

**Request for amendment by all Baltic Capacity
Calculation Region National Regulatory Authorities
agreed**

on

**the all Baltic Capacity Calculation Region Transmission
System Operators proposal for the
capacity calculation methodology in accordance with
Article 20(2) the Commission Regulation (EU)
2015/1222 of 24 July 2015 establishing a guideline on
capacity allocation and congestion management**

12 March 2018

1. Introduction and legal base

Pursuant to Articles 9(1), 9(7)(a) and 20(2) of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (CACM regulation), Baltic capacity calculation region (CCR) Transmission System Operators (TSOs) are required jointly to develop a proposal for the Capacity calculation methodology (CCM proposal) and submit it to all Baltic CCR National regulatory authorities (NRAs) for approval. Then, according to Article 9(10) of the CACM regulation, all Baltic CCR NRAs receiving the CCM proposal should reach an agreement and take a decision on that proposal, in principle, within six months after the receipt of the proposal by the last regulatory authority. If pursuant to Article 9(12) of the CACM regulation, the regulatory authorities request an amendment to approve the CCM proposal, the relevant TSOs shall submit an amended proposal for approval within two months following the regulatory authorities' request. Subsequently, all Baltic CCR NRAs shall reach an agreement and take a decision on the CCM proposal, in principle, within two months after the receipt of the amended proposal by the last Baltic CCR NRA.

This document specifies an agreement on Request for amendment of all Baltic CCR NRAs, agreed on 12 March 2018, on the all Baltic CCR TSOs proposal for the CCM proposal submitted in accordance with Article 20(2) of the CACM regulation.

This agreement of all Baltic CCR NRAs shall provide evidence that a decision on the CCM proposal does not, at this stage, need to be adopted by Agency for the Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of the CACM regulation. This agreement is intended to constitute the basis on which all Baltic CCR NRAs will each subsequently request an amendment to responsible Baltic CCR TSO for the CCM proposal pursuant Article 9(12) of the CACM regulation.

The legal provisions relevant to the submission and approval of the CCM proposal and this all Baltic CCR NRAs agreement on the CCM proposal, can be found in Articles 3, 9, and 20-26 of the CACM regulation.

2. The CCM proposal

CCM proposal was consulted by all Baltic CCR TSOs through ENTSO-E for one month from 11 August 2017 to 12 September 2017 in line with Article 12 of CACM regulation.

The final all Baltic CCR TSOs proposal, dated 15 September 2017, was received by the last Baltic CCR NRA on 19 September 2017, together with a document of public consultation responses, TSOs reactions and minutes of Baltic Capacity Calculation Region Steering Committee. The final CCM proposal and summary document of public consultation are publicly available on the ENTSO-E web site¹. The CCM proposal includes the coordinated net transmission capacity approach and it must deal with several specific requirements in accordance with Article 20 - Article 26 of the CACM regulation.

¹ <https://consultations.entsoe.eu/markets/baltic-ccr-ccm-proposal/>

3. All Baltic CCR NRAs position

According to CACM regulation, the scope of the capacity calculation is to develop a proposal to ensure that capacity calculation is reliable, and that optimal capacity is made available to the day-ahead and intraday market time-frames. The objectives of this regulation, such as optimal use of the transmission infrastructure, optimisation of the calculation and allocation of cross-zonal capacity, fair and non-discriminatory treatment of market participants, and others, cannot be successfully achieved without a clear and detailed set of harmonised rules for capacity calculation.

All Baltic CCR NRAs cannot approve the all Baltic CCR TSOs proposal for Baltic CCR Capacity Calculation Methodology on September 15 2017 due to the issues detailed below. **All Baltic CCR NRAs, request all Baltic CCR TSOs to amend the CCM proposal pursuant to Article 9(12) of CACM regulation and to revise the shortcomings recited below.**

3.1. All Baltic CCR NRAs comments

All Baltic CCR NRAs find several issues which must be clarified within the amended CCM proposal. All Baltic CCR NRAs stress the importance of solving the comments below. All unsolved issues should be properly evaluated and updated in the CCM proposal by the Baltic CCR TSOs.

According to the CACM regulation requirements inclusion of several parameters and detailed descriptions in the proposed CCM seems to be missing. The proposed CCM should be supplemented with:

- 1) more detailed description of the chosen capacity calculation approach, to clearly demonstrate that the application of the capacity calculation methodology using the flow-based approach would not yet be more efficient compared to the coordinated net transmission capacity approach;
- 2) explanation on how the CCM proposal ensures fulfilment of the objectives of CACM regulation, for example, how the CCM proposal ensures optimal use of the transmission infrastructure, optimise the calculation and allocation of cross-zonal capacity, provides non-discriminatory access to cross-zonal capacity, etc., set out in Article 3 of the CACM regulation;
- 3) new section where the timescale of the implementation for the CCM proposal is described, including provision to publish proposal in accordance with Article 9(14) of the CACM regulation. The timescale shall take into account the time limits set by CACM regulation. Besides that, in accordance with Article 9(9) of the CACM regulation, in the CCM proposal shall be included a description of its expected impact on the objectives of the CACM regulation;
- 4) the definitions used in the proposal should be the same as those that are in the CACM regulation, and new definitions should be introduced only if there is no definite definition

available in CACM or other European legislation. The NRAs urge the TSOs to include a passage informing that terms used in the document shall have the meaning of the definitions included in Article 2 of CACM regulation, Regulation (EC) 714/2009, Directive 2009/72/EC and Commission Regulation (EU) 543/2013;

5) specific information about the technical situation and requirements within the Baltic States and especially regarding the 3rd countries transmission systems. This information should include a detailed description on what kind of an impact the capacity calculation with 3rd countries would have on the capacity calculation within Baltic CCR and internal borders. In the 30th October 2017 Baltic States NRAs letter was stated that Baltic States NRAs requested that Baltic TSOs present the capacity calculation methodology with the 3rd countries and if the capacity offered on the Lithuania-Belarus border trigger some remedial actions to keep the capacity within the Baltic region at the same level as if there were no capacity offered on this border, the resulting costs should be borne by the Lithuanian TSO.

On 7th of December 2017 Baltic TSO's sent a letter to Baltic States NRAs. In this letter was stated that Baltic States TSOs have not been able to reach an agreement by deadline, 1st of December 2017. The Baltic States TSOs have disagreements regarding the calculation of costs and their allocation if the capacity offered at the BY-LT border triggers some remedial actions.

Baltic NRAs have still not received the CCM with 3rd countries and identification of cost which are resulting from the Lithuania-Belarus border. **Therefore, Baltic NRAs request again from Baltic TSOs the CCM with the 3rd countries and the Baltic CCR TSOs have to add to the Baltic CCR CCM statement that the capacity calculated with 3rd countries do not reduce capacities in the Baltic CCR;**

6) more detailed mathematical description according to Article 21 (b) (i) of the CACM regulation. More precisely - uncertainty about the amount of assured emergency power reserves in respective power systems, that is used for capacity calculations on EE-LV and LV-LT borders (section 8.1.2 in the CCM proposal), and the same approach for formulas 2, 5, 6 as for as in formula 1 for the summing - $\sum_{i=1}^n$ and also k and P should be used with indexes;

7) The methodology indicates that capacity in CCR Baltic will be restricted due to constraints in adjoining CCRs, see section 8.3-8.5. Maximum capacity shall be the default and any temporary deviations from that must be thoroughly justified based on operational security and economic efficiency at the EU-level. It must be shown how this potential restriction of cross-border trade is compliant with Regulation 714/2009 annex 1 p. 1.7 and non-discrimination in accordance with Article 3 and 21 of the CACM regulation. NRAs ask the TSOs to explain how the proposed methodology would ensure compliance and amend the document accordingly;

8) further elaboration of operational security limits, contingencies and allocation constraints. The parts on allocation constraints need to be exhaustive, Section 3.3. seems to be open ended without any type of allocation constraint listed and justification for inclusion. The TSOs need to justify the inclusion of allocation constraints by operational security or increase of the economic surplus, develop criteria for their application and detailed method to define the limits they may put on the capacity available to the market or its effective use. The legal

document should clarify which time frame each allocation constraint is related to, the frequency of constraint calculation and each allocation constraint should be more precisely defined. The above mentioned also applies to the Section 3.4 where the balancing constraints are introduced. NRAs states that the methodology should explain how this type of constraint together with potentially other allocation constraints will impact availability of cross-zonal capacities and will ensure non-discrimination. In addition, compliance with the requirements in Article 23 of CACM regulation must be duly explained;

9) more detailed description of the Generation shift keys in accordance with Article 21.1. (a) (iii) and 24 of the CACM regulation. Currently it does not include the strategies that may be applied. GSKs should focus towards harmonisation as required pursuant to CACM, Article 21(4) of the CACM regulation;

10) more details on methodology for remedial actions in capacity calculation. First it should present the different remedial actions that may be considered in the capacity calculation process and how they are to be used in respect to capacity calculation. Explaining also difference between costly and non-costly remedial actions. In addition, the NRAs ask the TSOs to include a paragraph that informs that Counter trading and redispatching possibilities along with other remedial actions are fully exploited before an internal Critical Network Element may affect cross border trade;

11) rules for avoiding undue discrimination between internal and cross-zonal exchanges to ensure compliance with point 1.7 of Annex I to Regulation (EC) No 714/2009 according to Article 21.1. (b) (ii) of the CACM Regulation. The NRAs urge the TSO to develop and include all rules in the CCM proposal;

12) rules for taking into account, where appropriate, previously allocated cross-zonal capacity according to Article 21.1. (b) (iii) of the CACM Regulation The current proposal does not include rules concerning previously allocated cross-zonal capacity for the day ahead timeframe. Thus the incorporation of potentially sold transmission rights should (if relevant) be included in the proposal;

13) provision related to cooperation between coordinated capacity calculators which is set out in Article 26.4. of CACM regulation should be covered in the CCM proposal;

14) the methodology should contain commitment on Section 6.2.3 of the CCM proposal that a reduction of the maximum capacity should only be considered when justified by operational security and economic efficiency at the EU-level. The reasons should be transparently presented to market participants and NRAs;

15) in section 7.4 of the CCM proposal, it is stated: Transmission Reliability Margin (TRM) for HVDC can be applied only after bilateral agreement and coordination among adjacent TSO's. The methodology contains sufficient information that TRM value is 0 for HVDC interconnectors, thus the possibility for TSOs to decrease the capacity by introducing a TRM for HVDC interconnectors should be deleted. TRM methodology should explain how often TRM values will be updated;

16) in section 7.6 of the CCM proposal it says that the TRM shall be rounded to the nearest multiple of 50. The NRAs consider that the proposed rounding may lead to situations with too large TRMs which would limit the possibilities for cross border trade. To avoid such potential situations the NRAs suggest that the rounding be to nearest integer;

17) the method makes a geographical distinction between different borders within the CCR and to adjoining CCRs. The rationale for applying different formulas is not clear. NRAs ask to justify this issue and at once include the base of justification in Section 1 of the CCM proposal;

18) In Nordic CCR Advanced Hybrid Coupling is proposed for the integration of DC interconnectors into the flow-based CCM of CCR Nordic. The connection with the Baltic CCM is unclear as Advanced Hybrid Coupling is not mentioned in this proposal. However, the proposed rules on the borders to Finland and Sweden imply that NTC will be determined by the restrictions of the Nordic and Baltic synchronous area and for the border to Poland will be determined by restrictions of Continental Europe synchronous area and restrictions of Baltic synchronous area. The issue needs to be further explained;

19) the term “at least” in section 6.1.4 and 6.2.6 of the CCM proposal should be avoided. For clarity reasons, it could be solved by replacing it with an exhaustive list;

20) the section 7.5 of the CCM proposal refers to statistical data of planned and factual power flows when determining TRM. The use of different flows must be clear, for example the actual physical flows are not available until real time. Probably the factual refers to historical physical flows;

21) the term “high certainty” in section 7.7. of the CCM proposal shall be further elaborated to ensure objectiveness;

22) Ramping restrictions in section 8 of the CCM proposal are introduced. This is a typical allocation constraint which should be addressed together with other allocation constraints in the methodology. It's claimed that they are taken into account in the Day-Ahead Market algorithm in a way that maximizes the economic gain of buyers and seller. It needs to be explained how ramping restrictions maximize the economic gain;

23) the section 12 refers to MO, NRAs wonder if the correct reference would rather be MCO (market coupling operator);

24) the Article 1.1 of the CCM proposal refers to the Article 21. It should be changed to Article 20(2) of the CACM regulation;

25) The Baltic CCR NRA's propose to review all used abbreviations throughout the proposed CCM text, initially writing the full name of term with abbreviation in brackets and only then relevant abbreviation. Please look at the term - “Generation shift key” in the Article 4 of the CCM proposal - it is without abbreviation in brackets. At the Articles 8.3.1, 8.4.1 and 8.5.1 which refers to CGM and the Article 8.5.1 which refers to IGM - at first it is necessary to write out full term.

The Baltic CCR NRAs are looking forward receiving an amendment to all TSO proposal regarding the Baltic CCR Capacity Calculation Methodology within two months timeframe in accordance with Article 9(12) of the CACM regulation.