

## UFE's views on CRE and ACER's reports regarding the implementation of the minimum 70% cross-zonal electricity capacity target

UFE acknowledges the publication of CRE's and ACER's respective monitoring reports of the implementation of the minimum margin available for cross-zonal trade (i.e. MACZT<sup>1</sup>) target during the first semester of 2020 in France and in the European Union. In view of the next editions of these reports, UFE would like to stress the following considerations.

First and foremost, UFE would like to remind that the very concept of setting a "binding minimum target" for interconnection capacity available for cross-zonal trading as set by Regulation 2019/943 (hereafter the "Regulation")<sup>2</sup> is inefficient since it does not reflect the real capacities of the network nor local specificities due to its one-size-fits-all approach for all EU borders.

Beyond the relevance of the 70 % threshold itself, the results and conclusions displayed by the two reports actually reveal significant differences mainly due to divergences in the methodology used to verify its achievement and the data used to do so.

**With regard to the data used to monitor the level of MACZT**, UFE notes that the two reports are based on different data sets: CRE relies on an exhaustive data set collected from RTE while ACER did not have access to the entirety of this data and relies only on those deemed "relevant" that CRE and RTE have agreed to pass it on.

In this regard, the UFE stresses that, although the Regulation only entrusts the assessment of the level of MACZT to the national regulatory authorities (NRAs), it must be possible for any other stakeholder to objectively monitor such a level on the basis of all available data. A monitoring based on missing data would otherwise lead to contrary or even pessimistic diagnoses regarding the achievement of the 70 % target by the considered transmission system operator (TSO). As such, UFE welcomes the joint announcement by RTE and CRE of an initiative to publish the datasets concerning the French borders on an open data platform, so as to make them accessible to all stakeholders. UFE also considers it necessary for ACER to specify in the future editions of its report that it is provided with data by NRAs and not by TSOs themselves, which – although owners of said data – cannot be held responsible for any missing or incomplete data.

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<sup>1</sup> The Margin Available for Cross-Zonal Trade (MACZT) being the percentage of the operational security limit of each network element made available to cross-border trades.

<sup>2</sup> Article 16(8) of the Regulation indeed sets a binding minimum target of 70 % of the network elements' capacity to be made available for cross-border trades, i.e. a MACZT equal to or higher than 70 % of the interconnection capacity.

**In terms of methodological approach,** the reports' differences seem mainly to result from the fact that CRE considers that, when the cross-border capacity has not been saturated or when the element that limited the cross-border capacity during a given hour is not operated by RTE, one should consider that the 70 % target has been fulfilled, because increasing the available margin for cross-border trade of the French network elements would have not changed anything in practice. CRE therefore focuses its assessment only on the "relevant" hours, i.e. those during which a network element operated by RTE effectively limited cross-border exchanges, while ACER considers these hours to be irrelevant for establishing a statistical distribution of the margins available for cross-border trade.

In this regard, **UFE considers CRE's approach relevant** in that it does not incite RTE to implement costly remedial actions to reach the 70 % target or even – in the longer term – to consider important network reinforcements when these do not in practice lead to an increase in cross-border trade and therefore do not bring gain to consumers. **Such an approach should therefore prevail** when it comes to verifying the compliance of a given TSO with the exemptions granted to it by an NRA under Article 16(9) of the Regulation.

In addition, **UFE welcomes the fact that CRE's approach includes exchanges with third countries** – and in particular with Switzerland – to assess the MACZT. Conversely – and although no such exclusion is provided for in Article 16(8) of the Regulation –, ACER considers that flows resulting from trades from and to a third country are not part of the cross-border flows of which the total must be at least equal to 70 %. ACER indicates it relies for this on a non-public guidance from the European Commission of July 16, 2019 which is said to specify that only exchanges with countries whose TSOs have signed a cooperation agreement with all the TSOs of a given capacity calculation region can be taken into account in the calculation of 70 %. UFE considers such a reasoning to be all the less justified that, both in trading and physical terms, an exchange between two Member states (e.g. France and Germany) is strictly equivalent to two successive exchanges passing through a third country (e.g. France-Switzerland + Switzerland-Germany).

**UFE therefore calls on ACER to take into account exchanges with third countries in its future analyses and to improve the transparency of the latter by clarifying or publishing the aforementioned guidance:** given the impact it would likely have on the MACZT assessment, such a document indeed constitutes important information which should be made available to all stakeholders of the European power system.