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AGREEMENT OF THE CORE REGULATORY AUTHORITIES

ON

Second amendment of the Core Capacity Calculation Region fallback procedures and shadow allocation rules

21 March 2022

1. INTRODUCTION AND LEGAL CONTEXT

This document describes the views of Core National Regulatory Authorities (hereafter “Core NRAs”) on a working, Regional Coordination Committee (hereafter “RCC”) level on the second amendment of the fallback procedures (hereafter “second amendment of the Core fallback procedures), including Shadow Allocation Rules (hereafter “SAR”), by the Core Transmission System Operators’ (hereafter “Core TSOs”) in accordance with Article 44 of the *Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management as modified by Commission Implementing Regulation (EU) 2021/280 of 22 February 2021 (hereafter “CACM Regulation”)*.

All Core TSOs submitted the second amendment of the Core fallback procedures and SAR in accordance with Article 9(7) of the CACM Regulation to NRAs until 8 March.

Article 9(10) of the CACM Regulation requires Core 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 submission of the proposal to the last Core NRA. A decision is therefore required to be made by each Core NRA by 7 September 2022 at the latest.

The amendments proposed by Core TSOs are linked to the change of deadline to declare the day-ahead decoupling by the Market Coupling Operators (hereafter “MCOs”) from 14:00 CET to 14:20 CET. The proposed amendments are to be modified in Article 4(5) of the fallback procedures as well as in its annex, the shadow allocation rules.

Core TSOs publicly consulted the second amendment of the Core fallback procedures and SAR from 14 January 2022 to 14 February 2022. Core NRAs did not issue a shadow opinion. Core TSOs included, in their submission of the amendment proposal, a consultation report covering a discussion on the responses received from stakeholders during the public consultation.

The legal provisions that lie at the basis of the second amendment of the Core fallback procedures and SAR can be found in Articles 3, 8, 9, 44 and 50 of the CACM Regulation.

This agreement document shall provide the common positions of Core NRAs for an adoption of the second amendment of the Core fallback procedures and SAR pursuant to Article 9(10) of the CACM Regulation. This paper is intended to provide Core NRAs’ position and shall provide evidence that, at this stage, no decision from the Agency for the Cooperation of Energy Regulators (hereafter “ACER”) in accordance with Article 9(11) is required.

2. CORE NRAS’ POSITION

2.1 Removal of the 2nd auction in case of full decoupling

In the Core operational procedures, a second auction in case of clearing prices going above a threshold of 1.500€/MWh is defined for the bidding zones of the following countries : Austria, Belgium, France, Germany/Luxembourg, the Netherlands (CWE bidding zones) and Hungary. This second auction can be organized both in the normal operations and in the fallback operations, in case of decoupling. The objective of that second auction is to allow market participants to submit an updated order book with an objective of reducing the market clearing prices. In order to change the deadline to declare the day-ahead decoupling by the MCOs from 14:00 CET to 14:20 CET, the possibility to organize a second auction in case of full decoupling needs to be removed.

The objective of changing the deadline to declare the day-ahead decoupling to a later time is to allocate more time to allow the MCOs to try to solve operational issues that could lead to a full decoupling and therefore to increase the overall robustness of the European day-ahead market. The newly allocated time will not be used to perform specific activities and should be considered as a contingency in order to reduce the risks of full decoupling and increase the robustness of the operational procedures and timings of the day-ahead market coupling. Core TSOs have concluded that the overall benefits of increasing the robustness of the European day-ahead market was superior to the potential benefit from the possibility to organize a second auction in case of full decoupling in 7 countries. The participants of the public consultation agreed with the overall goal of increasing the robustness of the day-ahead coupling process.

2.2 Core NRAs’ assessment

During the assessment of the second amendment of the Core fallback procedures and SAR, Core NRAs carried out a survey among themselves to determine if they were able to preliminarily give their support to the text as submitted to the public consultation and according to the timeline proposed by TSOs. This preliminary position could obviously change, for example in case mainly negative reactions would arrive from market participants. No Core NRA indicated

that the text as submitted for public consultation nor the indicative timeline proposed by Core TSOs presented potential risks of refusal or delay to the proposed planning.

Four answers were provided to the public consultation held by Core TSOs. The answers indicate a general lack of understanding of the proposed change and a willingness from the market participants to be more involved in the decision process.

Core NRAs welcome the proposal of the Core TSOs to increase exchange within a consultative group with stakeholders and ask Core TSOs to quickly organize a first meeting. Besides these limitations, Core NRAs consider the results of the public consultation as valid. The answers do not include any direct opposition to the concrete change of the decoupling deadline and because the market participants to the public consultation are fully aligned with the objective of the proposed change, which is to increase the robustness of the day-ahead market coupling process.

Core NRAs also agree with Core TSOs' conclusion.

Finally, Core NRAs note that the reference to Article 9(8) of the CACM Regulation is erroneous and should instead point at Article 9(7) of the CACM Regulation. Nevertheless, Core NRAs consider that this minor clarification is not of the nature that it shall lead to the need for a resubmission of the amendment proposal.

2.3 Proposed planning

Core TSOs indicated their willingness to merge the entry into force of the change of the new day-ahead timings together with the Core Flow-Based Capacity Allocation project, currently foreseen to go-live on 20 April 2022. Core NRAs agree with the proposition of merging the two changes, under the condition that all risks linked to a simultaneous go-live are mitigated by the involved project parties.

3. CONCLUSION

The Regulatory Authorities of the Core CCR have consulted, closely cooperated and coordinated. They jointly agree that the second amendment to the fallback procedures of the CCR Core, including the Shadow Allocation Rules (in accordance with the proposal made by the Core TSOs) meets the requirements of the CACM Regulation and as such can be approved by all Core Regulatory Authorities.

Following the national decisions by all Regulatory Authorities of the Core CCR, all Core TSOs will be required to publish the amended fallback procedures and Shadow Allocation Rules as approved, in line with Article 9(14) *CACM Regulation*. All Core TSOs must implement the amended procedures after its entering into force in line with Article 4 of the amendment proposal.