



# Core TSOs' Fallback Procedures Proposal in accordance with Article 44 of the Commission Regulation (EU) 2015/1222

## EXPLANATORY NOTE

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### DISCLAIMER

This document is submitted by all Core transmission system operators (TSOs) to all Core NRAs for information purposes only accompanying the Core TSOs' Fallback Procedures Proposal in accordance with Article 44 of Commission Regulation (EU) No 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management ("CACM Regulation").

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### **1. INTRODUCTION**

Article 44 of the Commission Regulation 2015/1222 establishing a Guideline on Capacity Allocation and Congestion Management (hereinafter referred to as CACM Regulation) requires that, by 16 months after the entry into force of the CACM Regulation, each TSO, in coordination with all the other TSOs in the capacity calculation region, shall develop a proposal for robust and timely fallback procedures to ensure efficient, transparent and non-discriminatory capacity allocation in the event that the single day-ahead coupling process is unable to produce results. The proposal for the establishment of fallback procedures shall be subject to consultation in accordance with Article 12 of the CACM Regulation.

This document is an explanatory note accompanying the common proposal developed by all Transmission System Operators (hereafter referred to as “TSOs”) within the Core Capacity Calculation Region (hereafter referred to as “Core CCR”) regarding the proposal for fallback procedures (hereafter referred to as “Fallback Procedures Proposal”

In this document, all definitions of the Fallback Procedures Proposal shall apply.

### **2. FALLBACK PROCEDURES PROPOSAL**

Several mechanisms of Fallback Procedures in the event of unavailability of the single day-ahead coupling process can be in general implemented, such as:

- Equal share of offered capacity between all the market participants;
- Allocation of offered capacity in the subsequent relevant allocation process (e.g. intraday allocation process);
- Explicit Allocation of offered capacity in the form of Physical Transmission Rights (PTR) on a daily basis (Shadow Auctions).

The Fallback Procedures Proposal consists in the execution of Shadow Auctions on borders where there is a risk that the single day-ahead coupling process may be unable to produce results.

Shadow Auctions are executed by the Allocation Platform. Pursuant to applicable version the Shadow Allocation Rules consist of the following steps:

- 1- Market participants have to be registered with the Allocation Platform in order to participate in Shadow Auctions, pursuant conditions stated in the Shadow Allocation Rules. This registration is non-discriminatory and free of charge;
- 2- Once registered, market participants can submit and/or update their default bids to the Allocation Platform without any time limit and prior to the effective execution of a Shadow Auction. These default bids will be used by the Allocation Platform during the execution of the Shadow Auction;
- 3- When the Fallback Procedures Proposal is launched, the latest version of default bids submitted by the market participants is used by the Allocation Platform in order to run a Shadow Auction: during the execution of Shadow Auctions, market participants do not have the possibility to modify their default bids;
- 4- The offered capacity used in the Shadow Auctions is the same as the one transmitted by the TSOs to NEMOs for the purpose of day ahead coupling process in normal conditions;
- 5- The results of a Shadow Auction are determined according to the algorithm described in the Shadow Allocation Rules, which calculates a marginal price for the offered capacity according to the default bid prices;
- 6- The results of the Shadow Auctions are provided to the market participants only in the case where the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs, and no later than 13:58 market time day-ahead.

### **3. REQUIREMENTS FOR ESTABLISHING FALLBACK PROCEDURES PROPOSAL**

#### **3.1 Efficiency**

Firstly, Shadow Auctions are performed by the Allocation Platform: the IT tools and operational teams used for Shadow Auctions are the same as the ones used for explicit allocations in other timeframes (year ahead, month ahead, daily, intraday) and most of the European borders. This reduces the specific costs for this process and thus increases its economic efficiency.

Secondly, the Shadow Auction process described in section 2 above can be launched as a parallel process in the background of the single day-ahead coupling process as soon as the information of the risk that the single day-ahead coupling process may be unable to produce results is known by the TSOs. Shadow Auctions might indeed be triggered during the session of day-ahead market coupling or can be activated in advance if it is known beforehand that the day-ahead coupling will be unable to produce results. In the latter case, Shadow Auctions are not performed in background mode in parallel to the single day-ahead coupling process but in replacement of it. This ensures that results of the Shadow Auctions are provided to the market participants as soon as possible after the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs. The latest time to confirm the unavailability of single day-ahead coupling results is 13:50 market time day-ahead, which means that the results of the Shadow Auctions are sent to the market participants at the latest within a couple of minutes after 13:50 market time day-ahead. The latest time to complete the sending of results of the Shadow Auctions to the market participants is 13:58 market time day-ahead according to the operational procedures for market coupling.

Finally, the Shadow Auction process has already been in place for several years as a fallback of the day-ahead coupling process. This implies that the Fallback Procedures Proposal relies on well-proven and known processes (both by TSOs and market participants).

### 3.2 Robustness and reliability

The IT tools and operational teams used for Shadow Auctions are the same as the ones used for the explicit allocations, and furthermore apply on most of the coupled borders, which means that:

- The systems used for Shadow Auctions come with the same service level as the other regular allocation processes (up to a daily frequency);
- The operational teams running the Shadow Auctions are used to handle the relevant systems and procedures, including communication and data exchanges with the market participants;
- This increases the potential use of such processes and therefore its reliability.

Moreover, the Shadow Allocation Rules define fallback procedures for data exchanges between market participants and the Allocation Platform to cope with situations where these data exchanges cannot be performed through the standard processes by the applicable deadlines. Fallback procedures for data exchanges between market participants and the Allocation Platform consist in exchanging data by e-mail, which is an efficient communication mode that can be easily used by all market participants and allows an efficient processing of data received by the Allocation Platform in tense situations, especially compared to fax or phone.

Then, the Fallback Procedures Proposal provides provisions to manage possible delays in the execution of Shadow Auctions: in case the execution of Shadow Auction faces difficulties to be conducted in time (due to technical difficulties or additional delays to process data exchanges with fallback procedures as described above), the Allocation Platform will attempt to postpone it.

Finally, if none of the of the above measures is considered by the Allocation Platform as possible (especially due to lack of time with regards to other processes on TSOs' side following Shadow Auction results), this Shadow Auction will be cancelled and all bids already submitted will automatically be deemed null and void, in compliance with the provisions of Shadow Allocation Rules.

## 4. ASSESSMENT OF STAKEHOLDERS' COMMENTS

In accordance with Article 44 of the CACM Regulation, Core CCR TSOs have elaborated the Fallback Procedures Proposal which was then consulted upon between 27 March and 27 April 2017. Six comments from three respondents were received and duly considered by the Core CCR TSOs.

This section provides an overview of the received comments, the Core CCR TSOs' assessment of these comments and whether or how the relevant parts of the Core CCR TSOs' Fallback Procedures Proposal were amended based on these comments. The full list of comments received is also attached to this document.

### General comments

One general comment was raised, whether Core CCR TSOs also consider “correction cycles” for intraday matching on the profiles (borders). Regarding to this comment, the Core CCR TSOs would like to address that the Fallback Procedures Proposal document is designed for the day-ahead timeframe according to Article 44 of the CACM Regulation and not for the intraday timeframe.

## **Article 2**

One comment was raised considering the ‘allocation platform operator’ being one vehicle of cooperation among Core CCR TSOs, through which the Core CCR TSOs organize the attribution of cross zonal capacity through shadow auctions. Specifically, two questions have been addressed:

1. What will be the fallback solution on borders among the Core region and other regions?

The Fallback Procedures Proposal applies to the Core CCR bidding zone borders and as this CCR consists of bidding zone borders. The Core CCR proposal cannot consider borders that are allocated to other CCRs. A clarification was added to the Article 2 of the Fallback Procedures Proposal.

2. Could it be possible to have more than one vehicle among Core CCR TSOs?

Core TSOs believe that having one platform with harmonized process for allocating cross zonal capacities through shadow auctions would be beneficial for market participants subject to operational security and cost efficiency point of view.

## **Article 4**

Four comments were raised considering the Fallback Procedures itself, specified in Article 4.

1. The first comment questions whether shadow auctions in case of a fallback apply only to the borders of the bidding zone where the problem has originated or whether such shadow auction would also take place at borders of other bidding zones. A detailed description on timings or partial coupling will be provided at a later stage, but is not part of this Fallback Procedures Proposal.
2. The second comment suggests to coordinate the Core CCR Fallback Procedures Proposal with the fallback proposals of adjacent regions. This Fallback Procedures Proposal aims on harmonization within the Core CCR in first instance. Where possible the shadow allocation rules could be harmonized across CCRs.
3. The third comment suggests to keep NEMOs on one bidding zone coupled in case of fallback procedures are chosen to ensure one single price per bidding zone and market time unit as well as non-extreme clearing prices and best match for the market parties. This question is also out of scope of this proposal which solely refers to the allocation of cross-zonal capacities.

4. The fourth comment suggests to clarify the precise moment when the fallback would be triggered and when any post process jointly or separately per Core CCR NEMOs must be completed. Indeed, the Core CCR TSOs will specify in detail the timings and deadlines for starting fallback procedures in case of the single day-ahead coupling process including any back-up methodology defined according to Article 36 of the CACM Regulation such as partial coupling where applicable is unable to produce results for at least one bidding zone within the Core CCR. However, the detailed description will not be part of the all Core CCR TSOs Fallback Procedures Proposal, but will be part of the later-on provided detailed process description to be elaborated by Core CCR TSOs in coordination with Core CCR NEMOs.

### Full list of comments

Below is the full list of comments received via the public consultation.

Article	Comment	Respondent's Organisation
General	I would like to kindly ask whether you contemplate "correction cycles" for intraday matching on the profiles (borders)? Fallback procedures are not important for us when there is (exists) properly working cross-border intraday.	Severni energeticka (CZ) 27/04
2.1c	'Allocation platform operator' means one vehicle of cooperation among TSOs, through which the Core TSOs organize the attribution of Cross Zonal Capacity through Shadow Auctions. The allocation platform operator will act on behalf of the Core TSOs for this purpose;  Questions:  1. What will be a solution (Fallback Procedures) on borders among Core region and other regions?  2. Could be possible to have more than one vehicle among Core TSOs? For example: Separated shadow auction on each border will be organized by one of the dedicated TSO.	OKTE (SK) 27/04
4	Nord Pool appreciates the Core TSOs Fallback Proposal and the opportunity to comment on it. We see it as a very high-level proposal, and would suggest to include the following principles and clarifications, which are key from our perspective:  1) The solution the Core TSOs Fallback Proposal offers in case Single Day Ahead Coupling fails to deliver in time for one/more BZ inside the Core Region are Shadow Auctions. However, it is unclear from our perspective, whether such auctions only apply to the borders of the BZ where the problem originated, or whether such shadow auctions would also take place at borders of other BZs	NordPool 27/04
4	2) Nord Pool strongly suggests that the Core TSOs Fallback Proposal is coordinated with the fallback proposals of adjacent regions (e.g. the Hansa, Baltics, Nordics).	NordPool 27/04

4	3) To ensure one single price per BZ and Market Time Unit, non-extreme clearing prices and best match for the market parties, Nord Pool proposes that a key principle should be that NEMOs within one BZ stay coupled also in a fallback situation.	NordPool 27/04
4	4) The Core TSOs Fallback Proposal should clarify the precise moment when fallback would be triggered, and when that and any post process jointly or separately per NEMO must be completed.	NordPool 27/04

