

**Request for amendment by the IU Regulatory
Authorities
to
the amended IU TSOs proposals for the coordinated
redispatching and countertrading methodology
and
the redispatching and countertrading cost sharing
methodology**

14 January 2019

I. Introduction and legal context

This document elaborates an agreement of the Regulatory Authorities within the capacity calculation region Ireland-United Kingdom (IU), agreed on 14 January 2019, on the amended proposals of the Transmission System Operators (TSOs) within the capacity calculation region (CCR) IU (IU TSOs) for:

- i. a common methodology for coordinated redispatching (RD) and countertrading (CT) in accordance with Article 35 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (Regulation 2015/1222) and;
- ii. a common methodology for redispatching (RD) and countertrading (CT) cost sharing in accordance with Article 74 of Regulation 2015/1222.

This agreement of the IU Regulatory Authorities shall provide evidence that a decision on either methodology does not, at this stage, need to be adopted by the Agency for the Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of the Regulation 2015/1222. This agreement is intended to constitute the basis on which IU Regulatory Authorities will each subsequently make national decisions pursuant to Article 9(12) of Regulation 2015/1222.

The legal provisions relevant to the submission and approval of the proposals and this IU Regulatory Authority agreement can be found in Articles 3, 9, 35 and 74 of Regulation 2015/1222.

Article 3 of Regulation 2015/1222:

Objectives of capacity allocation and congestion management cooperation

This Regulation aims at:

- (a) Promoting effective competition in the generation, trading and supply of electricity;*
- (b) Ensuring optimal use of the transmission infrastructure;*
- (c) Ensuring operational security;*
- (d) Optimising the calculation and allocation of cross-zonal capacity;*
- (e) Ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;*
- (f) Ensuring and enhancing the transparency and reliability of information;*
- (g) Contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;*
- (h) Respecting the need for a fair and orderly market and fair and orderly price formation;*
- (i) Creating a level playing field for NEMOs;*
- (j) Providing non-discriminatory access to cross-zonal capacity*

Article 9 of Regulation 2015/1222:

Adoption of terms and conditions or methodologies

1. *TSOs and NEMOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*

[...]

5. Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.

[...]

7. The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:

[...]

c. the methodology for coordinated redispatching and countertrading in accordance with Article 35(1);

[...]

h. the redispatching or countertrading costs sharing methodology in accordance with Article 74(1)

[...]

9. The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.

10. Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6, 7 and 8, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.

[...]

12. In the event that one or several regulatory authorities request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6, 7 and 8, the relevant TSOs or NEMOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authorities. The competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs (6) and (7) within the two-month deadline, or upon their joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009. If the relevant TSOs or NEMOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 of this Article shall apply.

[...]

14. TSOs and NEMOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 13.

Article 35 of Regulation 2015/1222:

Coordinated redispatching and countertrading

1. *Within 16 months after the regulatory approval on capacity calculation regions referred to in Article 15, all the TSOs in each capacity calculation region shall develop a proposal for a common methodology for coordinated redispatching and countertrading. The proposal shall be subject to consultation in accordance with Article 12.*
2. *The methodology for coordinated redispatching and countertrading shall include actions of cross-border relevance and shall enable all TSOs in each capacity calculation region to effectively relieve physical congestion irrespective of whether the reasons for the physical congestion fall mainly outside their control area or not. The methodology for coordinated redispatching and countertrading shall address the fact that its application may significantly influence flows outside the TSO's control area.*
3. *Each TSO may redispatch all available generation units and loads in accordance with the appropriate mechanisms and agreements applicable to its control area, including interconnectors.*

By 26 months after the regulatory approval of capacity calculation regions, all TSOs in each capacity calculation region shall develop a report, subject to consultation in accordance with Article 12, assessing the progressive coordination and harmonisation of those mechanisms and agreements and including proposals. The report shall be submitted to their respective regulatory authorities for their assessment. The proposals in the report shall prevent these mechanisms and agreements from distorting the market.

4. *Each TSO shall abstain from unilateral or uncoordinated redispatching and countertrading measures of cross-border relevance. Each TSO shall coordinate the use of redispatching and countertrading resources taking into account their impact on operational security and economic efficiency.*
5. *The relevant generation units and loads shall give TSOs the prices of redispatching and countertrading before redispatching and countertrading resources are committed.*

Pricing of redispatching and countertrading shall be based on:

- (a) prices in the relevant electricity markets for the relevant time-frame; or*
- (b) the cost of redispatching and countertrading resources calculated transparently on the basis of incurred costs.*

6. *Generation units and loads shall ex-ante provide all information necessary for calculating the redispatching and countertrading cost to the relevant TSOs. This information shall be shared between the relevant TSOs for redispatching and countertrading purposes only.*

Article 74 of Regulation 2015/1222

Redispatching and countertrading cost sharing methodology

1. *No later than 16 months after the decision on the capacity calculation regions is taken, all TSOs in each capacity calculation region shall develop a proposal for a common methodology for redispatching and countertrading cost sharing.*
2. *The redispatching and countertrading cost sharing methodology shall include cost-sharing solutions for actions of cross-border relevance.*
3. *Redispatching and countertrading costs eligible for cost sharing between relevant TSOs shall be determined in a transparent and auditable manner.*
4. *The redispatching and countertrading cost sharing methodology shall at least:*

- (a) *determine which costs incurred from using remedial actions, for which costs have been considered in the capacity calculation and where a common framework on the use of such actions has been established, are eligible for sharing between all the TSOs of a capacity calculation region in accordance with the capacity calculation methodology set out in Articles 20 and 21;*
 - (b) *define which costs incurred from using redispatching or countertrading to guarantee the firmness of cross-zonal capacity are eligible for sharing between all the TSOs of a capacity calculation region in accordance with the capacity calculation methodology set out in Articles 20 and 21;*
 - (c) *set rules for region-wide cost sharing as determined in accordance with points (a) and (b).*
5. *The methodology developed in accordance with paragraph 1 shall include:*
- (a) *a mechanism to verify the actual need for redispatching or countertrading between the TSOs involved*
 - (b) *an ex post mechanism to monitor the use of remedial actions with costs;*
 - (c) *a mechanism to assess the impact of the remedial actions, based on operational security and economic criteria;*
 - (d) *a process allowing improvement of the remedial actions;*
 - (e) *a process allowing monitoring of each capacity calculation region by the competent regulatory authorities.*
6. *The methodology developed in accordance with paragraph 1 shall also:*
- (a) *provide incentives to manage congestion, including remedial actions and incentives to invest effectively;*
 - (b) *be consistent with the responsibilities and liabilities of the TSOs involved;*
 - (c) *ensure a fair distribution of costs and benefits between the TSOs involved;*
 - (d) *be consistent with other related mechanisms, including at least:*
 - (i) *the methodology for sharing congestion income set out in Article 73;*
 - (ii) *the inter-TSO compensation mechanism, as set out in Article 13 of Regulation (EC) No 714/2009 and Commission Regulation (EU) No 838/2010 (5);*
 - (e) *facilitate the efficient long-term development and operation of the pan-European interconnected system and the efficient operation of the pan-European electricity market;*
 - (f) *facilitate adherence to the general principles of congestion management as set out in Article 16 of Regulation (EC) No 714/2009;*
 - (g) *allow reasonable financial planning;*
 - (h) *be compatible across the day-ahead and intraday market time-frames; and*
 - (i) *comply with the principles of transparency and non-discrimination.*
7. *By 31 December 2018, all TSOs of each capacity calculation region shall further harmonise as far as possible between the regions the redispatching and countertrading cost sharing methodologies applied within their respective capacity calculation region.*

II. The IU TSOs proposals

IU TSOs have submitted amended proposals for the RD and CT methodology and for the RD and CT cost sharing methodologies which are examined in turn.

RD and CT methodology

The RD and CT methodology proposes a common approach within the IU CCR for the effective and economically efficient use of coordinated remedial actions which have the effect of relieving physical congestions within a control area of an IU TSO. The methodology includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222, in line with Article 9(9) of Regulation 2015/1222.

The proposal for a coordinated RD and CT methodology was consulted on by the IU TSOs through ENTSO-E between 12 January 2018 and 12 February 2018, in line with Article 35 and Article 12 of Regulation 2015/1222.¹ The IU TSOs submitted the original RD and CT proposal in March 2018. The IU Regulatory Authorities issued a request for amendment on 14 September 2018. The IU TSOs subsequently submitted an amended proposal on 14 November 2018. Regulation 2015/1222 requires the competent Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and take decisions within two months following receipt of an amended proposal by the last regulatory authority. A decision is therefore required by each Regulatory Authority by 14 January 2019.

RD and CT cost sharing methodology

The coordinated RD and CT cost sharing methodology proposes common cost sharing solutions for actions of cross-border relevance within the IU CCR in accordance Article 74(2) of Regulation 2015/1222. The methodology includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222, in line with Article 9(9) of Regulation 2015/1222. This proposal is not subject to consultation and the IU TSOs did not consult on the methodology.

The original RD and CT cost sharing methodology proposed by IU TSOs, was received by IU Regulatory Authorities in March 2018. The IU Regulatory Authorities issued a request for amendment on 14 September 2018. The IU TSOs subsequently submitted an amended proposal on 14 November 2018. Regulation 2015/1222 requires IU Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and make decisions within two months following receipt of an amended proposal by the last regulatory authority. A decision is therefore required by each Regulatory Authority by 14 January 2019.

III. IU Regulatory Authority position

In the request for amendment published in September 2018², the IU Regulatory Authorities requested several amendments in order to ensure the methodologies included the necessary level of detail and transparency to be considered satisfactory. IU Regulatory Authorities assessed to which extent the amended proposals address the requested amendments and reached the following conclusions:

i) RD and CT methodology

As a general remark, taking into account the level of detail required by Article 35(2) of Regulation 2015/2022, IU Regulatory Authorities continue to consider that the amended RD and CT methodology still does not provide a satisfactory level of clarity and transparency.

¹ The public consultation is available on the ENTSO-e website: https://consultations.entsoe.eu/markets/iu-tsos-methodology-for-coordinated-r-c/consult_view/

² IU Regulatory Authority Position Paper published in September 2018: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-decisions-regarding-iu-tsos-proposal-coordinated-redispaching-rd-countertrading-ct-methodology-and-iu-tsos-proposal-rd-ct-cost-sharing-methodology>

The IU Regulatory Authorities share the opinion that the IU TSOs failed to amend the methodology in line with the requests. For example, IU TSOs did not remove the provisions to reject and reduce the NTC value of interconnectors although it falls outside of the scope of the methodology. As a result, the IU Regulatory Authorities are in agreement that the amended RD and CT methodology cannot be approved.

The IU Regulatory Authorities request the following amendment to the RD and CT methodology:

Article 6 – Volume information availability and exchange

The methodology does not provide clarity as to when the volume available for RD and CT actions will be exchanged between the requesting and the assisting TSOs. The IU Regulatory Authorities acknowledge that knowing the exact timing to exchange this information is not mandatory, but that IU TSOs shall provide a deadline for this exchange of information in order to provide enough transparency to market participants. Therefore, the IU Regulatory Authorities request that IU TSOs include the deadline to exchange volume information available for RD and CT action.

Article 7 – Price information exchange

The methodology does not provide clarity as to when the information of the price of RD and CT actions shall be exchanged between the requesting and assisting TSOs. The IU Regulatory Authorities acknowledge that knowing the exact timing to exchange this information is not required. Nonetheless, the IU Regulatory Authorities require IU TSOs to include the deadline to exchange price information in order to ensure sufficient transparency to market participants.

Article 9 – Rejection of a remedial action

The proposed methodology fails to give greater clarity on what is meant by “adequacy issues” in the Article 9(9)(d). Furthermore, the IU Regulatory Authorities estimate that “condition as changed since the decision done during the detection phase” was meant to say “condition *has* changed since the decision done during the detection phase. If this is not the case, IU Regulatory Authorities expect IU TSOs to explain the meaning of Article 9(9)(c) in an explanatory document. IU Regulatory Authorities also expect IU TSOs to explain in the explanatory document what is covered by the “adequacy issues” stated in Article 9(9)(d), in particular by referring to the relevant provisions of the System Operator Guideline and the Emergency and Restoration Code

Article 11 – Activation of Coordinated Redispatching and Countertrading

Article 11(4)(c) states that participating TSOs may, if applicable, reject the Net Transmission Capacity (NTC) value of an interconnector proposed by the IU day-ahead and intraday capacity calculation and provide a new value of NTC value that solves the physical congestion. Article 11(5)(a) allows participating TSOs to reduce the NTC value of an interconnector in the case where the Single Intraday Coupling remains open for the concerned activation period.

As stated in the first request for amendment, both provisions are out of the scope of the RD and CT methodology as defined by Article 35 of Regulation 2015/1222. The framework for determining the amount of NTC that can be offered to the market is set within Regulation 2015/1222 and the IU Capacity Calculation Methodology. Therefore, IU Regulatory Authorities request, for the second time, that these provisions are completely removed from the RD and CT methodology.

Article 12 – Selection of RD and CT actions

Article 12(6) states that “*each Channel TSO operating a control area should publish an high-level overview of the RD and CT Actions that could be activated to restore the balance of their*

grid on their respective website” and that “this overview should be available before the implementation of the methodology on their Channel Bidding zone border and should be updated each time there is a significant change in this list.”

IU Regulatory Authorities request that IU TSOs replace “Channel TSO” and “Channel Bidding zone border” respectively by “IU TSO” and “IU Bidding Zone Border”.

Furthermore, IU Regulatory Authorities estimate that a part of this high-level overview should be included in the methodology, to ensure a satisfactory level of transparency. Indeed, IU NRAs estimate that the rules to select RD and CT actions and the rules to calculate the costs of the RD and CT actions are critical to ensure both proper functioning of the methodology and sufficient transparency to market participants. The IU Regulatory Authorities estimate that the information regarding the type of RD and CT actions that could be activated after the coordination process and that can be considered in the volume and price Day-Ahead indicative forecast is not critical to the proper functioning of the methodology, and therefore, is not required to be included in the methodology. Nonetheless, they should be detailed in the explanatory document.

Therefore, IU Regulatory Authorities request IU TSOs to provide the principles to select RD and CT actions and to estimate the cost of RD and CT actions. IU Regulatory Authorities request that IU TSOs describe a common set of principles in the methodology, and not different principles for each IU TSOs.

ii) RD and CT Cost Sharing methodology

IU TSOs made most of the requested changes. Nonetheless, they failed to include the cost and incomes of RD in the total cost of RD and CT actions.

The IU Regulatory Authorities request the following amendment to the RD and CT methodology:

Article 4 – Principles of cost sharing

Article 4(2) states that the total cost of coordinated RD and CT will be determined transparently by summing the costs/incomes of participating TSOs involved in Countertrading.

IU Regulatory Authorities request IU TSOs to include the costs/incomes of RD in the total cost of coordinated RD and CT.

iii) RD and CT Operational Procedures

In order to effectively implement the methodologies, IU TSOs propose to establish RD and CT operational procedures during the implementation phase of the methodology. Those procedures would be established between relevant TSOs of each bidding zone border in the IU Region. They would not be submitted to IU Regulatory Authorities for approval.

IU Regulatory Authorities are of the opinion that methodologies should normally be stand-alone documents and should contain all the elements required in the relevant Articles of Regulation 2015/1222. It is therefore of critical importance for the methodologies to contain all the relevant principles at the heart of the methodology so that the methodologies can be deemed to contain an appropriate level of transparency necessary to be approved. The methodologies should also reach their objective to harmonise the applicable rules.

It is only to the extent that the methodologies reach those objectives that additional technical details could be developed within the RD and CT operational procedures.

IU Regulatory Authorities therefore request IU TSOs to amend the proposed RD and CT methodology and the proposed RD and CT cost sharing methodology, pursuant to Article 9(12) of Regulation 2015/1222.

Actions

Based on the above rationale, all IU Regulatory Authorities agree to request an amendment to the amended proposals of the RD and CT methodology and the RD and CT cost sharing methodology. Those amendments should include:

Amendments for the RD and CT methodology:

1. Amend Article 6 to include a deadline to exchange information on the volume available to RD and CT actions,
2. Amend Article 7 to include a deadline to exchange information on the price of the RD and CT actions.
3. Amend Article 9(9)(c) to replace “condition as changed” by “condition has changed”
4. Amend Article 11 to remove provisions to reject and reduce the NTC value of interconnectors.
5. Amend Article 12(6) to replace “Channel TSO” and “Channel Bidding zone border” by “IU TSO” and “IU Bidding zone border”
6. Amend Article 12(6) to include the principles to select RD and CT actions
7. Amend Article 12(6) to include the principles to calculate the costs of RD and CT actions

Amendments for the RD and CT cost sharing methodology:

8. Amend Article 4(2) to include the costs/incomes of RD in the total cost of coordinated RD and CT