

Webinar on the All TSO's draft methodology on the Use of Congestion Income

15 April 2020

This document presents the written questions raised by participants during the webinar. They are sorted out by Q&A session and by asker. An answer is provided to questions that were not discussed during the webinar, or for which the recording is not available.

1st Q&A session on foreword, scope and cost categories

Paul Giesbertz - Statkraft

- 1. Is the method also supported by all "single interconnector companies"?
- 2. Will the proposal be amended to reflect the ECJ decision in the Baltic Cable case (case number: C-454/18)?
- 3. Will the methodology itself (and not just the explanatory document) reflect that (for Single Interconnector Companies) congestion income can be used to make a return on investment and appropriate profit?
- 4. Slide 12. point (iii). Is using CI to cover OPEX in line with the ECJ decision in the Baltic Cable case?
- 5. Slide 12. point (iii): if costs are already allowed in the TSO's allowed revenue, then why should CI be used to cover those costs. It would then be double covered. Or not?

Answer

The questions were answered during the webinar, unfortunately the recording is not available.

- *1. Several Single Interconnector Companies ("SICs") are members of the Project Team in charge of drafting the methodology. Therefore the methodology is supported by SICs.*
- *2. To our view, the proposal already reflects the ECJ decision in the Baltic Cable case. The methodology proposal allows for allocating Congestion Income to capital expenditure costs: depreciation and capital remuneration (equity and debt), and to maintenance OPEX (see slide 13). Equity remuneration means the return mentioned in the ECJ decision, while maintenance OPEX are equivalent to the operation and maintenance of the interconnector mentioned in the ECJ decision.*
- *3. The fact the methodology itself and not only the explanatory document should explicitly mention SICs will be considered.*
- *4. Yes, see answer to sub-question 2*
- *5. As shown in the diagram of slide 34, and as defined in Article 2 of the methodology, some costs allowed in TSO's allowed revenue can be covered by network tariffs and some can be covered by CI.*

Ruud Otter – Energie Nederland

- slide 9: economic disadvantage is only related to tariffs or in general? On a TSO by TOS level or on regional (CCR) level?
- slide 11: shouldn't this categories be harmonised since the income side is also harmonised per CCR?
- Slide 15: is this reasoning also used within a bidding zone? How is this calculated in practice?

Answer

The questions were answered during the webinar, unfortunately the recording is not available.

- *Slide 9: economic disadvantage is general in terms of benefits provided by the different costs categories to which CI is allocated. It is considered from a European perspective.*
- *Slide 11: The UCI methodology's purpose is to define which cost categories can be covered by CI and under which conditions, not requiring to harmonize the use of CI between member states.*
- *Slide 15: it should also be used within a bidding zone since only investments providing benefits exceeding costs should be undertaken. The calculation includes saving in congestion costs, losses costs, gains in security of supply and accommodating new consumption and / or new generation etc., as mentioned in slides 15 and 16.*

Vasiliki Klonari – Wind Europe

- Slide 17. at which frequency will the justification and approval of cost categories take place?

Answer

The question was answered during the webinar, unfortunately the recording is not available.

- *The frequency shall be decided by the NRA. The justification does not need to be a yearly basis, it can be for several years (for instance a regulatory period, for instance 4 or 5 years), at the NRA's discretion.*

Matthias Holzenkamp – Statkraft

- slide 16 last sentence: what means "CI shall be contributed to all costs of such onshore investment"?

Answer

The question was answered during the webinar, unfortunately the recording is not available.

- *Since there is no indisputable way to compute the cost share of an asset in the internal network that actually contributes to maintaining or increasing cross-zonal capacity (the asset may serve several multiple purposes at the same time), then CI shall be allocated to the full cost of such assets.*

Michael Van Bossuyt – Febeliec (IFIEC)

- Slide 7 (?) how will the remaining CI be split between tariff reduction and future use?

Answer

The question was not addressed during the webinar.

- *Splitting between tariff reduction and separate internal account for future use was developed in the second part of the webinar, related to Article 4 of the Methodology.*

Emmanouil Santorinaios – ACER

- Slide 13 - vii: it should be clarified (to avoid misunderstandings) that the costs covered by the CI will not be included in the allowed revenues

Answer

The question was not addressed during the webinar.

Regulation (setting of tariffs) has to be taken into account as a whole complex area, where every regulatory framework provides different incentives and makes sure that TSOs don't get overcompensated. Article 19 does not set out any design criteria for how tariffs or network regulation should deal with CI (except for the separate account line). Therefore, this methodology should not give such a restriction to the design of national regulation.

Stein Ovstebo – Hydro

- Will the methodology have any implication or relevance on how the CI will be allocated between TSOs?

Answer

The question was not addressed during the webinar.

- *The UCI methodology does not address how CI is allocated between TSOs, which is addressed by the Congestion Income Distribution (CID) methodologies pursuant to Art. 73 CACM and Art. 57 FCA Regulation.*

2nd Q&A Session on Congestion income allocation and conclusion

Michael Van Bossuyt – Febeliec (IFIEC)

- Slide 22: So if a TSO has CI, it first has to be used for the priority objectives, but not all cost categories need to be used. However, CI can only be used for priority objectives until all cost related to priority objectives are covered. Only in case there would be “excess” CI this can be used for things outside priority objectives? And in such case, how to define how much CI is to be used for future use and how much for tariff reduction?

Answer

The question was answered during the webinar and the recording is available.

Emmanouil Santorinaios (ACER)

- Slide21: the adequate fulfilment of the priority objectives is not elaborated in the methodology document under consultation, although there is an analysis in slide 21. Do you intent to include a section on this topic in the methodology before it is submitted to ACER?

Answer

The question was answered during the webinar and the recording is available.

Matthias Holzenkamp – Statkraft

- slide 24: does this not meant that Article 16.6 is not really needed at all?

Answer

The question was answered during the webinar and the recording is available.

Ruud Otter – Energie Nederland

- Shouldn't the methodology also give rules on the priority allocations 19-2 a and b?

Answer

The question was answered during the webinar and the recording is available.

Paul Giesbertz - Statkraft

- Is the NorNed incentive scheme compliant with the proposed method?

Answer

The question was answered during the webinar and the recording is available.

Riccardo Vailati – ARERA

- slide 33: is the picture (or the underlying concept: the importance of covering costs, not of the specific source) included in the recitals of the UCI methodology?

Answer

The question was answered during the webinar and the recording is available.