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# UFE response to Italy North TSOs' proposal on the Balancing Timeframe Capacity Calculation Methodology

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## Preliminary remarks:

UFE believes that the elaboration of coordinated capacity calculation (CC) methodologies by Capacity Calculation Regions is an essential step to ensure the optimal use of transmission infrastructure. A truly coordinated capacity calculation process aimed at optimizing the capacity made available to the market, while ensuring operational security, is fundamental to improve the efficiency of wholesale electricity markets.

For these reasons, UFE welcomes this consultation of the TSOs of the Italy North region, since considering the feedback of market participants will enhance the benefits of the coordinated capacity calculation methodologies. Given the innovative nature of capacity calculation within the balancing timeframe (BT), UFE is thankful for the share of an explanatory document. **If this document is helpful to understand main TSO's proposals, it does not fully justify the advocated simplifications in comparison to ID CCM and quantify their impacts on cross-zonal capacity volumes.**

## General comments regarding the BT CCM Proposal:

### *Regarding the granularity of the cross-zonal capacity calculation process*

Article 9(11) of the TSO's proposal states the BT CC shall provide the cross-zonal capacity "for each market time unit", without any mention on the market timeframe being considered.

Since BT CC aims to promote the integration of balancing markets and the possibilities for the exchanges of balancing energy, **UFE advocates for an alignment of the CC granularity with the one being used on balancing platforms**. UFE therefore requests TSOs to explicitly mention in art. 9(11) that “individual values” for cross-zonal capacity shall be calculated “for each balancing market time unit” (MTU) for the avoidance of any misunderstanding, especially in the light of the coming MTU reduction to 15 min.

Moreover, article 4(1) (stating that “individual values for cross-zonal capacity for each hour shall be calculated”) does not specify the frequency and the period considered of the BT CC. In particular, it is unclear whether a BT CC process will be realized after each intraday cross-zonal gate closure time (ID CZ GCT), and whether the TSOs process simplifications in comparison to the ID CCM (notably the RAO skipping) have taken into account the coming Imbalance settlement period (ISP) duration harmonization at 15 minutes (consequently an ID CZ GCT and a BT CC process each 15 min ) – and if so, whether further simplifications will be required.

As a matter of fact, neither the methodology nor the explanatory document includes information regarding the timing needed for the various steps included in the proposed BT CC processes (merging of the input data, NT CC, validation phase). UFE requests TSOs to share a comprehensive timeline of this process.

The period considered by this BT CCM is also unclear: is it linked to the balancing timeframe (e.g., to the period between the ID Cross-zonal gate closure time and the real-time)? **UFE asks TSOs to explicitly clarify and mention both the BT CC’s frequency and period in the methodology**.

#### *Regarding the transmission reliability margin (TRM) methodology*

UFE welcomes the proposed TRM methodology (i) based on the probability distribution function of various deviations since it contributes to objectively minimize it while covering potential deviation, and (ii) eventually reassessed based on the gained experience.

Yet, UFE asks TSOs for more transparency on:

- the way the temporary TRM will be calculated, and
- the delay needed to gain enough experience to make a pertinent actualization of the TRM methodology. **UFE advocates for the explicit mention of this delay in the methodology, and wonders whether TSOs plan to regularly reassess this TRM methodology.**

In a general manner, **UFE asks TSOs for evidence that the TRM sets in the BT CC will be reduced in comparison to the one used for the DA/ID CC** since BT CC is realized closer to the real-time, and consequently based on more accurate hypothesis. TRM reduction is indeed one of the BT CC’s main interests.

### *Regarding the BT CC scenarios and the need for simplification in comparison to the ID CCM*

UFE acknowledges the difficulties encountered by TSOs to proceed to a capacity calculation close to the real-time, within the balancing timeframe.

However, the explanatory document attached to the consultation does not present this challenge. TSOs neither justify the need for simplification (how long lasts ID CC?), nor share any assumptions regarding the estimated time savings allowed by the various simplifications considered (among other the skipping of the RAO and the CC only focusing on the main power exchange direction). **UFE wonders whether other options were also analysed, and the reason why the two above-mentioned were eventually preferred. In the end, UFE has no information regarding the trade-off between CC accuracy and time constraints, making it difficult to express an informed view on the proposed simplifications.**

Moreover, when it comes to the CC process for the opposite direction of the ID CZ schedules, TSOs do not justify the need for a reduction “either to a predefined upper limit or by a percentage” of the cross-zonal capacity remaining after the ID CZ gate closure time.

As a matter of fact, article 37 of EB GL stipulates that “before the implementation of the capacity calculation methodology [...], TSOs shall use the cross-zonal capacity remaining after the intraday cross-zonal gate closure time” and UFE is not aware of any need to reduce the BT CZ in comparison to the current level. In case such upper limits or reduction would be justified, UFE requests TSOs to be transparent on the way they may calculate it.

### *Regarding the implementation of the BT CCM proposal*

**UFE asks for clarification on the implementation of the BT CCM** since it is not clear whether the BT CCM will be “used immediately after the approval by the NRAs” art 14(2) or whether the implementation phase “shall commence immediately after the approval by the NRAs” art 14(3).

### **Specific comments regarding Italy north region:**

#### *Concerning the allocation constraints*

UFE regrets that TSOs of the IN Region intend to consider specific allocation constraints such as voltage profiles and dynamic stability of the Italian system in capacity calculation without demonstrating that this limitation in cross-zonal exchange capacities would be more efficient than applying remedial actions when necessary. In UFE’s view, the involved TSOs should make the public demonstration that those phenomena are significantly influenced by cross-border exchanges between the bidding zone of the IN region. Indeed, most frequently, costly remedial actions at local level can address the issue in a much more efficient way than restricting cross-border exchanges.

In case such allocation constraints would eventually be necessary to guarantee Italian's power system security and controllability, UFE requests TSOs (i) to give pledges that the NTC value assessed at yearly level is effectively reconsidered for the daily market according to the new data and information, as stated in the explanatory note, and (ii) to be more transparent on this process. Allocation constraints limit indeed cross-zonal flows on a significant number of hours and should be set at the only level needed to guarantee the system stability.

**Therefore, UFE regrets that the update of the allocation constraints is not part of the BT CC process.** It is indeed carried out closer to the real-time, consequently based on more accurate hypothesis on both production and consumption levels and should enable TSOs to calculate in the most accurate way possible the technical minimums of the conventional plants potentially needed for the system security (and eventually contributes to alleviate them given the reduction of uncertainties).

Moreover, BT CCM is carried out after ID Cross Zonal Gate Closure Time, and the resulting NTC won't be allocated by the ID market but only by balancing markets. TSOs do not justify the necessity of maintaining allocation constraints in this timeframe: are exchanges of balancing reverses/products likely to reduce conventional power production below the minimum requirements for stability issue?

**UFE asks TSOs for transparent criteria on the necessity of allocation constraints application on balancing markets since such constraints seem all the less justified in this timeframe.**

#### *Concerning the splitting factors*

BT CCM's explanatory note mentions that the RAM per CNEC is split among Italy North borders according to "splitting factors". **UFE calls on TSOs to be more transparent on this factor and to provide more explanations on how it is determined**, according to the CNEs, RAMs, and GSKs.

#### *Concerning the use of the NTC approach*

UFE notices that the TSOs of IN Region have decided to apply a coordinated NTC approach in capacity calculation instead of a Flow Based approach for DA/ID and BT timeframes. **UFE would have expected a demonstration that the Flow Based approach would not be more efficient, as required by CACM Regulation.**