AGREEMENT BY THE SOUTH WEST EUROPE REGULATORY AUTHORITIES AT THE SOUTH WEST EUROPE ENERGY REGULATORS' REGIONAL FORUM ON

South-West Europe TSOs methodology for cross-zonal capacity calculation within the balancing timeframe for the exchange of balancing energy or for operating the imbalance netting process in accordance with Article 37 of Commission Regulation (EU) 2017/2195 of 23 November 2017

12.06.2023

I. Introduction and legal context

This document elaborates an agreement of the South West Europe (hereafter referred to as “SWE”) Regulatory Authorities (hereafter referred to as “NRAs”) on the SWE common capacity calculation methodology within the balancing timeframe for the exchange of balancing energy or for operating the imbalance netting process in accordance with Article 37 of Commission Regulation (EU) 2017/2195 of 23 November 2017 (hereafter referred to as “EBGL") (amended by Commission Regulation (EU) 2021/280 and (EU) 2022/828)

This agreement of the NRAs shall provide evidence that a decision does not need to be adopted by the Agency for Cooperation of Energy Regulators (ACER) pursuant to Article 5(7) of the EBGL Regulation. This agreement is intended to constitute the basis on which NRAs will each subsequently make national decisions to approve the **SWE Common Capacity Calculation methodology** within the balancing timeframe for the exchange of balancing energy or for operating the imbalance netting process **(**hereafter referred to as “**BTCC methodology”)** proposal pursuant to Article 5(6) of the EBGL Regulation.

EBGL Regulation required in article 37 that by five years after entry into force of this Regulation, all TSOs of a capacity calculation region shall develop a methodology for cross-zonal capacity calculation within the balancing timeframe for the exchange of balancing energy or for operating the imbalance netting process. It also required that such methodology shall avoid market distortions and shall be consistent with the cross-zonal capacity calculation methodology applied in the intraday timeframe established under Regulation (EU) 2015/1222 CCCM.

II. The SWE TSOs’ Proposal

In line with Article 10 of EBGL Regulation, all SWE TSOs held a public consultation from 17th of October 2022 till 17th of November 2022, on their proposal for BTCC.

The BTCC proposal developed by the SWE TSOs, was received by the last NRAs on the 16 December 2022.

The SWE TSOs’ proposal contained three documents:

a) The “South-West Europe TSOs methodology for cross-zonal capacity calculation within the balancing timeframe for the exchange of balancing energy or for operating the imbalance netting process in accordance with Article 37 of Commission Regulation (EU) 2017/2195 of 23 November 2017”, for approval.

b) The “Explanatory Note to the balancing timeframe capacity calculation methodology of the SWE capacity calculation region” which incorporated further and more in-depth explanations of the introduced changes.

c) The “Consultation feedback of the balancing timeframe capacity calculation methodology of the SWE CCR”, for information.

BTCC methodology proposal follows the same structure and includes the same relevant topics incorporated in the intraday timeframe capacity calculation methodology:

- ✓ It is based on a coordinated net transfer capacity approach, and the influence of one border on the other is be neglected in SWE CCR. Consequently, there is no need to share the power flow capabilities of critical network elements among different bidding zone borders.

- ✓ As in previous timeframes, reliability margins are based on empirical values that have been used since the go-live, in order to avoid high values potentially provided by a probabilistic approach as proved in a dedicated study perform by TSOs which eventually will reduce the final cross border capacity offered to the market.

- ✓ It shall not apply allocation constraints in the capacity calculation within SWE Region.

- ✓ Only critical network elements with a sensitivity to cross-zonal power exchanges equal or higher than 10% shall be monitored during the capacity calculation process.

- ✓ It shall consider only contingencies with a delta of sensitivity to cross-zonal power exchanges, between the base case and the case with the contingency of one critical network element, equal or higher than 5%.

- ✓ It will use of a proportional shift keys to the base case scenarios in France, while a merit order approach for Spanish and Portuguese systems.

- ✓ It will consider remedial actions which can be activated within the balancing timeframe in a coordinated way by the TSOs of SWE CCR to ensure the operational security. In particular all preventive remedial actions as determined and validated during day-ahead and intraday ROSC process, and all triggered curative remedial actions as determined and validated during day-ahead and intraday ROSC process, as well as available costly remedial actions with cross-border relevance. They will be adapted to the grid situation and forecast.

- ✓ The algorithm will determine higher exchange which is safe after the occurrence of all the monitored contingencies, applying available remedial actions when necessary.

- ✓ Where capacity calculation performed for balancing timeframe is unable to produce results, the last published capacity value should be used.

There are still a few elements of the capacity calculation which are specific to this balancing timeframe:

- ✓ BTCC calculation is performed after intraday-cross-zonal gate closure time, taking into account the last updated information, and the most recent common grid model available for the corresponding time frame settled for the ROSC. SWE TSOs may ask for an ‘on request common grid model update.’

- ✓ Calculation is prioritized for the congested direction. It will be also calculated on the opposite market direction, provided that there will be sufficient time for the algorithm to proceed.

- ✓ In case countertrading is proposed in the last regional security analysis (ROSC), ROSC output is respected.

- ✓ The tight time available for the RCC to perform the calculation after intraday-cross-

zonal gate closure time requires a simplified methodology for validation, allowing TSOs to send their NTC limits due to dynamic behavior, unplanned outages, incomplete input or lack of upward/downward reserves.

III. SWE Regulatory Authorities' position

NRAs welcome the submitted SWE BTCC methodology proposal. In particular, the consistent approach of the methodology compared to previous timeframes, while at the same time, performing the computation right after the intraday gate closure time, allowing to take into account any relevant input which might take place during intraday trading. NRAs also acknowledge how challenging it is to perform a proper calculation taking into account the short time available between intraday closure time and the point in time when bids are accepted for TERRE process.

However, NRAs consider that two minor clarifications should be done in Article 9.7 with regards to the 'no computation' after ROSC countertrading, and in Article 10.3 about the validation process. Additionally, NRAs consider necessary to complement Article 5.3 with a future revision of the reliability margin.

NRAs consider it efficient to directly amend the proposal by exploiting the provision included in Article 5(6) of Regulation 2019/942, about the duty for regulatory authorities to revise terms and conditions and methodologies where necessary, before approving them.

In the process of amending the methodology, the NRAs coordinated with TSOs to explain the amendments and to gather their comments.

IV. SWE RAs amendments

Regarding the case when countertrading is proposed as remedial action by ROSC process, described in Article 9.7, it was clarified that in order to respect the ROSC output, no BTCC computation is performed on the congested direction, but it might be still possible to compute a new value on the opposite direction if time allows it.

With regards to article 10.3, whereby TSOs are allowed to send to the RCC NTC limits, before capacity calculation is performed, it is clarified that the reason for that ex-ante approach is purely the lack of time.

Finally, a new point 3 in Article 5 devoted to the computation of the reliability margin, has been introduced to request a future assessment of the margins. Even though NRAs assess positively the current empirical approach providing higher margins than the alternative probabilistic approach, it will be necessary to perform future revisions to explore a potential reduction of the uncertainty component.

V. Conclusions

NRAs consider that the amended proposal of common SWE Common Capacity Calculation methodology within the balancing timeframe for the exchange of balancing energy or for operating the imbalance netting process, received from TSOs together with the amendments introduced afterwards broadly succeed in incorporating the requirements established by Regulation (EC) 2019/943.

NRAs have assessed, consulted and closely cooperated and coordinated to reach an agreement about the final amended SWE BTCC methodology, which meets the requirements of EBGL Regulation and Regulation (EC) 2019/943, and as such can be approved by NRAs.

NRAs therefore will issue their national decisions, on the basis of this agreement.

Following national decisions by NRAs, SWE TSOs will be required to publish the SWE CCCM on the internet in line with Article 7 of EBGL Regulation and must meet the implementation deadlines required by Article 13 of the BTCC methodology.