

**All Baltic CCR TSOs' common
methodology for coordinated
redispatching and countertrading in
accordance with Article 35 of the
Commission Regulation (EU) 2015/1222 of
24 July 2015 public consultation responses
and TSO reactions**

9th March 2018

Respondent (questions/comments of respondents attached below)	All TSO Response
EFET - European Federation of Energy Traders	<p>“All Baltic CCR TSOs’ common methodology for coordinated redispatching and countertrading” document (hereafter referred to as “CRC Methodology”) of Baltic CCR has been developed according to Article 35 of Commission Regulation (EU) 2015/1222 establishing a guideline on Capacity Allocation and Congestion Management (hereafter referred to as the “CACM Regulation”).</p> <p>Regarding concerns on the manner in which TSOs choose to initiate redispatching and countertrading, we would like to point that CRC Methodology foresees that countertrading and redispatching can be applied after application of non-costly remedial actions. Moreover, taking into account requirements of Article 74.5.c of CACM Regulation, Baltic CCR TSOs understand, that TSOs shall use the most economically efficient remedial actions – which mean usage of those remedial actions that have the lowest cost taking into account their technical efficiency (e.g. ability to reduce overload or imbalance) and operational security criteria (e.g. not creating another physical congestion). Therefore Baltic CCR TSOs opinion is that criteria of choosing one or another remedial action, which can be understood from defined in CACM Regulation, is economic efficiency. Application of economic efficiency principle is included in both CRC Methodology (by the rule of application of non-costly remedial actions) and in Redispatching and countertrading cost sharing methodology (this methodology is not publicly consulted).</p> <p>Regarding concerns on the remuneration, we would like to point that CRC Methodology (Articles 3.9) foresees that generation units and loads shall ex-ante provide bids which can be used by TSOs for countertrading purposes and specifies main pricing rules, which are included in CACM Regulation. Article 3.11 of CRC Methodology specifies, that bids have to be provided according to conditions included in agreements concluded between respective generation unit (or load) and TSO. Therefore in Baltic CCR TSOs opinion, CRC Methodology fully covers remuneration topic and in Baltic CCR generation units and loads are actually those who actively participate in setting remuneration principles (via agreements) and are those parties, who define remuneration volume.</p>

	<p>Transparency on redispatching and countertrading is ensured by publishing countertrading/redispatching data on ENTSO-E Transparency platform.</p>
<p>Eesti Energia AS</p>	<p>“All Baltic CCR TSOs’ common methodology for coordinated redispatching and countertrading” document (hereafter referred to as “CRC Methodology”) of Baltic CCR already foresees that countertrading and redispatching can be applied after application of non-costly remedial actions. Taking into account requirements of CACM Regulation Article 74, which foresee a need to assess the impact of the remedial actions, based on operational security and economic criteria, Baltic CCR TSOs common methodology for redispatching and countertrading cost sharing (which is not publicly consulted according to CACM Regulation), will include requirement to assess the impact of the remedial actions on the basis of costs, as well as requirement that the remedial actions with lowest cost (taking into account their efficiency) shall be activated taking into account operational security criteria.</p> <p>Part of Article 3.9 of CRC Methodology regarding pricing of activated bids is based on the CACM Regulation requirements and gives market participants and TSOs flexibility in setting pricing of bids for countertrades which is allowed by Regulation. Resources which can be activated for the purpose of countertrading are defined by Article 3.11 of proposed CRC Methodology – it foresees that generation units and loads will have to provide bids which can be used by TSOs for countertrading purposes according to agreements concluded between respective generation and load unit and TSO.</p> <p>Therefore in one or another way, all Eesti Energia AS comments/responses already included in Baltic CCR TSOs draft methodologies on countertrading and redispatching which are being developed on the basis of Articles 35 and 74 of CACM Regulation.</p>
<p>National Commission for Energy Control and Prices of Lithuania on behalf of all Baltic CCR NRAs</p>	<p><u>Answer to Comment 2.1.</u>– Comment has been taken into account by updating Article 3 of CRC Methodology in several points. In overall, now methodology includes references to recommended proposal for remedial action, which shall be received from RSC according to Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as “SO Regulation”). Also, it is additionally specified, that TSO shall activate remedial actions as close as possible to real-time according to SO Regulation. Therefore now, CRC methodology foresees that from one point of view remedial actions are firstly proposed by RSC, but than TSO decides on implementation of remedial actions (in time period from receiving proposal from RSC till decision on remedial action initiation as close as possible to real-time).</p> <p><u>Answer to Comment 2.2.</u> – Comment has been taken into account by updating "Whereas" part of CRC Methodology.</p> <p><u>Answer to Comment 2.3.</u> – CRC Methodology already addresses the fact that redispatching and/or countertrading actions can significantly influence flows outside TSO's control area. It is understandable,</p>

that in general case redispatching and/or countertrading actions can significantly change flows over cross borders, therefore in Article 3.5 it is stated that redispatching and/or countertrading actions should not create any other physical congestion.

Answer to Comment 2.4. – Article 1(b) of CRC Methodology covers also CNEs, as developed methodology shall cover all cases of countertrading and redispatching, which have cross-border relevance. However, in Baltic CCR, there is no such CNE which would clearly and in majority cases influence power flow capabilities of several borders at once and therefore Baltic CCR Capacity calculation methodology does not contain the rules according to CACM Regulation 21.1(b)(vi).

Answer to Comment 2.5. – Comment has been taken into account by removing "countertrading" and "redispatching" definitions from Article 2 of CRC Methodology.

Answer to Comment 2.6. – Comment has been taken into account by including new paragraph in CRC Methodology (new Article 3.3), which ensures operation of countertrading and redispatching activities in market-based way. Usage of existing markets is already foreseen in CRC Methodology by Article 3.9, which foresees usage of bids from relevant markets.

Answer to Comment 2.7. – Comment has been taken into account by including new paragraphs in CRC Methodology (new Articles 3.12-3.15), as well as by updating "Whereas" part of CRC Methodology (points 4-7 of "Whereas" part).

Answer to Comment 2.8. – Article 3.1 of CRC Methodology has been updated. New version of the article shall be understood, that redispatching with cross-border relevance in Baltic TSOs' control areas is not performed. Other TSOs in Baltic CCR can apply redispatching with cross-border relevance as well. The same rules as for countertrading coordination shall apply for coordination. General rule is mentioned in Article 3.5 of CRC Methodology.

Answer to Comment 2.9. – Comment has been taken into account by including new paragraph in CRC Methodology (new Article 3.16).

Answer to Comment 2.10. – Comment has been taken into account by including new paragraph in CRC Methodology (new Article 3.3), as well as updating Article 3.9 – by deleting reference to only balancing markets, as other markets, which are operating in control areas of Baltic CCR TSOs can also be used as a resource for remedial actions. In addition to that, Baltic CCR TSOs would like to mention, that Baltic CCR TSOs common methodology for redispatching and countertrading cost sharing (which is not publicly consulted according to CACM Regulation), will include requirement to assess the impact of the remedial actions on the basis of costs, as well as requirement that the remedial actions with lowest cost (taking into account their efficiency) shall be activated taking into account operational security criteria. Regarding balancing market prices and "pay as bid" method – they are set in balancing market rules, e.g. for Baltic TSOs "Baltic balancing market rules" can be found here: <http://www.ast.lv/en/content/system-balancing>, as balancing markets in which Baltic CCR TSOs participate are understood as relevant

balancing markets. Therefore, additional description of balancing market prices is not needed in CRC Methodology.

Answer to Comment 2.11. – Comment has been taken into account by updating Article 4 of CRC Methodology. Requirement for publishing of methodology was deleted and CRC Methodology implementation now is related also with implementation of Capacity calculation methodology and Regulatory approval of Redispatching and Countertrading Cost Sharing Methodology, as well as implementation of Coordinated Operational Security Analysis Methodology according to Article 75 of SO Regulation for CCR Baltic, Nordic and Hansa and implementation of the common provisions of article 76 of SO Regulation, Regional Operational Security Coordination.

Answer to Comment 2.12. – Comment has been taken into account by updating "Whereas" part of CRC Methodology. Concept of "cross-border relevance" is given in point 9 of "Whereas" part.

Answer to Comment 2.13. – Comment has been taken into account by moving paragraph 4 of Article 2 to "Whereas" part (point 8 of "Whereas" part).

Answer to Comment 2.14. – Comment has been taken into account by updating relevant paragraphs in Article 3 of CRC Methodology (Articles 3.4 and 3.8 in updated CRC Methodology).

Answer to Comment 2.15. – Comment has been taken into account by updating Article 3.1 of CRC Methodology.

Consultation response of EFET - European Federation of Energy Traders

Submitted Date: 2018-02-02 16:21:01

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This response is submitted on behalf of EFET, Eurelectric and the Market Parties Platform (MPP).

EFET, EURELECTRIC and the Market Parties Platform thank the TSOs for the opportunity to provide their views on the regional methodologies for redispatching and countertrading.

According to the CACM GL, TSOs shall propose by March 2018 methodologies for coordinated redispatching and countertrading in every capacity calculation region. In the daily management of transmission networks, redispatching and countertrading are measures taken by TSOs to manage congestions alongside topology measures and limitations of cross-border capacities offered to the market. For this reason, we believe that a holistic approach is necessary when considering redispatching and countertrading.

We believe that European TSOs can effectively manage congestions in the most efficient way by relying on a combination of topology measures, countertrading and redispatch actions, and buyback of transmission rights. Properly applied, this is a key aspect of an efficient zonal market design.

Our primary concerns lie in the manner in which TSOs choose to initiate redispatching and countertrading, what level of transparency accompanies these actions, and how they are remunerated.

■■Therefore, the redispatching and countertrading methodologies to be developed on the basis of the CACM and SO Guidelines need to detail:

1. How redispatching and countertrading on the one hand, and restrictions of cross-border capacities allocated to the market on the other hand are treated on an equal footing. In our joint response to the consultations on regional capacity calculation methodologies (http://www.efet.org/Files/Documents/Downloads/EFET_Eurelectric_MPP_Nordenergi-TSOs%20consultation%20CCM_14122017.pdf), we insisted on the importance for TSOs to systematically consider redispatching and countertrading when still facing congestion after applying non-costly remedial actions: indeed, any decision to restrict cross-border transmission capacities for reasons other than system security should be based on an analysis comparing the costs/benefits of applying redispatching or countertrading vs. limiting the availability of cross-border capacities to the market, in order to achieve a welfare optimum. This requires that both redispatching and countertrading are fully part of the possible means for TSOs to deal with congestions in each CCR, and mandatorily considered by the TSOs alongside topology measures.

2. How the scheduled exchanges, NTC/FB domain, and balance positions are simultaneously generated and handled by the relevant market and system operators.

3. How the operation scheme ensures full transparency and conforms to Transparency (ex-post) and REMIT Regulations, in terms of how much redispatching and countertrading is activated. This information should be available to market participants as soon as those actions are decided; full transparency on deviations from merit order activation (in case of joint congestion management and balancing) is also required.

4. How open positions generated by redispatching or countertrading are to be counterbalanced in a market-based manner to deliver appropriate economic signals. In this regard, we see three main options:

a. TSOs managing the counterbalance in the framework of the balancing mechanism

b. TSOs managing the counterbalance within the intraday markets

c. Activation through a dedicated congestion management mechanism The methodologies to be developed on the basis of the CACM and SO Guidelines need to assess the pros and cons of these options as well as justify the choice of the option(s) that has (have) been retained.

5. How actions on specific assets based on their location are remunerated. In our view, any network user being redispatched or constrained must be fully financially compensated (full costs and opportunity loss) so as to leave the asset owner is left financially indifferent to the TSO action.

■ Going more in depth into redispatching and countertrading actions themselves, we believe that the proposals should be accompanied by a thorough evaluation of the advantages and drawbacks of the various options, so as to justify the choice of the preferred one (or the preferred combination of options). In our view, there are three basic types of redispatching and countertrading (in the following part of the document, “asset” should be understood as a generic/technology neutral term covering all sources of flexibility – generation, demand, storage):

- Constraining the dispatch of a specific asset:

This means part of the flexibility of the asset around its scheduled set point is disabled by the relevant network operator.

This may represent a loss of opportunity for the asset that should be fully financially compensated (full costs and opportunity loss), for instance in case offers for standard balancing products are “filtered” and consequently not shared on the European balancing platforms.

In terms of system balance, such an intervention has no immediate impact on the asset and does not require any complementary action.

We note however that the measure may have an impact on balancing markets, as some assets potentially contracted as reserves may be disabled because of the measure, leading to more expensive balancing activations or potentially to a lack of reserves, affecting subsequently imbalance settlement prices. When it has a potential to affect balancing reserves or balancing energy activation, the congestion management process needs to ensure that there is sufficient transparency on what is used for which purpose, that balancing energy bids activated for congestion management purposes do not impact the imbalance price, and that full

compensation for congestion management actions is ensured.

- Modifying the scheduled dispatch of a specific asset:

This means requesting a set point different than the scheduled one for a specific asset based on its location within a bidding zone.

This may represent extra costs and/or loss of opportunity for the asset that must be fully financially compensated (full costs and opportunity loss).

In terms of system balance, the activation of a specific asset opens a balance position in the same bidding zone that should be counterbalanced as discussed in point 4.

- Countertrading:

This means updating the net export/import of two bidding zones, by simultaneously updating the scheduled cross-border exchanges, updating the NTC or FB domain for the same market time units, and opening opposite balance positions in the corresponding bidding zones.

In terms of system balance, the opened balance position in each bidding zone will have to be managed as discussed in point 4.

Unfortunately, the methodologies already submitted by TSOs in several CCRs as part of the CACM implementation do not include such an evaluation so far. In our view, this evaluation is a pre-requisite to allow real progress on the optimisation of countertrading and redispatching and the improvement of market functioning at European level.

Consultation response of Eesti Energia AS

Submitted Date: 2018-02-22 15:42:15

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Eesti Energia AS hereby presents two important comments on Common Methodology document Article 3, paragraph 8.

Firstly, EE makes the following proposal:

The Methodology must oblige the Baltic Transmission System Operators to use the most cheapest option for countertrading in all circumstances. Meaning, if the cheapest option available is mFRR balancing market, then the TSOs must be obliged to use the mFRR balancing market for countertrading. Or if the cheapest option available is an emergency reserve station, then this should be used. It is important to underline that when making a decision on which option to use for countertrading, the TSOs must consider all available options in the most comprehensive and transparent manner. Meaning, all dispatch decisions for countertrading must be based on the Regional Common Merit Order List of the Baltic CCR. This principle must be applied as a rule; for example, congestions on cross-border interconnections should be taken into account.

Justification:

The abovementioned proposal has three important merits:

- i) it minimises costs of countertrading for the Baltic CCR;
- ii) by minimising costs, it maximises the society welfare of Baltic CCR countries - both from viewpoint of network fees and infrastructure investment possibilities;
- iii) use of market-based options for countertrading enhances the liquidity of balancing markets.

Secondly, based on the abovementioned proposal:

The Methodology should provide a comprehensive description on the resources which can be activated for the purpose of countertrading as well as the least-cost principle. Current wording "pricing of activated bids" in Article 3 paragraph 8 is ambiguous and needs to be reviewed.

Consultation response of Baltic CCR NRAs Task force

Submitted Date: 2018-02-22 18:10EET

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1. INTRODUCTION

1.1. On 20 January 2018, the Transmission System Operators within the Baltic Capacity Calculation Region ('Baltic CCR'): AS "Augstsprieguma tīkls", Elering AS, Litgrid AB, PSE S.A. Svenska Kraftnät and Fingrid Oy launched a public consultation on their proposal for the redispatching and countertrading methodology ('CRC Methodology') for the Baltic CCR, prepared in accordance with Article 35 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management ('CACM').

1.2. This preliminary opinion summarizes the primary feedback of the Baltic CCR NRAs Task force established for assessment of the redispatching and countertrading methodology (hereinafter – TF) according to Memorandum of Understanding among Estonian Competition Authority, Public Utilities Commission of Latvia, National Commission for Energy Control and Prices of Lithuania, Energy Regulatory Office of Poland, Swedish Energy Markets Inspectorate and Energy Authority of Finland concerning the Baltic CCR Regional Decisions as of 16 October, 2017. The TF comprises of representatives of all Baltic CCR Regulatory Authorities: Estonian Competition Authority (ECA), Public Utilities Commission of Latvia (PUC), National Commission for Energy Control and Prices of Lithuania (NCC), Energy Regulatory Office of Poland (ERO), Swedish Energy Markets Inspectorate (EI), Energy Authority of Finland (EV).

2. COMMENTS ON THE CRC Methodology PROPOSAL

2.1. In general, the purpose of CRC Methodology is to describe the process of the coordinated actions on redispatching and countertrading among relevant TSOs. However, the current document is too generic and does not explain all the relevant processes at a certain level so that one can understand. Due to that the document should be structured to describe the responsibilities clearly and in detail. In order to have the more specific document we propose to be much more specific about roles, responsibilities, timelines etc. in order to clarify the coordination process step by step. An accompanying timeline should include all relevant steps in the coordination process. The CRC Methodology proposal as such should be specific enough to clarify the specifics mentioned above and portray the process without undue references to other legislation.

2.2. Impact assessment pursuant to Article 9(9) of CACM is missing from the proposal altogether and must be included to the official proposal. Despite it is stated in preamble point 2 of CRC Methodology that the impact is presented below, we were not able to identify it in the following articles.

2.3. According to Article 35(2) of CACM, the CRC Methodology has to address the fact that its application may significantly influence flows outside the TSO's control area. The CRC Methodology should be complemented by an explanation on how redispatching and countertrading would influence these flows.

2.4. The Baltic CCR Capacity calculation methodology does not contain the rules according to CACM Article 21.1(b)(vi) for efficiently sharing the power flow capabilities of Critical Network Elements (CNE) among different Bidding Zone borders, as there are no such CNE in Baltic CCR that would clearly and in majority cases influence power flow capabilities of several borders at once. While at the same time, the CRC Methodology proposal covers CNE, which are owned by TSOs or by other legal entities and are included in Baltic CCR (Article 1(b)). TSOs should explain and describe more this issue.

2.5. To have consistency with the definitions, there should be no new definitions for any term which have already been defined and approved in other legal acts. In addition to this, the definitions “countertrading” and “redispatching” already have been defined in *Regulation 2013/543 on submission and publication of data in electricity markets* and shall not be repeated in the CRC Methodology proposal, but references to them should be used. Besides, the definitions are supplemented adding additional importance to “*manage technical limitations, etc.*” for countertrading, and confusingly defining “*specific generation and/or load units which shall be activated*” for redispatching. After reading the CRC Methodology proposal, it cannot be understood what is meant by “*specific generation and/or load units*” as well as how generators which intend to supply capacity on both bidding zones will be selected as “specific”. A more detailed description of this issue is required.

2.6. The redispatching and countertrading should be organized in a market-based way in order to avoid further costs (*i.e. loss of social welfare*), which are not visible within market coupling. TSOs must use the existing markets to ensure resources for redispatching and countertrading.

2.7. The preparation, activation and coordination of remedial actions including redispatching or countertrading to prevent the system state from deteriorating are specified in the *Regulation 2017/1485, establishing a guideline on electricity transmission system operation*, thereby CRC Methodology should consider the general principles, goals and other methodologies set in Regulation 2017/1485. CRC Methodology must describe whether countertrading could be used in operation according to Article 23 of Regulation 2017/1485 setting the principles for preparation, activation and coordination of remedial actions. According to Article 78 of Regulation 2017/1485, each TSO shall provide the regional security coordinator with all the information and data required to perform the coordinated regional operational security assessment, including the updated list of possible remedial actions. CRC Methodology proposal should be supplemented with more information on regional operational security coordination.

2.8. According to the Article 3(1) of the CRC Methodology proposal, Baltic CCR TSOs' do not apply redispatching for cross-border congestion management, but at the same time TSOs can use redispatching for dealing with internal congestions. As it may have cross-border relevance, it would be necessary to describe how TSOs apply redispatching for internal congestions and how relevant TSO coordinates its actions with adjoining TSO.

2.9. Countertrading can be done in different timeframes with the purpose to mitigate congestions. From the CRC Methodology proposal, it is not clear for which timeframes countertrading is attributed. Therefore, the CRC Methodology should be supplemented by the articles that determine timeframes for coordinated countertrading application.

2.10. The price formation for countertrading should be described in more transparent manner - how the bids are activated, which balancing markets prices are considered, description of "pay as bid method", etc.

2.11. Regarding Article 4 of the CRC Methodology, it needs to be specified where the TSOs will publish the CRC Methodology. Also, it is stated that the CRC Methodology will be implemented within 6 months after NRAs approval or after Agency for the Cooperation of Energy Regulators decision. Furthermore, as the Baltic CCR Capacity calculation methodology has not been approved yet, it is questionable if the CRC Methodology could become effective (i.e. implemented) before the regional Capacity calculation methodologies are implemented, if this is the case, it should be noted.

2.12. The CRC Methodology proposal refers to the concept of redispatching and countertrading of cross-border relevance. The concept of "cross-border relevance" should be defined, and the distinction between redispatching and countertrading with possible no cross-zonal relevance should also be made.

2.13. Paragraph 4 of Article 2 of CRC Methodology proposal is not a definition but are considered as explanatory notes, therefore, do not fall under the scope of Article 2 of CRC Methodology proposal. Accordingly, paragraph 4 of Article 2 of CRC Methodology proposal should be moved to preamble.

2.14. "Relevant TSO" is defined in Article 2 of CRC Methodology as two acting TSOs. However, the term is used in another meaning in paragraph 3 of Article 3. There, a "Relevant TSO" may be only one TSO. However, paragraph 7 of Article 3 makes a distinction between a TSO and "Relevant TSO" (i.e. two TSOs). Therefore, the definition of "Relevant TSOs" should be clarified or paragraphs 3 and 7 of Article 3 should be elaborated.

2.15. The term "Baltic power systems" in paragraph 1 of Article 3 should be defined in Article 2, or specified in Article 3 of CRC Methodology proposal.

Baltic CCR NRAs TF expect Baltic CCR TSOs will take into account the comments presented in this preliminary opinion document when drafting the final CRC Methodology proposal which will be sent to Baltic CCR NRAs for approval.