

Date: 2020-10-14

## **Agreement by all Regulatory Authorities of CCR Nordic on the implementation of a final checkpoint for go-live of CCR Nordic flow based capacity calculation methodology as approved pursuant to Article 20 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management**

### **The CCM Proposal**

The CCR Nordic NRAs have previously approved two methodologies for capacity calculation in the day-ahead and intraday-timeframes pursuant to CACM GL.

On April 17 2020, the TSOs submitted to NRAs another amended proposal for a Capacity Calculation Methodology (CCM proposal). We, the regulatory authorities of CCR Nordic, have assessed, consulted and closely cooperated and coordinated and have reached an agreement on 14 October 2020 that the CCM Proposal meets the overall requirements of Regulation 2015/1222.

Although we have agreed that the CCM proposal is generally deemed compliant with relevant articles of Regulation 2015/1222, we note that this new flowbased methodology will involve a significant change in the way the electricity markets work in the Nordics. Thus, stakeholders need to be provided with sufficient opportunity to understand the transition as well as transparency in the introduction of it to establish trust in the functioning of the methodology. It is also a fact that the new methodology, although decided up front, has never been used live which means we will know if it works well enough only after the TSOs have been able to test it properly. This will be done during the parallel runs. We have therefore found it necessary to agree to some amendments to the implementation plan of the CCM proposal.

Each of us has also agreed to approve the capacity calculation methodology with agreed amendments in a national decision. These national decisions must be taken by each NRA by 17 October 2020 at the latest.

### **Amendments are introducing a final checkpoint for go-live**

The agreed amendments are introducing a checkpoint for go live, targeted at following up the preparedness and quality of operations by the TSOs and the CCC. However, we do acknowledge that a successful implementation of flowbased will also require essential contributions and a cooperative mindset from NEMOs.

At the checkpoint the Nordic CCR NRAs will commonly assess the functionality and efficiency of the methodology based on a TSOs' evaluation report, also involving stakeholder consultation, delivered by the Nordic CCR TSOs earliest 5 months after the start of the parallel runs. The purpose of this assessment, "the checkpoint", is to determine whether the approved methodology, including the operational implementation of it, is ready to start the final six months of parallel runs and eventually go live. If the Nordic CCR NRAs commonly were to consider the methodology not to be functioning



well enough, the go-live of the methodology will have to be postponed while the methodology is amended or the operational implementation of it undergoes revisions.

The assessment of the methodology shall be based on the TSOs' evaluation report and the criteria outlined below. We will prepare, agree and publish a joint opinion latest one month after receiving the evaluation report in case the report and the subsequent analysis shows that the criteria have not been sufficiently fulfilled. If, however, we find that the approved methodology and the operational implementation of it are working well enough, the TSOs will be allowed to perform the remaining and final 6 months of parallel runs without further changes before go-live.

In case the assessment shows that the methodology and/or operations linked to the calculation of capacities, are not working sufficiently well, we will request the Nordic TSOs to improve the operational implementation of the methodology and/or request the TSOs to amend the methodology itself. While doing so, the time of parallel runs is extended. The choice of whether the TSOs are required to amend the methodology and/or improve the operational implementation depends on where potential shortcomings occur, and the decision for either of the choices or both shall be a joint decision by us.

In the case of either of the possible requests, we also agree to require the TSOs to prolong the parallel run period. In this case, the TSOs are required to deliver a revised evaluation report that shall cover at least 3 consecutive months of parallel runs using the improved methodology or operational implementation after receiving the information that NRAs assessment of the prior report turned out not satisfactory. The second or any subsequent report shall have the same requirements as the first report (including stakeholder consultation), as stipulated in the methodology. In case of a request for amendment of the methodology itself, the process will follow CACM GL.

Regardless of whether it is after the first, second or any subsequent report the NRAs are assessing, the TSOs shall perform at least 6 months of external parallel runs using the facilities (operational implementation, systems, routines etc) that the NRAs have commonly agreed to be working sufficiently well.

### **Criteria for the assessment**

The NRAs will assess the functionality and the efficiency of the methodology using the following criteria:

#### *Use of fallback measures:*

- Fallback measures (as described in art 22 of the methodology) should be used in less than 3 % of MTU covered in the report to consider the methodology to operate sufficiently well concerning this criterion.
- NRAs shall assess the reasons for TSOs use of fallback measures based on the analysis and explanations received from the TSOs.

#### *Structural delays:*

- The delivery of flowbased parameters by the CCC to the ENTSO-E transparency platform in accordance with Transparency Regulation ((EU) 543/2013)) is delayed for 2-10 minutes in less than 5 % of the MTUs in the time period covered in the TSOs' report. Any delay exceeding 10 minutes is not acceptable.



- The publication of flowbased parameters to stakeholders is delayed for 2-10 minutes in less than 5 % of the MTUs in the time period covered in the TSOs' report. Any delay exceeding 10 minutes is not acceptable.

#### *Socioeconomic welfare:*

We acknowledge that one of the purposes of introducing a new methodology for capacity calculation, according to CACM GL, is to provide welfare benefits to society. Thus, comparing the socioeconomic welfare of the current NTC methodology to the estimated results from using the new methodology, is an indicator to capture potential shortcomings in the implementation of the new methodology. However, we note that this comparison cannot be performed with perfect precision, partly due to the two methodologies operating at different levels of operational security. We will therefore need to broaden our analysis to include more parameters than just the net difference in socioeconomic welfare. If deviations to the expected outcome of improved socioeconomic welfare with the new methodology compared to NTC occur in the period covered in the TSOs report, the NRAs shall analyse the reasons for the outcome not being in line with expectations based on the analysis and explanations received from the TSOs.

#### *Effect on intraday market:*

The transition to the flowbased calculation methodology for the day-ahead timeframe will have impacts also on the intraday timeframe and trading. It is clear that if more capacity is used in the day-ahead market in one direction, then less capacity will usually be available in the same direction in the intraday market. However, the impact of allocated flows in the day-ahead market on the available capacities in intraday needs to be looked at. The worrying point for us would be if there were less intraday capacity in both directions on a bidding zone border, when flowbased is used in the day-ahead market. We will assess the effect to ID markets based on the available data and TSOs' report.

#### *Stakeholder feedback:*

The TSOs' report will include stakeholder input and/or comments on the time period and data covered and analysed in the report, which should be taken into account when we assess the report.

#### *Signatories*