

**APPROVAL BY THE SOUTH WEST EUROPE  
REGULATORY AUTHORITIES AGREED AT THE  
SOUTH WEST EUROPE ENERGY REGULATORS'  
REGIONAL FORUM  
ON**

**South West Europe TSOs proposal of common  
capacity calculation methodology for the day-ahead  
and intraday market timeframe in accordance with  
Article 21 of  
Commission Regulation (EU) 2015/1222 of 24 July  
2015 establishing a guideline on capacity allocation  
and congestion management**

**17.01.2022**

## 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 for the day-ahead and intraday market timeframe in accordance with Article 21 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management ‘CACM Regulation’ (amended by Commission Regulation (EU) 2021/280)

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 9(11) of the CACM 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 (CCCM)** proposal pursuant to Article 9(10) of the CACM Regulation.

The CACM Regulation aims to the coordination and harmonization of capacity calculation and allocation in the day-ahead and intraday cross-border markets. This regulation requests a coordinated capacity calculation methodology, at least at regional level, for the day-ahead and intraday market timeframes, to ensure an optimal and reliable capacity available to the market.

Article 20 of CACM Regulation required that no later than 10 months after the approval of the proposal of a capacity calculation region (Article 15(1)), all TSOs in each capacity calculation region (CCR) shall submit a proposal for a CCCM.

In September 2017, SWE TSOs submitted a first CCCM proposal, which was subject of two amendment processes according to Article 9(10) of the CACM Regulation. A final version was finally approved by SWE Regulatory Authority Forum in October 2018.

The approved CCCM was based on a coordinated net transfer capacity approach after assessing that a flow-based capacity calculation methodology a flow-based approach would not yet be more efficient, assuming the same level of operational security in the region.

In line with Article 21 of CACM Regulation, the approved CCCM defined methodologies for the inputs (determination of reliability margins, operational security limits on critical elements, relevant contingencies and allocation constraints generation shift keys, remedial actions), calculation approach (mathematical description of the calculation, computation of power flows and available margins on critical elements and adjustment after remedial actions and rules for sharing power flow capabilities among different bidding zone borders avoiding discrimination between internal and cross-zonal exchanges) and validation requirements. It also defined intraday capacity calculation frequency, giving reasons for the chosen frequency, and fallback procedures.

The approved methodology was implemented in January 2020, and after almost two years in place, it needed to incorporate some improvements. The most important one is to comply with the obligation to provide 70% of the cross-border capacity to the allocation process as prescribed by Regulation (EC) 2019/943, which entered into force in January 2020. Even though derogations for this obligation were approved by NRAs in 2020 and 2021, there is a need to implement a new methodology as 2022 derogations incorporates some challenging targets (PT, ES), or are not in place anymore (FR)

## II. The SWE TSOs' Proposal

In line with Article 20 of CACM Regulation, all SWE TSOs held a public consultation from 28th of May 2021 till 28th of June 2021, on their proposal for an amendment of the common capacity calculation methodology for the day-ahead and intraday market timeframe.

The CCCM proposal developed by the SWE TSOs, was received by the last NRAs on the 20 July 2021.

The SWE TSOs' proposal contained three documents:

- a) The "South West Europe TSOs common capacity calculation methodology for the day-ahead and intraday market timeframe in accordance with Article 21 of Commission Regulation (EU) 2015/1222 of 24 July 2015", for approval.
- b) The "Explanatory Note of the Amendment of the Coordinated NTC methodology for SWE CCR" which incorporated further and more in-depth explanations of the introduced changes.
- c) The consultation feedback for SWE CCM, for information.

The proposal introduced the following relevant changes:

- Incorporates in the calculation process the principles and goals set in Regulation (EC) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast) (hereafter referred to as "Electricity Regulation"), namely describing the process to fulfill the minimum capacity requirements according to Article 16 of the Electricity Regulation, considering the availability of Costly Remedial Actions. A new article 13 enables TSOs to perform an adjustment process which increase the initial (standard) NTC value, taking into account the available costly remedial actions.
- Fixes Art 6 devoted to the computation of the reliability margin, in order to keep the empiric TRM values that have been used since the go-live, in order to avoid high values potentially provided by current methodology as proved in a dedicated study perform by TSOs (800 MW in the ES-FR border and 1300 MW in the ES- PT border) which eventually will reduce the final cross border capacity offered to the market.
- Reduces the number of CNECs monitored in the calculation process by increasing the sensitivity threshold in their selection process from 5% to 10%. There is still a possibility to exceptionally monitor critical network elements with a lower sensitivity to ensure grid security, with an obligation to be justified to the SWE NRAs in the Quarterly Report.
- Introduces an explicit differentiation between costly remedial actions (Redispatching and countertrading) from non-costly remedial actions.

### **III. SWE Regulatory Authorities' position**

NRAs welcome the significant improvements achieved by the submitted SWE CCCM. In particular, the adjustment process which will take into account costly remedial actions to enlarge the margin of the limiting element will help to achieve the obligation of providing a 70% of cross border capacity to the allocation process.

However, NRAs consider that the methodology devoted to fallback procedures does not fulfill the requirements to monitor the 70% target in the hours where no NTC is obtained by RCC (long term value is provided) or no limiting element is detected due to software failure, divergence or GSLK exhaustion.

Moreover, regarding Article 13:

- the process described might fail to find the real limiting CNEC and result to an irrational capacity values if the PTDF of the original limiting CNEC is very low. The addition of a second power flow computation could solve this issue;
- the minimum values for the CAP CT used in the adjustment process to increase the initial NTC with costly remedial actions when the 70% target is not reached are not defined;
- the TSOs proposal does not sufficiently incentivizes TSOs to do their best effort in the amount of countertrading offered to the market without endangering the operational security of the system.

Because of these specific elements, the NRAs are not able to approve the proposal for common capacity calculation methodology for the day-ahead and intraday market timeframe submitted by the TSOs. Nonetheless, 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**

With regard to Article 13:

- a second power flow computation has been added;
- the minimum values for CAP CT for the Spanish-Portuguese border and the French-Spanish border have been set to 200 MW;

- a new paragraph has been added to request a study on the use of countertrading to increase the capacity offered to the market 18 months after the approval of the proposal. It also gives the possibility for NRAs to request an amendment of the methodology in case NRAs deem it necessary to improve the use of countertrading in the adjustment process.

Regarding the fallback procedure described in Article 15:

- If no limiting CNEC is obtained from the CC process, it has been added that the most frequent limiting CNEC of the D-2 capacity calculation for the corresponding border, direction and timestamp will be assigned. This back-up limiting CNEC will be monitored according to Article 12.

It also incorporates a requirement to review during 2022 the frequency of hours where no limiting CNEC is obtained and those where no NTC is obtained in D-2 calculation process and long-term value is finally proposed. Further work should be done on this aspect in case use of fallback is still frequent. If this were the case, NRAs suggest prioritizing the amending and implementation of the long-term capacity methodology.

Regarding the GLSK problem, a proportional GLSK has been incorporated in the PT bidding zone for loads that do not participate in balancing markets.

## V. Conclusions

NRAs consider that the amended proposal of common capacity calculation methodology for the day-ahead and intraday market, 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 CCCM, which meets the requirements of CACM 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 9(14) of CACM Regulation, and must meet the implementation deadlines required by Article 17 of the CCCM proposal.