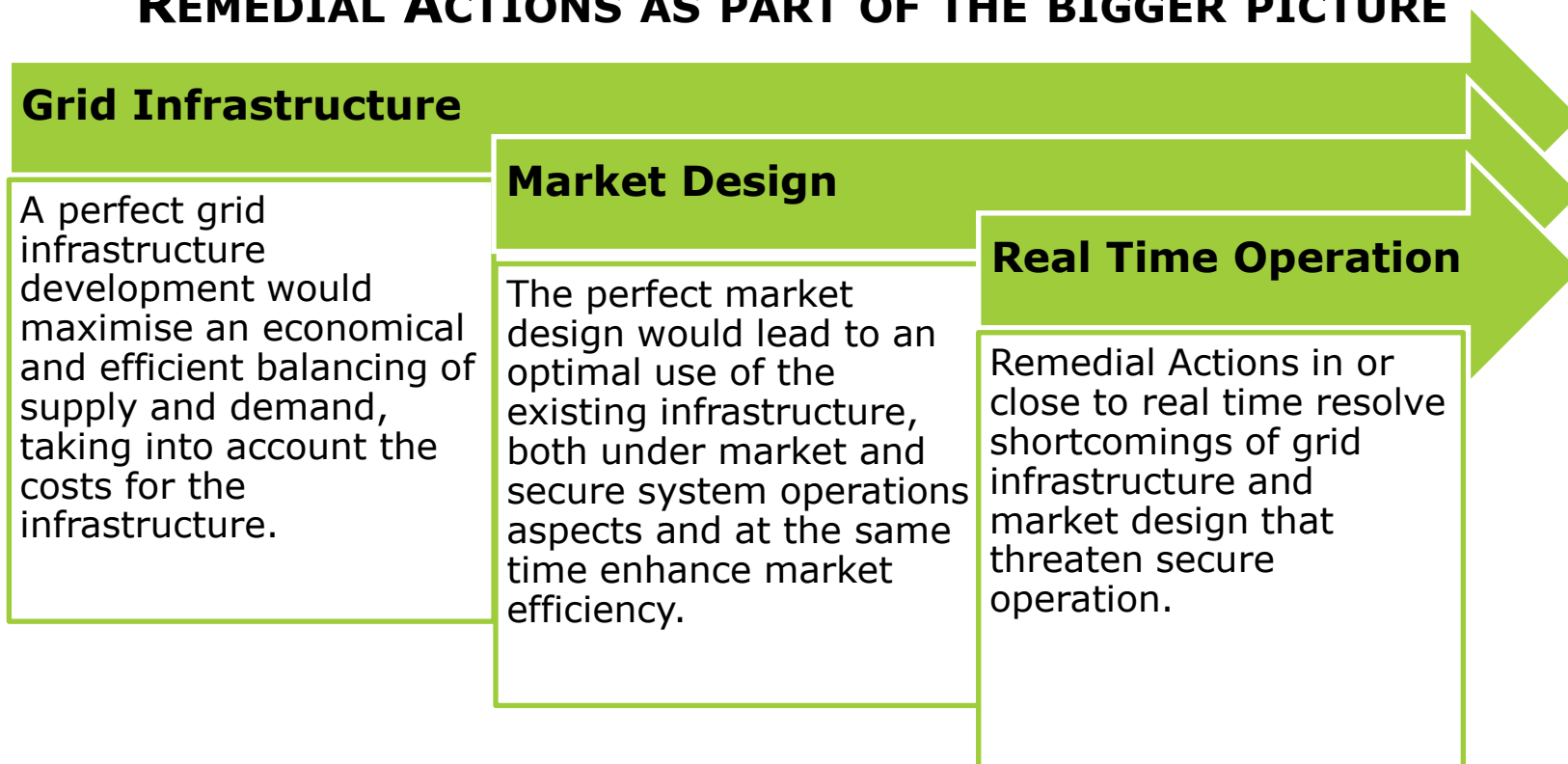


# **Regulatory framework for cross-border redispatching and countertrading**

Joint Task Force ACER – ENTSO-E

## REMEDIAL ACTIONS AS PART OF THE BIGGER PICTURE



**In a perfect world where the market design ensures optimal use of the grid respecting all security requirements, Remedial Actions would only be needed to resolve situations caused by unforeseeable events that cannot be avoided, e.g. outages or forecast errors.**

**In reality, neither infrastructure nor market design (incl. operational planning) are perfect, leading to shortcomings that cause need for remedial actions in the grid.**

## NEED FOR REMEDIAL ACTIONS IN THE TRANSMISSION NETWORK → CAUSE AND SOLUTION POSSIBILITIES

Cause of need	Source of this cause	Possibility for a TSO to remedy	To be solved with...
„long-term“ (structural)	<ul style="list-style-type: none"> <li>Location of Generation &amp; Load within the network</li> </ul>	non-managable by TSO	Network investment
	<ul style="list-style-type: none"> <li>Insufficient transmission investments.</li> </ul>	managable by TSOs with sufficient public and regulatory support	Market design change
„short-term“ (operational)	<ul style="list-style-type: none"> <li>Difficulties in scoping the coordination of the capacity calculation and allocation (outside flows)</li> </ul>	partly managable by TSO	Capacity calculation and allocation
	<ul style="list-style-type: none"> <li>Forecast/modelling difficulties (CGM uncertainties, data quality, inadequate forecast, unforeseen events)</li> </ul>		Remedial Actions

- TASK 1: Assessment of the cost sharing principles against preselected criteria
- TASK 2: Analysis of the technical and legal framework for coordinated and efficient remedial actions and cost sharing.
- TASK 3: Data collection, transparency & monitoring of flows

## **TASK 1: ASSESSMENT OF THE COST SHARING PRINCIPLES AGAINST PRESELECTED CRITERIA**

- Step 1: Agreement on the list of possible criteria for the assessment of the cost sharing principles;
- Step 2: Identification of the possible cost sharing principles;
- Step 3: Assessment of the cost sharing principles against the criteria:
  - » Benchmark: positive, neutral or negative;
  - » Final evaluation with the main pros/cons per identified cost sharing principle

# **TASK 1: ASSESSMENT OF THE COST SHARING PRINCIPLES AGAINST PRESELECTED CRITERIA LIST**

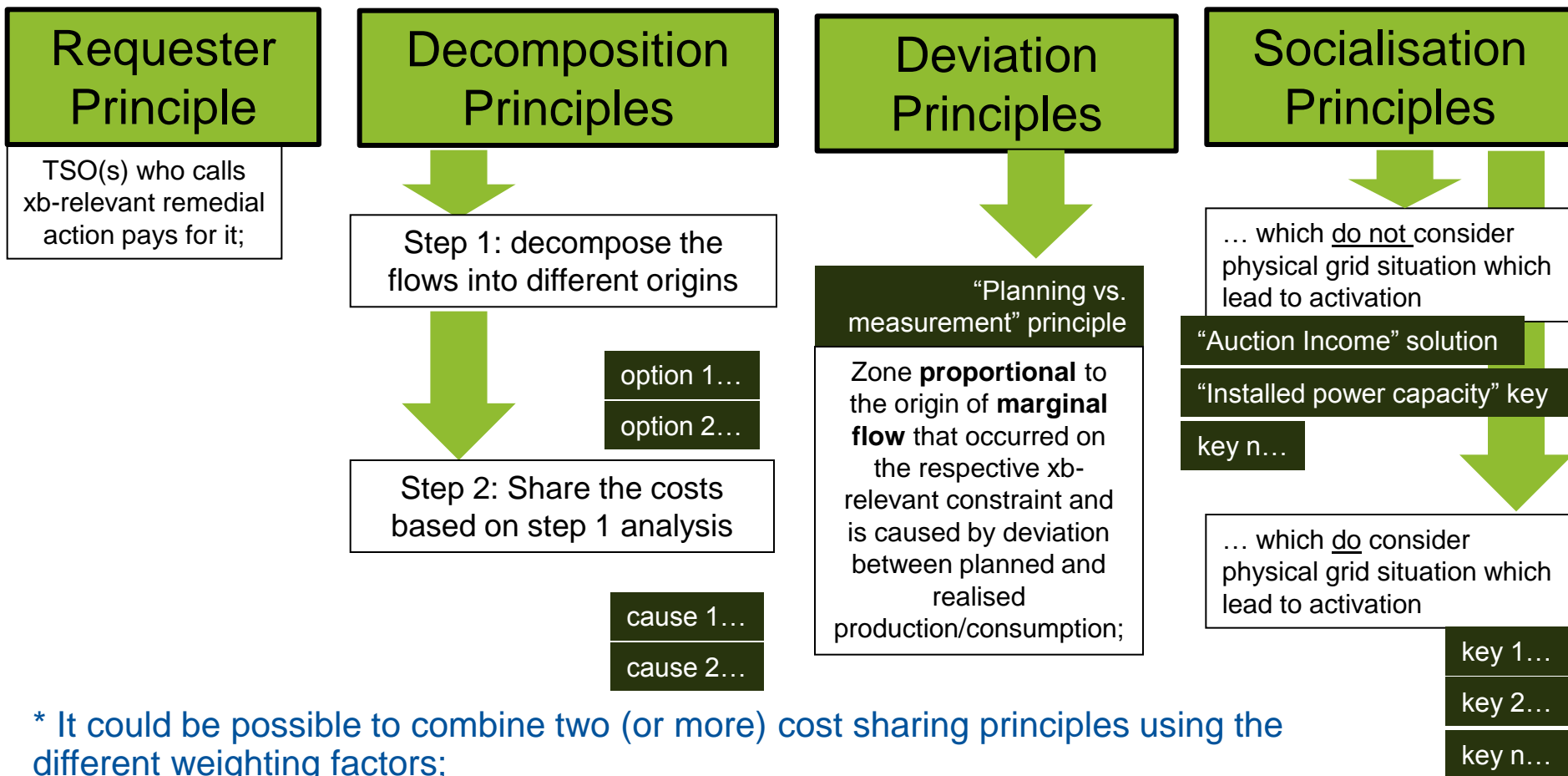
Step 1: List of criteria for the assessment of the cost sharing principles

- 1- Transparency
- 2- Predictability
- 3- Incentive for TSOs to ensure the overall efficiency of the applied measures from the short-term to the long-term timeframe
- 4- Practical applicability
- 5- Incentive to increase the accuracy of network models, capacity calculation and planning process
- 6- Possibility for free-riding and gaming
- 7- Reflective to physical grid situation

\* Disclaimer: The list of the criteria is used for the assessment of the different cost-sharing principles and should not be considered as the final one;

# TASK 1: ASSESSMENT OF THE COST SHARING PRINCIPLES AGAINST PRESELECTED CRITERIA LIST

Step 2: Identification of possible cost sharing principles;



\* It could be possible to combine two (or more) cost sharing principles using the different weighting factors;

\* The cost-sharing principles should be considered as work in progress

## TASK 2: EFFICIENT AND COORDINATED REMEDIAL ACTIONS– CHALLENGES I

- **Historically Different Network Design and Operation across Europe**
  - ❖ Different Technical System Security standards
  - ❖ Different Generation park
- **Market design in Europe**
  - ❖ Some markets are based on self-dispatch, other on central dispatch
  - ❖ Priority dispatch for some generation types
  - ❖ Different congestion management methods
  - ❖ Bidding Zones under review
  - ❖ Different frameworks and components on network tariffs
  - ❖ Some zones are very limited in available volume of redispatching sources
  - ❖ Different redispatching mechanisms and arrangements



## TASK 2: EFFICIENT AND COORDINATED REMEDIAL ACTIONS– CHALLENGES II

- **Regulatory issues:**

- ❖ Cost recovery allowances and schemes for remedial actions vary amongst European countries
- ❖ Different policies for using redispatching to maintain system security or firmness of capacities

- **Transparency and data quality:**

- ❖ Cost of generation units bilaterally agreed with TSOs and no subject to information sharing between TSOs
- ❖ EU wide congestion forecast quality (DACF/IDCF)

- **Economic aspects**

- ❖ Optimal activation requires ex-ante prices for redispatching - the exact costs are known only ex-post.
- ❖ How to combine the economic efficiency with the security of supply
- ❖ The identification of the origin of flows for cost sharing purposes is challenging

## TASK 2: EFFICIENT AND COORDINATED REMEDIAL ACTIONS– Legal Framework for Coordination

### **CACM NC: (redispatching)**









- TSOs within Capacity Calculation Regions shall coordinate and activate efficient cross-border relevant redispatching and share the costs
- **FUTURE:** further merging of Capacity Calculation Regions

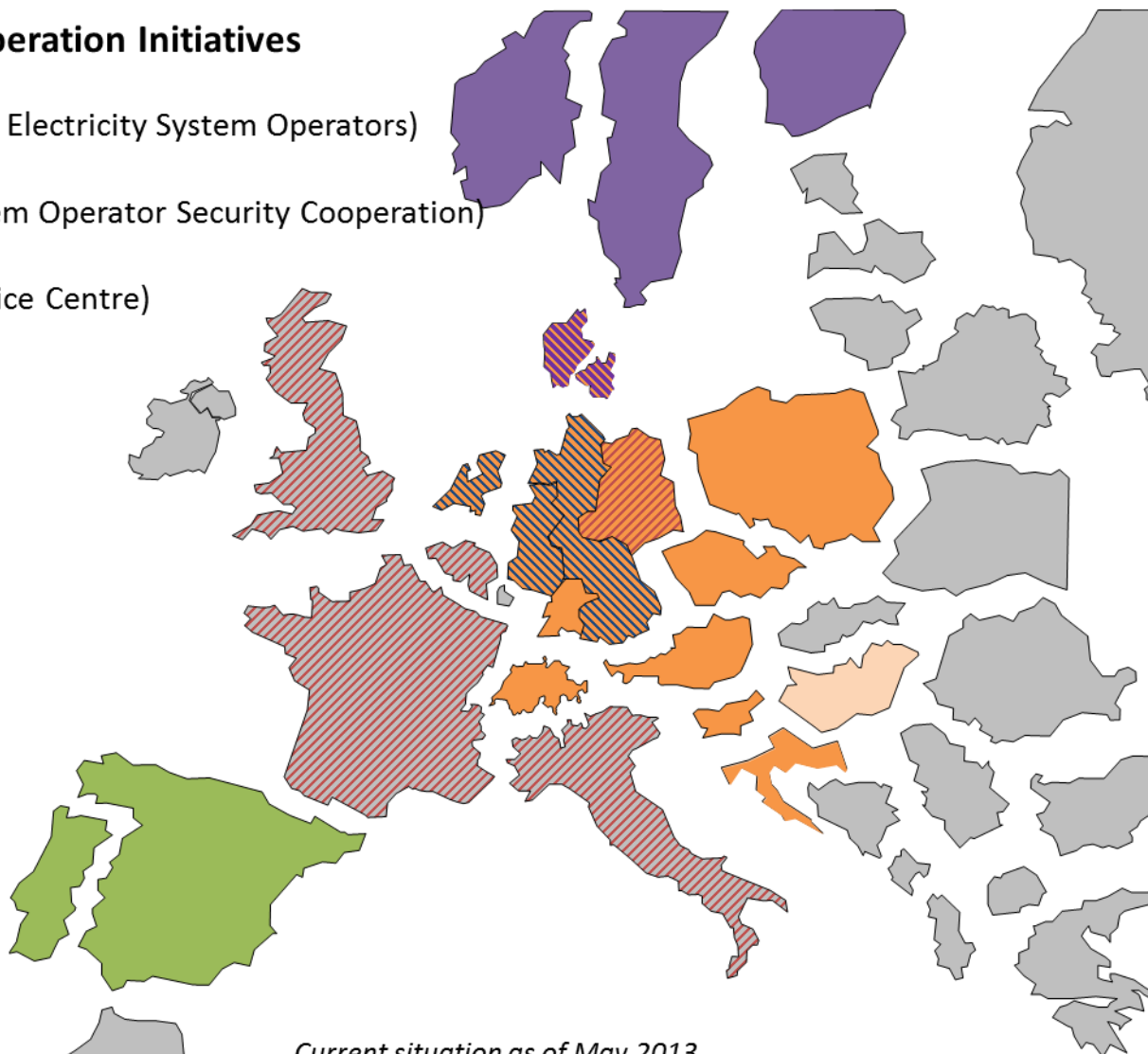
### **OPS NC: (remedial actions in general)**

- Multilateral agreements for coordinating operational security
- Aim at ensuring the operational security in a continuous basis, preparing and checking the implementation of appropriate remedial actions.
- **FUTURE:** Several Regional Security Coordination Initiatives (RSCIs) of appropriate size and cooperation between them

## TASK 2: EFFICIENT AND COORDINATED REMEDIAL ACTIONS– RSCIs

### Regional Security Cooperation Initiatives

-  Coreso (Coordination of Electricity System Operators)
-  TSC + Coreso
-  TSC (Transmission System Operator Security Cooperation)
-  TSC Observing status
-  TSC + SSC (Security Service Centre)
-  Nordic
-  MIBEL (Mercado Ibérico de Energía Eléctrica)
-  Nordic + TSC



*Current situation as of May 2013.*

## Next steps:

- Defining different types of flows (transit, loop, unscheduled, unplanned, etc.)
- Increasing the transparency of different types of flows
- Elaborating on main challenges to implement coordinated redispatching and cost sharing
- Defining the causes of redispatching and origins of different flows
- Finalization of criteria and cost sharing principles
- Evaluation and testing of the principles
- Final recommendation

Back-up slides...

## **LONG-TERM VS. SHORT-TERM CAUSES: WHICH CAUSE TO CONSIDER?**

- Long-term causes are not completely controllable by TSOs and have to be addressed by specific measures (e.g. network investments, optimal bidding zones);
- Short-term causes can be solved by coordinated capacity calculation and allocation or by remedial actions;

→ The TF has been focused on the cost sharing principle for Remedial Actions necessary to deal with the second category of causes (operational). However, the long-term causes could be taken into account in the list of criteria which shall be considered for the assessment of cost sharing methodologies.

## BASIC REQUIREMENTS AND OVERALL FRAMEWORK CONSISTENCY

- **Basic requirements:**

- » The principle for the cost sharing (model) has to be subject to NRA approval to ensure full cost recovery for TSOs
- » Non-discriminatory among TSOs
- » Impact beyond TSO perimeters to be considered: grid users, market participants...

- **Overall framework consistency:**

- » The principle has to be compatible/compliant with other cost allocation mechanisms (tariffs, capacity allocation revenues, CBA, ITC)
- » No double payments  
→ cost/benefits covered through other (sharing) mechanisms should not be covered more than once

## TASK 1: ASSESSMENT OF THE COST SHARING PRINCIPLES AGAINST PRESELECTED CRITERIA LIST

Step 3: Assessment of the cost sharing principles against preselected criteria list

	Cost-sharing principle 1	...	Cost-sharing principle n
Criteria 1.1			
Criteria 1.2			
....			
Criteria m-1			
Criteria m			

On going work