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Ms. Catharina Sikow-Magny
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European Commission
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By e-mail only

**Subject: Results of the scoping phase for the ACER recommendation on
reasoned proposals for amendments to the CACM Regulation**

Dear Ms. Sikow-Magny,

With this letter, I wish to inform you about the outcome of the scoping phase for the possible areas for amendment to the Commission Regulation (EU) 2015/1222 establishing a guideline on Capacity Allocation and Congestion Management (hereafter: CACM Regulation). This letter follows the Commission's invitation to ACER, announced at the last Florence Forum, to prepare reasoned proposals for amendments to the CACM Regulation, mirroring the provision 60(3) of the Regulation (EU) 2019/943 on the internal market for electricity (hereafter: Electricity Regulation), thus aiming to provide admissible proposals for amendments having consulted the relevant stakeholders.

The preparation for drafting these amendments has until now been largely informal in nature and several topics have been discussed. This allowed the scoping for a recommendation on the reasoned proposals for amendments as proposed with this letter to be elaborated on short notice.

On the topics related to MCO Governance, cost recovery and single day-ahead and intraday coupling, the preparation started with the establishment of the MCO Governance Group in 2018. This group is chaired by the European Commission and consists also of ACERs', NRAs', NEMOs' and TSOs' representatives. This group was established with the objective to discuss possible improvements of the CACM Regulation with respect to these subjects. It also builds on the European Commission's Report on the development of single day-ahead and intraday coupling in the Member States and the development of competition between NEMOs in accordance with Article 5(3) of the CACM Regulation¹. Following this report, NRAs presented in the course of 2019 three papers on "Efficient MCO governance" developing recommendations, further elaborating the virtual single entity and providing proposals for

¹ [EUR-Lex - 52018DC0538 - EN - EUR-Lex \(europa.eu\)](#)

enhanced amendments of the CACM Regulation. In early March 2020, the European Commission published a report on “Cost sharing and cost recovery arrangements in the European Union in accordance with the CACM Regulation”². On the 12th of November 2020, the European Commission organised the latest MCO governance group to gather input from stakeholders on the subject and to announce the next steps towards the CACM amendment.

On the topics related to capacity calculation and remedial actions, the input to this scoping phase has mainly been gathered by ACER and NRAs during the development and implementation of the determination of capacity calculation regions, common grid model methodology, the regional day-ahead and intraday capacity calculation methodologies, and the regional methodologies on coordinated redispatching and countertrading and related cost sharing pursuant to the CACM Regulation.

On the topics related to the bidding zone review, the input to this scoping phase is twofold. First, it aims to align the CACM Regulation with the principles and governance envisaged in the Electricity Regulation regarding the bidding zone review process. Second, taking stock of the lessons learnt during the development and adoption of the bidding zone review methodology and configurations³, the proposed scope for amendments of the CACM Regulation aims to seek ways to streamline the requirements envisaged for the bidding zone review methodology, while ensuring consistency with the Electricity Regulation.

Based on the results of the preparations described above – and confirmed by a feedback received from stakeholders in the Market European Stakeholders Committee’s meeting on the 14th of December 2020, ACER proposes the following scope for its Recommendation for amending the CACM Regulation.

In addition, I wish to emphasise that this scope is indicative and remains flexible in case additional topics arise during the drafting and consultation phase, and in case the European Commission wishes to make a specific request(s) on additional topics.

General Improvements

On general improvements of the CACM Regulation, ACER proposes to reframe the dispositions for terms and conditions or methodologies (‘TCM’) already proposed by TSOs and approved by ACER or NRAs and to include general requirements for publication of information on market results, capacity calculation and remedial actions. Besides, clarification of individual obligations in joint TCM development and enforcement possibilities may be addressed.

² [NEMO-Cost-allocation-and-recovery.ASSET .TE .vFINAL-20200322.pdf \(asset-ec.eu\)](https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%202029-2020%20on%20the%20Methodology%20and%20assumptions%20that%20are%20to%20be%20used%20in%20the%20bidding%20zone%20review%20process%20and%20for%20the%20alternative%20bidding%20zone%20configurations%20to%20be%20considered.pdf)

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https://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Individual%20decisions/ACER%20Decision%202029-2020%20on%20the%20Methodology%20and%20assumptions%20that%20are%20to%20be%20used%20in%20the%20bidding%20zone%20review%20process%20and%20for%20the%20alternative%20bidding%20zone%20configurations%20to%20be%20considered.pdf

MCO Governance (Title I Art 7-10, Title II, Ch7)

On MCO governance, ACER proposes to improve the definition of tasks for the Market Coupling Operator(s), NEMOs and TSOs, including a clear specification and separation of regulated and non-regulated tasks. Further, the scope includes the development and organisation of Market Coupling Operator(s) including the improvement of the MCO plan and the organisation of the MCO (including the assessment of the governance model). The scope also includes the regulatory framework for cross border clearing and settlement

Single day-ahead and intraday coupling (Title II, Ch4-6)

On single day-ahead and intraday coupling, ACER proposes to integrate the Electricity Regulation provisions related to day-ahead and intraday markets, improve the fallback procedures, ensure a fair competition among NEMOs across all timeframes, clarify the introduction of intraday auctions and open CACM to allow for innovations on day-ahead and intraday market design

Costs & Congestion Income distribution (Title II, Ch8, Title III ex. Art 74)

Regarding the costs of single day-ahead and intraday coupling, ACER proposes to focus on the area of cost identification, cost sharing and cost recovery. This would generally include a regulatory framework for MCO function costs, clarification of the cost-sharing key, enhancement of the cost report content and its role in cost recovery process. Next to these costs aspects, ACER will provide proposals to ensure the consistency of congestion income distribution methodologies across timeframes.

Capacity Calculation (Title II, CH1 (Art 14-31))

On capacity calculation, ACER proposes first to integrate the provisions of Electricity Regulation related to capacity calculation, including the use of remedial actions in capacity calculation. Other general improvements involve improved harmonisation of capacity calculation parameters across timeframes, improved requirements for capacity calculation inputs, clarification of the treatment of HVDC network elements and improvement of the criteria for the definition of capacity calculation regions and for application of Coordinated NTC approach (noting that the flow-based approach is already determined as a default one). With regard to capacity calculation inputs, ACER proposes to clarify and harmonise the common grid model requirements with the Commission Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation (hereafter: SO Regulation), which may result in omitting these requirements from the CACM Regulation and complementing the SO Regulation where required.

Remedial Actions (Title II, Ch3 (Art 35, 74))

On remedial actions, ACER proposes to align the CACM Regulation with the Electricity Regulation provisions on the subject and ensure consistency, while avoiding duplication with the SO Regulation. This may result in omitting these provisions from the CACM Regulation entirely and complementing the SO Regulation where required.

Bidding Zone Review (Title II, Ch2 (Art 32-34))

On the bidding zone review, ACER proposes to align the bidding zone review procedures with the Electricity Regulation provisions and include improvements to the content, requirements and approval of the bidding zone review methodology.

In this recommendation, ACER will give special attention to interactions with other existing regulations, in particular with the SO Regulation and the Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing. ACER would appreciate to receive the Commission's guidance that it will be possible to propose limited changes to those regulations if such an amendment is considered to ensure the most efficient and consistent legal structure.

Finally, it is important to note that ACER considers the timing of delivering the recommendation by (end) autumn 2021 achievable but challenging due to the complexity and expected opposing stakeholders' positions of the topics described above. Therefore, ACER envisages a close cooperation with your services for coordination of the relevant steps.

With this letter, ACER concludes the scoping phase of the recommendation for reasoned proposals for amendments to the CACM Regulation. ACER's services are at your disposal to discuss any questions which may arise.

In case you have any questions, please do not hesitate to contact Mathieu Fransen (Mathieu.FRANSEN@acer.europa.eu or +31631035792).

Yours sincerely,



Christian Zinglensen
Director