

Mr Alberto Pototschnig
Director
ACER

Cc: Dr Klaus-Dieter Borchardt
Director
Internal Energy Market DG ENER
European Commission

Cc: Mr Laurent Schmitt
Secretary General
ENTSO-E

By email only

24 July 2018

Dear Alberto,

I write on behalf of all Regulatory Authorities with regard to the all Transmission System Operators (TSOs) Intraday Cross-Zonal Capacity Pricing proposal (IDCZCP), submitted in accordance with Article 55 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (Regulation 2015/1222).

All TSOs submitted the IDCZCP proposal in accordance with Article 9(6), letter (j) of Regulation 2015/1222 to the last NRA on 28 August 2017.

Article 9(10) of Regulation 2015/1222 requires all NRAs to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make a decision within six months following receipt of submissions to the last NRA, by 28 February 2018.

The IDCZCP proposal is interlinked with other proposals developed in the framework of the Regulation 2015/1222 implementation (notably, the proposal for Intraday Cross-Zonal Gate Opening and Closure Times (IDCZGT) according to Article 59 of Regulation 2015/1222 and the proposal for Common Capacity Calculation Methodologies according to Article 20 of Regulation 2015/1222). Because of these interlinks all NRAs were not able to adopt a decision by 28 February 2018. Therefore, Regulatory Authorities unanimously agreed to request the Agency to provide a six months extension for reaching an agreement on the IDCZCP proposal according to Article 8(1) of Regulation 713/2009. The Agency granted the extension regarding the IDCZCP proposal on 23 February 2018 (Decision No 02/2018). Therefore, all Regulatory Authorities have to issue a decision on the IDCZCP proposal by 28 August 2018.

On 23 July all Regulatory Authorities, after having agreed on a general view on the IDCZCP proposal, have agreed to request the Agency to adopt a decision on IDCZCP pursuant to 9(12) Regulation 2015/1222.

All Regulatory Authorities agree on the following points:

1. There are some apparent contradictions in the underlying regulation which complicate the process of assessing this proposal and which may benefit from being clarified.
2. As a principle, all Regulatory Authorities consider that in order to allow for an efficient pricing of intraday capacity, every time intraday capacity is recalculated, it shall first be priced in an intraday auction (IDA). Thus, all TSOs should launch a pan-European IDA as soon as all TSOs have finished their intraday capacity recalculation(s) i.e. after the recalculations of the TSOs of the last capacity calculation region (CCR).
3. All Regulatory Authorities agree that other IDAs should be held each time there is a recalculation of capacity. Regarding the number and timings of the intraday auctions, some diverging approaches were proposed by

Regulatory Authorities. These are set out in the non-paper on the intraday cross-zonal capacity pricing methodology (the non-paper is attached to this letter).

4. All Regulatory Authorities consider that if all TSOs propose multiple auctions to price the intraday capacity, the single intraday coupling (SIDC) mechanism shall not be organised in discrete sessions, meaning that TSOs shall allow the SIDC for all the remaining market time units (MTUs) of delivery day D, independently of the number of IDCZCP auctions proposed in the methodology.
5. All Regulatory Authorities agree on asking the TSOs to better justify the length of the interruption of continuous trading and to limit as much as possible the interruption of the SIDC.
6. All Regulatory Authorities invite all TSOs to choose the relevant algorithm and products allowing for a minimisation of the interruption of the SIDC, in order to lessen any adverse impact on the continuous trading. All Regulatory Authorities agree that the product proposal approved under Article 53 of Regulation 2015/1222 already sets the framework for any products used within the EU ID market (including auctions for pricing ID capacity).
7. All Regulatory Authorities agree to ask all TSOs to specify what will be the governance framework for such IDA(s) and to present (in the explanatory note) the envisaged cost implications linked with the development of the IDCZCP proposal.
8. All Regulatory Authorities agree to ask all TSOs to enable the inclusion of flow-based capacity calculation constraints within the IDA procedure.
9. All Regulatory Authorities agree to ask all TSOs to specify the scope of the proposal, notably by allowing the bidding zone border(s) and Member States not currently participating to the SIDC via XBID to participate to the IDA(s).

You may also be interested to know that the views of Regulatory Authorities regarding the appropriate number of auctions and on the timings of auctions differed. Nine NRAs who expressed a preference consider that more than one Intraday Auction is necessary to reflect changes in market fundamentals in the price of cross zonal capacity. Four of those NRAs are also in favour of asking TSOs to implement an auction in day D-1 before the continuous trading starts (in addition to the auction in the morning of the day-D). Two NRAs consider that IDA(s) should always be linked to the recalculation of intraday capacity and therefore only be held following such a recalculation.

For information, and recognising the ambiguity mentioned in point 1 above, one Regulatory Authority feared that the design chosen by all TSOs to price capacity, i.e.: intraday auction(s), could not be compatible with the target model for intraday which is continuous trading.

In the absence of comfort from the European Commission on the use of auctions to price the intraday capacity, and in order to avoid not approving a new proposal in line with a request for amendment, the Regulatory Authorities concluded to transfer the proposal to the Agency.

In adopting its decision, we anticipate that the Agency will give utmost consideration on our assessment of the key elements we have identified and agreed of the proposal for IDCZCP. We remain available to assist the Agency to develop and adopt its decision.

Yours sincerely,



Garrett Blaney