

APG comments on the draft Congestion Management Guidelines of EC Regulation 1228/2003

23.5.2005

Paragraph	Current Text	APG comment/proposal
Explanatory Note Page 2	An interconnection is congested when the sum of demand for capacity at a specific allocation timeframe exceeds the capacity available at that interconnection	An interconnection is congested when the sum of demand for capacity <u>including the forecasts for physical electric power flows resulting from transactions</u> accepted by other TSOs at a specific allocation timeframe exceeds the capacity available at that interconnection Explanation: It should be made clear that congestion is not only caused by the demand for commercial transactions on a specific interconnection but also by physical electric power flows resulting from transactions accepted by other TSOs on other interconnections.
1.5.	Coordination between TSOs shall at least include the optimisation of the allocations in view of the promotion of fair and efficient competition and the secure operation of the grids. This coordination shall take into account the forecasted global grid situation with physical flows resulting from all transactions accepted by other TSOs.	Coordination between TSOs shall at least include <u>the secure operation of the grids and</u> the optimisation of the allocations in view of the promotion of fair and efficient competition. This coordination shall take into account <u>the best estimate for</u> forecasted global grid situation with physical flows resulting from all transactions accepted by other TSOs. Explanation: The secure operation of the grid has first priority for the well functioning of the electricity market.
1.8.	Co-ordinated allocation procedures for allocation of capacity to the market shall be applied latest from [01. January 2007] in the following areas:	Co-ordinated allocation procedures for allocation of capacity to the market shall be applied <u>at least for the yearly, monthly and day-ahead allocation period</u> latest from [01. January 2007] in the following areas: Explanation: The implementation of intra day allocation procedures on an implicit basis needs at least some experience with the regional approaches, more data exchange and coordination with

market players (e.g. power exchanges). It is unrealistic to have such schemes implemented by the end of 2006. See points 2.5. (4) and 4.1. (9) of the Guidelines.

2.1. (2) If congestion involves at least two interconnections, i.e. if transactions on one interconnection significantly affect possible transactions on other interconnections (this could occur e.g. in the areas defined in these Guidelines in 1.8), the congestion management method must be coordinated. This means in particular compatibility and common approach for all the congested interconnections in terms of:

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Explanation:

The transactions are affecting physical flows on other interconnections which may have an affect on potential transactions.

2.1. (2e) (e) Products (e.g. day ahead, intra-day, long term, etc.)

(e) Allocation periods (e.g. day ahead, intra-day, long term, etc.)

Explanation:

The terms enclosed in the brackets refer only to the time periods for different products.

2.3. In case of structural congestion, the congestion management methods shall ensure that the power flows associated with all allocated transmission capacity comply with network security standards being at an acceptable level. A particular request for transmission service shall only be denied when the power flows resulting from its acceptance, in addition to the other accepted requests, lead to a situation where secure operation of the power system can no longer be guaranteed, and where that request has an economic value (expressed through willingness to pay) lower than other request accepted under the same contractual conditions whose rejection would also secure

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Explanation:

When dealing with forecasts and imperfect data it should be clear that TSOs can only make assumptions concerning congestions. They are calculating the available capacity on the best forecasts and data available at a given time frame.

2.5. (13) Priority access rights to interconnection capacity should not be assigned to those contracts which violate Articles 81 and 82 of the EC Treaty. Existing long term contracts should have no pre-emption rights when they come up for renewal but the capacity shall be made available through open, market-based mechanisms.

Comment:

APG agrees of course with the objective of this paragraph. But it cannot be the task of TSOs to assess whether a contract of market actors could violate the EU-Treaty. This task should be assigned to the responsible authorities (e.g. regulators).

2.5. (14) To promote the creation of liquid electricity markets, capacity should be tradable provided that the TSO is informed sufficiently in advance.

Comment:

From the view of APG there are two problems linked to this proposal:

- 1. The issue of a tracking system— who is the valid owner of the capacity in case that two parties are declaring to be the legal owner?**
- 2. If the eligible trading parties are not limited to the energy sector this provision may increase the problem of market power abuse**

2.6. In cases where nomination for an expected flow between two countries (TSOs) significantly affects conditions in the third country (TSO), congestion management methods shall be co-ordinated between the two countries (TSOs) concerned and the third country (TSO) through a common allocation procedure. National Regulators shall ensure that no congestion management procedure with significant effects on power flows in other networks, be devised unilaterally.

In cases where commercial exchanges nomination for an expected flow between two countries (TSOs) are expected to significantly affect the physical flow conditions in a third country (TSO), congestion management methods shall be co-ordinated between the two countries (TSOs) concerned and the third country (TSO) through a common allocation procedure. National Regulators shall ensure that no congestion management procedure with significant effects on physical power flows in other networks, be devised unilaterally.

Comment:

3.6. When preparing the day-ahead grid operation, the TSOs must exchange information with neighbouring TSOs including their forecast grid topology, availability of generation units, and load flows in order to optimise the use of the overall network through operational measures.

In fact this paragraph asks for a coordination of CM measures in the whole synchronised area (and not only within the regions described in 1.8.

Comment:

APG agrees with the content of the paragraph but wants to point out that the legal system in some Member States is not consistent with this obligation (for example data protection in Austria is a constitutional matter). In order for TSOs to fulfil this requirement, an obligation of the other market parties (e.g. generation) to provide this data to the TSOs would also be needed. As APG in Austria is not the responsible party for clearing and settlement of the balancing groups we do not have all the data available which are necessary for this tasks.

4.1. (2) The access rights of long- and medium term allocations shall be firm transmission rights, with no obligation to be used. It shall be subject to the use-it-or-lose-it rule at the time of nomination.

The access rights of long- and medium term allocations shall be transmission capacity rights, with no obligation to be used. It shall be subject to the use-it-or-lose-it principles at the time of nomination.

Explanation:

Paragraph 3.3. says that the TSOs shall offer to the market transmission capacity that is as ,firm’ as possible. The first part of the paragraph would be in contradiction as it implies that the long- and medium-term allocations are “firm” and not “as firm as possible.”

4.1. (4) Nomination of transmission rights shall take place sufficiently in advance, before the day-ahead sessions of all the relevant organised markets and before the publication of the capacity to be allocated in the day-ahead or intra-day allocation mechanism. The involved TSOs shall jointly publish the nominated capacity as soon as possible thereafter. This nominated capacity shall be taken into account for netting in order to use the

Firm nomination of transmission rights shall take place sufficiently in advance, before the day-ahead sessions of all the relevant organised markets and before the publication of the capacity to be allocated in the day-ahead or intra-day allocation mechanism. The involved TSOs shall jointly publish the nominated capacity as soon as possible thereafter. Firm Nominations of transmission rights in opposite direction shall be taken into account as far as possible for netting in order to use the interconnection to its

interconnection to its maximum of capacity.

maximum of capacity.

Explanation:

With the nomination of the capacity on a specified interconnector the TSOs do not know the exact location of generation and also the trader normally has not fixed its concrete production contract at time of nomination. Without knowing the real location of generation in the grids the possibility of forecasts of the physical flows generated on the lines is limited. Therefore TSOs have to be careful with netting at the time of nomination by using experiences of similar situation in the past.

5.2. (2) monthly: month and year-ahead forecasts of the transmission capacity available to the market taking into account all information available to the TSO at the time of the forecast calculation (e.g. impact of summer and winter seasons on the capacity of the lines, maintenance on the grid, availability of the production units, etc.);

Comment:

It is very questionable if the TSOs should give information to market players concerning the work of their competitors (availability of production units).

Another question is if the involved TSOs exchange this information for the purpose of congestion management. In this case we would like to refer to the comment made to 3.6.: The availability of production units is in Austria a matter of the data protection law and backed by the constitution.

5.8. The TSO shall publish also the relevant information on generation according to the timeframes defined in 5.2. and 5.3.

Where required by the National regulatory authorities, the TSO shall publish also the relevant information on generation according to the timeframes defined in 5.2. and 5.3, as far as the provision of such data is compliant with commercial confidentiality.

6.2. The revenues resulting from the allocation of interconnection capacity shall be used for one or more of the following purposes:
(1) Guaranteeing the actual availability of the allocated capacity
(2) Network investments required

See comment to 5.2. (2)

The revenues resulting from the allocation of interconnection capacity shall be used for one or more of the following purposes:

(1) to cover the costs for the allocation procedures

(2) Guaranteeing the actual availability of

for maintaining or increasing the interconnection capacities

(3) As an income to be taken into account in the process of calculating the network tariffs

the allocated capacity

(3) Network investments required for maintaining or increasing the interconnection capacities

(4) As an income to be taken into account in the process of calculating the network tariffs

Explanation:

As this list excludes all other purposes the financing of the costs of the allocation itself should be included.