

**NON-PAPER OF ALL REGULATORY AUTHORITIES  
AGREED AT THE ENERGY REGULATORS' FORUM**

**ON**

**The all TSOs' proposal for the single methodology for pricing intraday cross-zonal capacity in accordance with Article 55 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management**

**23 July 2018**

## I. Introduction and legal context

This document elaborates an agreement of All Regulatory Authorities (NRAs), agreed at the Energy Regulators' Forum on 23 July 2018, on the all TSOs' proposal for the single methodology for pricing intraday cross-zonal capacity in accordance with Article 55 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (Regulation 2015/1222) (hereafter referred to as: the "intraday cross-zonal capacity pricing proposal" – or "IDCZCP proposal").

This agreement of all NRAs shall provide evidence that a decision on the IDCZCP proposal does not, at this stage, need to be adopted by ACER pursuant to Article 9(11) of the Regulation 2015/1222. This agreement is intended to constitute the basis on which all NRAs will each subsequently request an amendment to the IDCZCP proposal pursuant to Article 9(12).

*The legal provisions relevant to the submission and approval of the IDCZCP Proposal and this All Regulatory Authority agreement on the IDCZCP Proposal, can be found in Articles 3, 9, 20, 55, 58, and 59 of the Regulation 2015/1222.*

### **Article 3** of Regulation 2015/1222:

*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

- 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.*
- 2. (...)*
- 3. (...)*
- 4. (...)*

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.*
6. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*
  - (a) (...)  
[...]  
i (...)  
(j) *the intraday capacity pricing methodology to be developed in accordance with Article 55(1);*  
k (...)  
l (...)  
m (...)
7. (...)
8. (...)
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.*
11. (...)
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 719/2009. 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.*
13. (...)
14. (...)

**Article 20** of Regulation 2015/1222

1. *For the day-ahead market time-frame and intraday market time-frame the approach used in the common capacity calculation methodologies shall be a flow-based approach, except where the requirement under paragraph 7 is met.*
2. *No later than 10 months after the approval of the proposal for a capacity calculation region in accordance with Article 15(1), all TSOs in each capacity calculation region shall submit a proposal for a common coordinated capacity calculation methodology within the respective region. The proposal shall be subject to consultation in accordance with Article 12. (...)*
3. (...)
4. (...)
5. (...)
6. (...)
7. (...)
8. (...)
9. (...)

**Article 55** of Regulation 2015/1222

1. *Once applied, the single methodology for pricing intraday cross-zonal capacity developed in accordance with Article 55(3) shall reflect market congestion and shall be based on actual orders.*
2. *Prior to the approval of the single methodology for pricing intraday cross-zonal capacity set out in paragraph 3, TSOs may propose an intraday cross-zonal capacity allocation mechanism with reliable pricing consistent with the requirements of paragraph 1 for approval by the regulatory authorities of the relevant Member States. This mechanism shall ensure that the price of intraday cross-zonal capacity is available to the market participants at the time of matching the orders.*
3. *By 24 months after the entry into force of this Regulation, all TSOs shall develop a proposal for a single methodology for pricing intraday cross-zonal capacity. The proposal shall be subject to consultation in accordance with Article 12.*
4. *No charges, such as imbalance fees or additional fees, shall be applied to intraday cross-zonal capacity except for the pricing in accordance with paragraphs 1, 2 and 3.*

**Article 58** of Regulation 2015/1222

1. *Each coordinated capacity calculator shall ensure that cross-zonal capacity and allocation constraints are provided to the relevant NEMOs no later than 15 minutes before the intraday cross-zonal gate opening time.*

[...]

**Article 59** of Regulation 2015/1222:

1. *By 16 months after the entry into force of this Regulation, all TSOs shall be responsible for proposing the intraday cross-zonal gate opening and intraday cross-zonal gate closure times. The proposal shall be subject to consultation in accordance with Article 12.*

[...]

## II. The IDCZCP proposal

The IDCZCP proposal was consulted by all TSOs from 11 April 2017 until 12 May 2017<sup>1</sup>, in line with Article 12 of Regulation 2015/1222.

All TSOs submitted the IDCZCP proposal in accordance with Article 9(6), letter (j) of Regulation 2015/1222 to the last NRA on 28 August 2017. The IDCZCP proposal contains, as required by Article 9(9) of the Regulation 2015/1222, a description of the timeline for implementation as well as a description of the expected impact on the objectives of Regulation 2015/1222 as listed in Article 3 of this Regulation. Following the requirements in Article 12(3) of Regulation 2015/1222 on the transparency of the outcome of the public consultation, a consultation report including the views of the stakeholders and the assessment of TSOs' has been sent along, for information, with the approval document.

Article 9(10) of Regulation 2015/1222 requires all NRAs to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make a decision within six months following receipt of submissions to the last NRA. A decision was therefore required by each NRA by 28 February 2018.

As the IDCZCP proposal is interlinked with other proposals developed in the framework of the Regulation 2015/1222 implementation (notably, the proposal for Intraday Cross Zonal Gate Opening and Closure Times (IDCZGT) according to Article 59 of Regulation 2015/1222 and the proposal for Common Capacity Calculation Methodologies according to Article 20 of Regulation 2015/1222), all NRAs were not able to adopt a decision by 28 February 2018. Therefore, they unanimously agreed to jointly request ACER to provide a six months extension for reaching an agreement on the IDCZCP proposal according to Article 8(1) of Regulation 713/2009. This extension regarding the IDCZCP proposal was adopted by ACER on 23 February 2018 (Decision No 02/2018). Therefore, all NRAs have to issue a decision on the IDCZCP proposal until 28 August 2018.

The IDCZCP proposal, as understood by all NRAs, is based on one implicit auction, performed at 22:00 of the day preceding the delivery day D, which covers all market time units (MTUs) of day D.

This document elaborates a request for amendment of the IDCZCP proposal.

## III. All NRAs' position

### 1. On the number and timings of the intraday auctions (IDAs)

As a principle, all NRAs consider that in order to allow for efficient pricing of intraday capacity, every time intraday capacity is recalculated in accordance with Article 21(2) of Regulation 2015/1222, it shall first be priced in an intraday auction (IDA). This indicates that all TSOs should launch a pan-European IDA as soon as all TSOs have finished their intraday capacity recalculation(s) (i.e. after the TSOs of last capacity calculation region (CCR) have recalculated capacity). The frequency at which the capacity will be reassessed in the intraday timeframe in each CCR will be set in the capacity calculation methodologies developed according to Article 21(2) of Regulation 2015/1222.

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<sup>1</sup> [https://consultations.entsoe.eu/markets/czidcp/consult\\_view/](https://consultations.entsoe.eu/markets/czidcp/consult_view/)

For the sake of transparency towards market players, the TSOs that accomplish the recalculation(s) of intraday capacity before the TSOs of the last CCR shall publish the amount of capacity recalculated as well as the time when this recalculated capacity will be released, i.e. the first following IDA after a recalculation. In this way all recalculated intraday capacity is first allocated via an auction, even though the timings of the recalculation(s) might differ between CCRs.

Some NRAs pointed out that although this principle allows for an efficient pricing of the intraday capacity, it has also some drawbacks that would deserve to be assessed. For instance, it can be considered quite inflexible to ask TSOs to wait for each other to run an IDA as this could mean that a TSO has new available capacity but cannot release it to the market until the next auction, which could be hours away. However, on the opposite, it is difficult to imagine a design where pan-EU IDAs would be launched each time one TSO has reassessed its capacity, as it would lead to interrupting continuous trading. There is a trade-off, difficult to assess, between a well-functioning continuous intraday market and pricing of intraday capacity.

There are some diverging views among NRAs regarding the number and timings of IDA(s).

On one hand, some NRAs (at least 9) consider that more than one IDA is necessary to ensure that changes in market fundamentals are reflected in the price of cross-zonal capacity, and therefore ensure compliance with Article 55(1). Some of those NRAs consider that, as a minimum, an IDA in the morning of the day-D not linked with the reassessment of capacity in the meaning of Article 21(2) of Regulation 2015/1222 is necessary to deliver this objective. Asking TSOs to implement such an auction in the morning of the day-D seems all the more important, as otherwise NRAs have no certainty regarding the number of reassessments of intraday capacity for each CCR, as this is dependent upon the outcome of work on the CCMs in intraday, developed according to Article 21(2). This means that at the moment of writing this non-paper, NRAs cannot be confident that an IDA linked to a recalculation of capacity will anyhow be proposed in all CCRs in the morning of the day-D. That is why, in order to not preempting the results of the instruction of the ID CCMs, some NRAs consider more appropriate to push TSOs to launching an IDA in the morning of the day-D, not linked with any reassessment of capacity.

Some other NRAs (at least 3) are also in favor of asking TSOs to implement (in addition to the auction in the morning of the day-D) an auction in day D-1 before the continuous trading starts. The auction should allocate capacity not allocated in the Day Ahead market (leftovers). The reason behind this position is that, at least in some national markets, auctions proved to be a powerful tool for enabling market participants to adjust their positions immediately after the Day Ahead market.

On the other hand, at least two NRAs consider that IDA(s) should always be linked to the recalculation of intraday capacity and therefore only be held following such a recalculation. The reasoning behind is that the actual task of IDA(s) introduced according to this methodology is the pricing of intraday capacity and IDAs shall therefore only take place based on the latest intraday cross-zonal capacity calculations. Following the target model for the intraday market (continuous trading), there shall be no arbitrary introduction of other IDAs not related to intraday capacity recalculation.

In addition, apart from the other characteristics of IDAs which all NRAs consider that all TSOs should specify in this methodology (see following sections), all NRAs are of the opinion that all TSOs should be precise on the opening time and deadline for bid submission of each IDA proposed in the methodology.

All NRAs consider that all TSOs should delete the Article 6 of the IDCZCP proposal which deals with the implementation of regional IDAs. Other IDAs could be developed afterwards and then would require an amendment of this methodology, but at this stage, all NRAs are of the opinion that only pan-European IDAs need to be included in the proposal.

## **2. On the articulation of the IDCZCP proposal with the Single Intraday Coupling (SIDC)**

### *2.1 On the fragmentation on the continuous trading sessions*

All NRAs acknowledge from Article 4(1) of the proposal that each IDA shall contain all market time units (MTUs) from a given “first auction hour” until the end of the day-D. In case the “first auction hour” is held D-1, the IDA contains all 24 MTUs.

All NRAs consider that all TSOs should allow the SIDC for all the remaining MTUs of delivery day D, independently of the number of IDCZCP auctions proposed in the methodology, in order to prevent any segmentation of the SIDC.

In other words, all NRAs are of the opinion that if all TSOs propose multiple auctions to price the intraday capacity the SIDC mechanism shall not be organized in discrete sessions (where continuous allocation of intraday cross-zonal capacity is only allowed for MTUs, which are not covered in the forthcoming IDAs and not traded in a preceding continuous session).

### *2.2 On the interruption of the continuous trading sessions*

Following ACER's decision No. 04/2018 of 24 April 2018 on the IDCZGT, the gate opening time for continuous trading will be 15:00 D-1 for all bidding zone borders participating in intraday coupling.

All NRAs understand from Article 3(10) and Article 5(2) of the IDCZCP proposal that the continuous trading will be stopped for 45 minutes, from 21:45 until 22:30 in D-1, to accommodate the envisaged pan-European IDA(s).

All NRAs acknowledge that TSOs should provide more justifications regarding the length of the interruption of continuous trading. All NRAs consider that all TSOs shall be encouraged to limit as much as possible the interruption of the SIDC and to detail, at least in the explanatory note, the timings and steps needed for running an IDA and underline the timings which cannot be compress.

As a principle, all NRAs consider that all TSOs shall choose the relevant algorithm and products allowing for a minimization of the interruption of the SIDC, in order to lessen any adverse impact on the continuous trading.

In addition, all NRAs consider that all TSOs should explicitly describe within the IDCZCP proposal, not only the duration of the interruption but also the exact timings.

Finally, all NRAs are of the opinion that all TSOs should include in the proposal what an interruption of the SIDC coupling means. All NRAs want to be sure that only the available transmission capacity (ATC) at relevant bidding zone borders participating in the IDA will be set to 0 in the XBID capacity management module during each IDA

## **3. On the articulation of the IDCZCP with related proposals on SIDC**

Article 7 of the IDCZCP proposal specifies that within 9 months after the regulatory approval of the IDCZCP proposal, all TSOs (in cooperation with NEMOs) shall review the:

- All NEMOs proposal for products, according to Article 53 of Regulation 2015/1222;
- All NEMOs proposal for back-up methodology, according to Article 36 of Regulation 2015/1222;
- All NEMOs proposal for a common set of requirements for the continuous trading matching algorithm, according to Article 41 of the Regulation 2015/1222;
- All NEMOs proposal for harmonized maximum and minimum clearing prices for SIDC, according to Article 54 of the Regulation 2015/1222.

All NRAs consider that all TSOs cannot amend or review the all NEMOs proposals.

As a principle, all NRAs consider that all TSOs should clarify the relevant algorithm and products used for the IDA(s) and to choose them so as to allow for a minimization of the interruption of the continuous trading.

All NRAs want to point out that the all NEMOs' proposal for products to be used in the SIDC (Article 53 of Regulation 2015/1222), approved by the NRAs the 23 January 2018, define the general framework for the products to be used in the intraday timeframe. All NRAs thus consider that all TSOs should refer to the product proposal already approved when detailing the products they propose to auction.

The Article 3(9) of the IDCZCP proposal specifies that the applicable harmonized minimum and maximum clearing prices are the one pursuant to Article 54 of the CACM Regulation. All NRAs agree with this approach.

#### **4. On the governance framework**

All NRAs consider that all TSOs should specify what will be the governance framework for such IDA(s).

All NRAs acknowledge that the design proposed by TSOs to price the intraday capacity is hybrid: the recourse to implicit auction(s) may imply the coordination with NEMOs, even though the Regulation 2015/1222 foresees that the IDCZCP proposal is an all TSOs' proposal. However, NRAs consider appropriate to have details within the IDCZCP proposal, notably on the products that will be offered during the IDA(s) and on the algorithm to be used. Transparency on those two aspects is crucial to ensure that the design chosen answers the need for pricing the intraday capacity while not impacting negatively the continuous trading and while appropriately complementing it.

All NRAs also consider that all TSOs should present (in the explanatory note) the envisaged cost implications linked with the development of the IDCZCP proposal.

#### **5. On the link with intraday flow based market coupling**

All NRAs are of the opinion that the proposal shall enable the inclusion of flow-based capacity calculation constraints within the IDA procedure.

#### **6. On the geographical perimeter of this proposal**

All NRAs consider that all TSOs should specify the scope of the proposal, notably by allowing the bidding zone border(s) and Member States not currently participating to the SIDC via XBID to participate to the IDA(s).

#### IV. Conclusions and actions

Based on the above rationale, All NRAs agree to request a decision from ACER on the IDCZCP Proposal. This decision should, in the view of Regulatory Authorities, contain the following elements:

- elements regarding the principle that the recalculated capacity should be allocated first during an auction in order to allow for an efficient pricing;
- introduction of IDA each time there is a recalculation of the intraday capacity.
- details within the IDCZCP proposal regarding the gate opening time for bid submission as well as the deadline for bid submission for each IDA ;
- allowance of SIDC for all (remaining) MTUs of the day and inclusion of all MTUs in IDA(s), independently of the number of IDAs proposed in the methodology;
- a limitation of the interruption of the SIDC and a justification of the different processes which lead to an interruption of the continuous trading (accompanied with the incompressible timings);
- precisions regarding what an interruption of the SIDC coupling means. All NRAs want to be sure that only the available transmission capacity (ATC) of relevant bidding zone borders will be set to 0 in the XBID capacity management module during each IDA
- the detailed specifications of the products (based on the all NEMOs' proposals for products for SIDC according to Article 53 of Regulation 2015/1222) that will be proposed in the IDA(s) as well as some specifications regarding the algorithm that will be used;
- specification of what will be the governance framework for such IDA(s);
- specification on the scope of the proposal, notably by allowing the bidding zone border(s) and Member States not currently participating to the SIDC via XBID to participate to the IDA(s);
- Include in the explanatory note the envisaged cost implications linked with the development of the IDCZCP proposal.