European Network of
Transmission System Operators
for Electricity

entsoe

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 managements

7 April 2017

DISCLAIMER

This document is released on behalf of the all transmission system operators ("TSOs") only for the purposes of the public consultation on the all TSOs' proposal for cross-zonal intraday capacity pricing ("CZIDCP Proposal") in accordance with Article 55 of the Commission Regulation (EU) No 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management ("CACM Regulation"). This version of the CZIDCP Proposal does not in any case represent a firm, binding or definitive TSOs' position on the content.

All TSOs, taking into account the following:

Whereas

(1) This document is a common proposal developed by all Transmission System Operators (hereafter referred to as "TSOs") regarding a proposal for the cross-zonal intraday capacity pricing (hereafter referred to as "CZIDCP").

(2) This proposal (hereafter referred to as the "Proposal") takes into account the general principles and goals set in Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the "CACM Regulation").

(3) The goal of the CACM Regulation is the coordination and harmonisation of capacity calculation and allocation in the day-ahead and intraday cross-border markets. To facilitate these aims, it is necessary to define a way to price cross-zonal intraday capacity.

(4) Article 55 of the CACM Regulation constitutes the legal basis for this proposal and defines several specific requirements that the Proposal should take into account:

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.

(5) Additional relevant references to take into consideration for the Proposal within the CACM Regulation are listed below:

Article 58 (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 2 (15) *'market time' means central European summer time or central European time, whichever is in effect.*

ENTSO-E AISBL • Avenue de Cortenbergh 100 • 1000 Brussels • Belgium • Tel + 32 2 741 09 50 • Fax + 32 2 741 09 51 • info@entsoe.eu • www. entsoe.eu

(6) Article 9 (9) of the CACM Regulation requires that the expected impact of the Proposal on the objectives of the CACM Regulation is described. The impact is presented below points (7) to (11) of this Whereas Section.

(7) The Proposal contributes to and does not in any way hamper the achievement of the objectives of Article 3 of the CACM Regulation. In particular, the Proposal serves the objective of promoting effective competition in the generation, trading and supply of electricity (Article 3 (a) of the CACM Regulation) by taking into account the importance of creating a level playing field for market participants active on cross-zonal intraday markets. Effective competition is to be reached via a common cross-zonal intraday market (single intraday coupling). Establishing common processes for the intraday market and a common pricing methodology contributes to achieving this aim.

(8) The Proposal takes into account the optimal use of transmission infrastructure in accordance with Article 3 (b) of the CACM Regulation and contribution to the efficient long-term operation and development of the electricity transmission system in accordance with Article 3 (g) of the CACM Regulation as intraday cross-zonal capacity pricing reveals scarcity at a particular moment in time. This will give a signal on how valuable the cross-zonal capacity is for the electric system. A high price of the intraday cross-zonal capacity could indicate a need to invest in additional cross-zonal capacity if this high price difference between two market areas is structural

(9) The Proposal guarantees equal access to cross-zonal capacity and a level-playing field throughout the European Union with a clear and consistent framework in the intraday timeframe in accordance with Article 3 (e) and (j) of the CACM Regulation.

(10) By introducing CZIDCP via an auction mechanism the Proposal will support the pooling of liquidity at fixed points in time and therefore allow a transparent and orderly price formation on basis of consistent and proven market principles in accordance with Article 3 (h) of the CACM Regulation.

(11) In conclusion, the Proposal contributes to the general objectives of the CACM Regulation.

SUBMIT THE FOLLOWING CZIDCP PROPOSAL TO ALL REGULATORY AUTHORITIES:

Article 1
Subject matter and scope

The CZIDCP as defined in this Proposal is the common proposal of all TSOs in accordance with Article 55 of the CACM Regulation. The Proposal applies solely to cross-zonal intraday capacity pricing. Intraday trading within a bidding zone is outside the scope of the Proposal as are complementary regional auctions in line with Article 63 of the CACM Regulation. The Proposal does not reflect on possible implications regarding the impact on the congestion income distribution or the intraday capacity calculation methodology.

ENTSO-E AISBL • Avenue de Cortenbergh 100 • 1000 Brussels • Belgium • Tel + 32 2 741 09 50 • Fax + 32 2 741 09 51 • info@entsoe.eu • www. entsoe.eu

Article 2
Definitions and interpretation

1. For the purposes of the Proposal, the terms used shall have the meaning given to them in Article 2 of CACM Regulation, Article 2 of Regulation (EC) 714/2009, Article 2 of Commission Regulation (EU) 543/2013 and Article 2 of Directive 2009/72/EC.

2. In addition, the following definitions shall apply:

'First Auction Hour' (FAH) means the first delivery hour for which Market Time Units get allocated within the respective intraday auction

'Intraday Auction (IDA)' means the implicit intraday auction trading sessions held at pan-European level to allocate the available intraday cross-zonal capacity at all bidding zone borders by applying a market coupling mechanism between the bidding zones.

3. In this Proposal, unless the context requires otherwise:

a) the singular indicates the plural and vice versa;
b) headings are inserted for convenience only and do not affect the interpretation of this proposal; and
c) any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it when in force.

Article 3
Cross-zonal intraday capacity pricing methodology

1. The CZIDCP methodology shall be introduced by complementing the continuous single intraday coupling with a cross-zonal intraday implicit auction mechanism.

2. The pricing of intraday cross-zonal capacity shall be established by allocating the available cross-zonal capacity for the respective market time units (hereinafter referred to as "MTUs") by the IDA using the marginal pricing principle.

3. The established price of cross-zonal capacity shall reflect the market situation at the point in time of the allocation.

4. The IDA shall respect cross-zonal capacity and allocation constraints.

5. Cross-zonal intraday capacity shall be initially offered to the IDA. However, in case additional capacity becomes available for MTUs, which will no longer be traded in subsequent IDAs, the additional capacity shall not be withheld from the continuous trading sessions.

The single intraday continuous coupling mechanism shall be organised in discrete sessions which allow for continuous allocation of intraday cross-zonal capacity for MTUs, which are not covered in the forthcoming IDAs and not traded in a preceding continuous session.

Each time a coordinated capacity calculator reviews the cross-zonal capacity, a cycle of the IDA is recommended, provided that such a cycle is feasible from an operational point of view. This IDA shall be run throughout the relevant intraday market time-frame allocating capacities for the available remaining MTUs while respecting the defined intraday cross-zonal gate closure times.

ENTSO-E AISBL • Avenue de Cortenbergh 100 • 1000 Brussels • Belgium • Tel + 32 2 741 09 50 • Fax + 32 2 741 09 51 • info@entsoe.eu • www. entsoe.eu

The auctioned cross-zonal intraday capacities shall be always based on the latest available coordinated capacity calculations.

Article 4
Specification the cross-zonal intraday capacity pricing methodology

Cross-zonal IDA fundamentals:

1. The IDAs shall be held both on day D-1 and day D.
2. There shall be at least one IDA on D-1 and at least one on day D.
3. The IDA held on day D-1 shall contain all MTUs of day D.
4. The IDA held on day D contains all MTUs from a given FAH until the end of day D.
5. The IDA mechanism shall take into account all valid bids submitted for this auction and determine a clearing price for relevant bidding zones based on the matched bids and offers using the marginal pricing principle.
6. The IDA shall be able to price cross-zonal capacity for all relevant MTUs on the relevant border.
7. There is no automatic transfer of bids of market participants from auctions based on marginal pricing principle towards continuous trading based on pay-as-bid principle.
8. In line with CACM Regulation, no fallback procedure for intraday pricing is foreseen. In case of failure to offer the cross-zonal intraday capacity to the IDA, it will be allocated through continuous trading.

Single intraday continuous trading specifications:

9. The IDA executed by NEMOs should allow for sufficient time for matching of bids and offers for a given MTU in the following respective continuous trading session.
10. The continuous trading session shall be run for MTUs that will no longer be traded in subsequent auctions.
11. Intraday Cross Zonal Gate Closure Time for each MTU is defined according the IDCZGCT methodology.

Timing specifications for cross-zonal intraday auctions:

12. Cross-zonal capacity shall be provided to the relevant IDA in line with Article 58 of CACM Regulation.
13. An IDA shall be started to be evaluated at 22:00 in day D-1 for all MTUs of day D.
14. An IDA shall be started to be evaluated at 10:00 in day D for all MTUs from 12:00 until the end of day D.

Article 5
Additional cross-zonal intraday auctions

1. TSOs may propose additional cross-zonal intraday capacity implicit auctions with reliable pricing consistent with the requirements of Articles 3 and 4 of this Methodology. Harmonization of the number of auctions in line with the number of intraday cross-zonal capacity updates is recommended if operationally feasible.
2. Any additional IDA shall be proposed by all concerned TSOs for approval by the regulatory authorities of the relevant Member States.

ENTSO-E AISBL • Avenue de Cortenbergh 100 • 1000 Brussels • Belgium • Tel + 32 2 741 09 50 • Fax + 32 2 741 09 51 • info@entsoe.eu • www. entsoe.eu

3. All concerned TSOs proposing additional auctions shall publish the proposal on the internet after approval by the competent national regulatory authorities.

Article 6
Publication and implementation of cross-zonal intraday capacity pricing methodology

1. The TSOs shall publish the CZIDCP methodology without undue delay after national regulatory authorities' approval or after a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 9 (10), Article 9(11) and 9(12) of the CACM Regulation.

2. The TSOs and NEMOs shall within 6 months upon approval of the CZIDCP methodology and once the preconditions stated in Article 6 (3) of the Proposal are satisfied develop a detailed implementation plan on CZIDCP methodology.

3. The TSOs and NEMOs shall implement CZIDCP on all Bidding Zone borders once the exact process for CZIDCP auction mechanism has been agreed, the Intraday capacity calculation methodology for the different CCRs under Article 20(2) has been approved by NRAs and implemented by TSOs, the intraday cross-zonal gate opening and intraday cross-zonal gate closure times under Article 59(1) of the CACM Regulation have been approved by NRAs as well as implemented by TSOs and after continuous trading as part of the single intraday coupling in accordance with Article 51 of the CACM Regulation has been implemented.

4. The Proposal shall be reassessed once the preconditions stated in Article 6 (3) are met as part of the development and implementation of a flow-based mechanism for intraday cross-zonal capacity and the implementation and development of the continuous trading as part of the single intraday coupling Following the reassessment, the decision on triggering the amendment procedure stipulated in Article 9(13) of CACM shall be taken.

Article 7
Language

The reference language for this shall be English. For the avoidance of doubt, where TSOs need to translate this Proposal into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 9(14) of the CACM Regulation and any version in another language, the relevant TSOs shall be obliged to dispel any inconsistencies by providing a revised translation of this Proposal to their relevant national regulatory authorities.

ENTSO-E AISBL • Avenue de Cortenbergh 100 • 1000 Brussels • Belgium • Tel + 32 2 741 09 50 • Fax + 32 2 741 09 51 • info@entsoe.eu • www. entsoe.eu