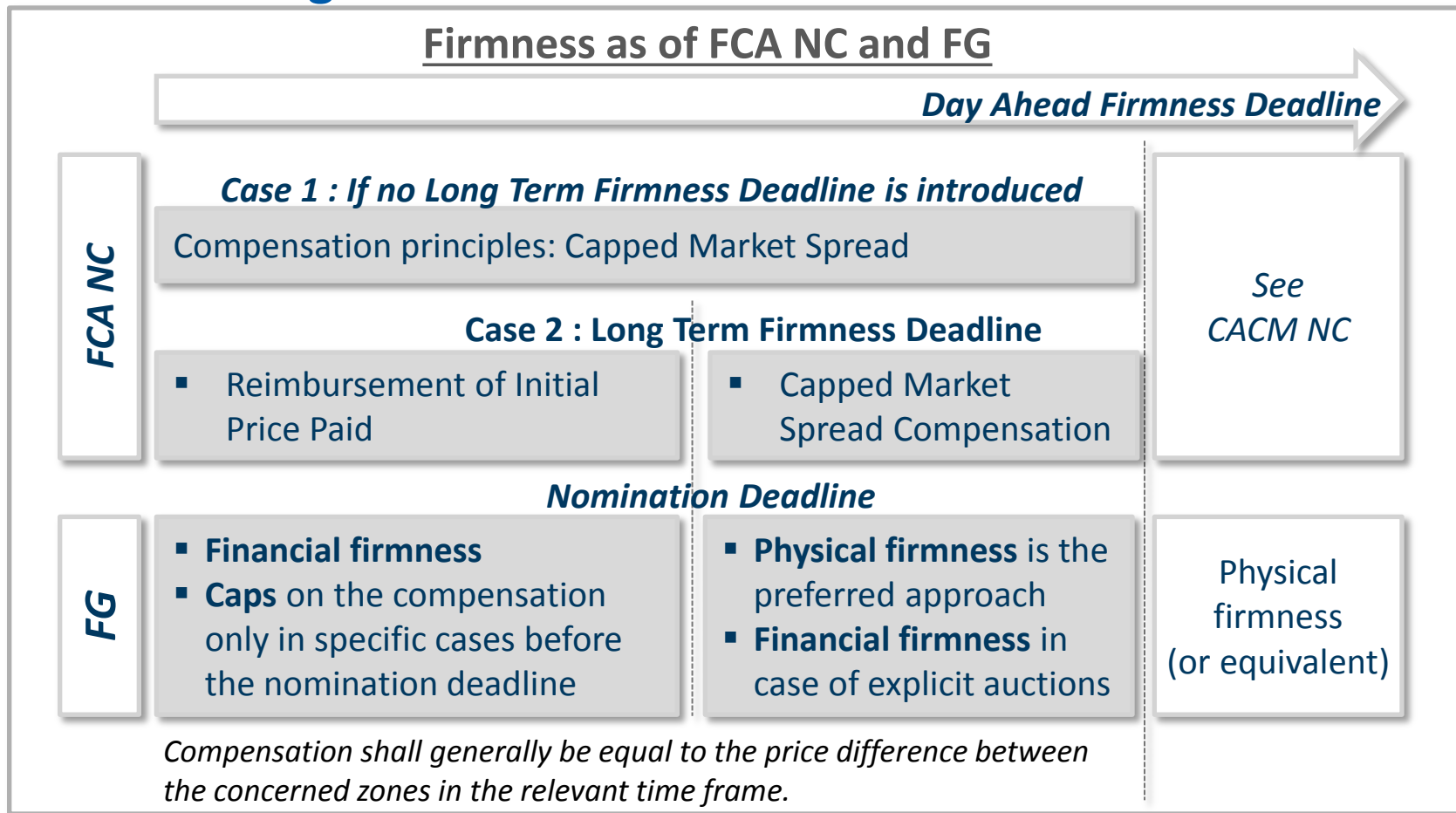
- **Decision on Transmission Rights allocation**
- **Firmness regime**
- **Revenue Adequacy principle**
- **Process and deadlines for platform(s)**

More details on capacity calculation and splitting methodology (in particular on the “statistical approach”) were also required by ACER.

Decision on Transmission Rights allocation

- Late May, ACER shared a draft for Articles 45 and 46 with ENTSO-E : **not only a general scheme for the process, but also a wording proposal for these articles.**
- **The current NC draft does not reflect this proposal correctly :**
 - **Art 45.4 creates a legal loophole** as it states that, where LT TR do not exist, NRAs shall issue a decision after entry into force of the NC, but does not impose any binding deadline.
 - TSOs could refuse to apply the FCA NC claiming that they are waiting for NRAs' decision ; NRAs could delay the decision indefinitely.
 - **Description of the process of {reassessment + decision} shall be improved in Art 45 ; consistency between Art. 45.1, 2 and 6 shall be ensured :**
 - **The current Art. 45 does not clearly allow to opt in to TRs or opt out from TRs after the initial decision** (made when the NC enters into force).
 - More specifically Art. 45.6 shall allow NRAs **to make a decision on TRs allocation**, based on a reassessment, **not only to reassess CZ risk hedging opportunities!**
 - Art. 45.2 and 45.6 suggest that **a public consultation held 4 years before the launch of a reassessment could be used** in the process of "reassessment". This is not acceptable.
- **ACER deeply regrets that ENTSO-E did not include the draft proposed by NRAs/ACER for articles 45 and 46 .**

Firmness regime



- Full firmness shall be guaranteed after nomination deadline / LTF deadline.
- Caps on compensation may be introduced before nomination deadline / LTF deadline to cope with specific risks (e.g. DC cables) and shall be subject to NRAs' approval.

No changes in the
amended FCA NC

Revenue Adequacy in the draft FCA NC as of 28 March 2013

Article 2 in the FCA NC states:

- **Revenue Adequacy** means the condition that links the LTR payouts to the collected Day Ahead congestion income in order to mitigate the risk to System Operators of adverse financial deficits due to specific design aspects of Day Ahead Capacity Allocation such as, but not limited to, adverse flows, losses;

CACM Framework Guidelines states:

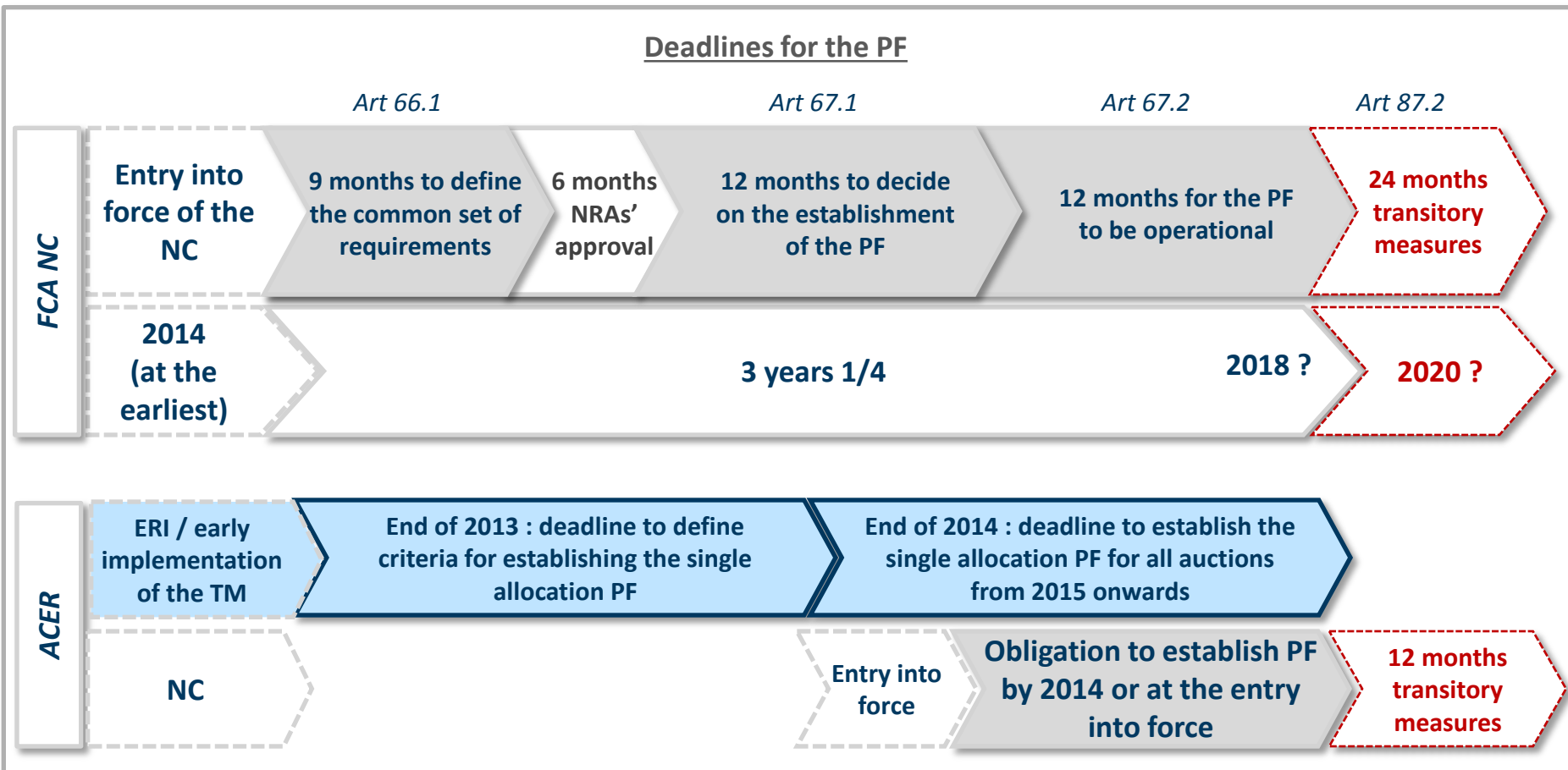
- **TSOs shall give the total financial resale value of capacity** (day-ahead price difference or clearing price of the next auction) **back to the market participants who owned the PTR.**

This concept, although not foreseen in the FG, may be introduced but the framework shall specified and the FG requirements shall be met:

- **Implication for UIOSI** : The value for the payout shall be defined as in the FG (see above)
- **Firmness** shall be guaranteed for the capacity as stated in the FG (see previous slide):
 - » RA could be used only to design caps on compensation before nomination deadline.
 - » The RA principle (if introduced to cap compensation before nomination) should include collected LT and Day Ahead congestion income.
- **Cost Recovery**: What would be the link between Revenue Adequacy and Cost Recovery?

No changes in the amended FCA NC

Process to establish the platform(s) in the draft FCA NC as of 28 March 2013



Capacity calculation & splitting methodology

- **Significant improvements:**
 - a) statistical approach to Capacity Calculation: more details on the approach and what needs to be included into proposal for NRA approval
 - b) regional coordination of Capacity Calculation and validation is ensured
 - c) splitting of capacity among different timeframes is part of regional coordinated capacity calculation
- Full assessment shall be performed after finalization of capacity calculation text within CACM NC (including the statistical approach)

Annex

Decision on Transmission Rights allocation *ACER's proposal*

