

January 2024

UFE Response to ACER Public consultation on amendments to the methodology on the Determination of capacity calculation regions (CCR)

Comments regarding the proposed merger of Core CCR and Italy North CCR:

From a general standpoint, UFE is favorable to the efficient extension of the flow-based (FB) capacity calculation and to extend coordination to the largest geographical extent whenever relevant. However, such approach must not overlook the need for caution to avoid negatively impacting existing CORE capacity calculation process and EU SDAC and SIDC processes. The impact analyses and the identification of interactions with existing processes remaining to be carried out, UFE considers it difficult to give an informed opinion. UFE however can share the following remarks:

- In terms of timeline, neither did the works about the prioritization of projects shared in MESC and MCSC identify this issue as being a priority. UFE considers that the implementation of this project should not be prioritized before further assessment. In this perspective, impacts on Euphemia should be strongly considered, both in terms of welfare improvements and computational performance (time to first solution, PRBs, optimality gap, ...). Notably, as the merger will create the unique combination in the SDAC of FB constraints and PUN orders in the IT North bidding zone, the impact on performance in the price determination and pun search sub-problems should be carefully assessed and publicly published.
- In terms of approach, the stepwise choice (segmentation between DA first and extension to ID afterwards) also calls for comments and could give rise to legal uncertainty. Indeed, assigning a given bidding zone border to two different CCRs depending on the timeframe seems to contradict Article 15(2)(b) of CACM, which states that “each bidding zone border [...] shall be assigned to one capacity calculation region”. This provision is admittedly without prejudice of the possibility, as stated in CACM Article 20(5), to consider two adjacent CCRs developing a common FB approach for a given timeframe as one region for

this purpose, but we understand this should not lead to the formal creation of a distinct CCR.

- Furthermore, a first step would have been to finalize the implementation of a FB CCM in the Italy North CCR before proposing a merger between the two CCR, even if it is a partial merger.
- No information is provided on the extent to which this partial merger implies a review of existing methodologies for the day-ahead timeframe: will Italy North simply accept the CORE methodologies, with only minor changes or will there be substantial modifications (in which case what are the foreseen modifications). Furthermore, governance issues should not impact or delay ongoing and existing processes.
- It would have been useful to describe the links/interactions with the implementation of all the other CCR-related obligations according to CACM, FCA, EB, SO as well as any other applicable European legislation to fully appreciate the benefits and challenges of the proposed methodology.
- In spite of the central position of Switzerland in the proposed Central Europe CCR, the amendment proposal very rapidly addresses the issue of its treatment in the various applicable methodologies and refers to contractual arrangements with no further details. UFE considers that as matter of market efficiency and operational security, CACM should define a framework for the inclusion of third countries in the coordinated capacity calculation process and also for congestion management and that Switzerland should be taken into account as much as possible in the operational processes mentioned above.
- Market participants would also need:
 - a proper (18 months) parallel run, including the impacts on the key performance indicators of EUPHEMIA
 - to have the operational transparency at the same level as for the CORE region
 - to understand how the Savoy-Piedmont interconnector will be managed (the same way as Alegro?)

UFE underlines that the proposed approach shall not set a precedent under the current legal framework for defining any other configurations of CCRs comprising only selected timeframes.

Comments regarding the proposed inclusion of the Celtic interconnector (IE-FR) in the new CCR Central Europe:

UFE takes note of this ACER consultation on the integration in the CORE capacity calculation region (CCR) of the Celtic Interconnector planned in 2026 in view of the integration of the Irish

Single Electricity Market (SEM) in the EU market.

From a general perspective, UFE recalls that (i) it supports the idea of an as much coordinated as possible capacity calculation process within the EU borders and at the borders of the EU with third countries and that (ii) any further addition of borders in a CCR must be assessed against the possible joint influence of other borders on power flows and against the possible negative impacts on the capacity calculation processes at regional level and its ongoing evolutions.

UFE understands from former exchanges at national / regional level that two possible options were discussed for coupling SEM with the EU: one being a dedicated CCR and the other the integration into the CORE CCR. The latter seems to have been chosen; in view of point (i) above, UFE is a priori rather supportive of such a choice, but would appreciate more transparency on the pros and cons that led to the present proposal.

Moreover, TSOs have informed in their Capacity Calculation and Allocation (CC&A) Report 2023 (cf. Part 4) that they were developing a framework for Capacity Calculation Region Assessment, responding notably to the request made by ACER in its Decision on the determination of capacity calculation regions (Annex 1) of 7th May 2021. According to ENTSO-E, this framework will be “a ‘toolbox’ used by all TSOs to perform future assessments of CCR configurations”. This framework has been published by ENTSOE in December 2023.

UFE take notes that the choice of solution (integrating the Celtic interconnection into the CORE CCR) was made before the finalization of this new framework. In this context, UFE requests that the reasons for not waiting for the new framework be detailed and provided to market participants. This also raises the question whether the integration of Celtic into CORE could be reassessed with the new framework in case the interconnection with SEM is delayed.

Furthermore, UFE considers this consultation is uncomplete and lacks background analysis, preventing market participants to provide an informed view. UFE asks therefore for an explanatory document addressing the implications on the different timeframes (forward, DA and ID) and detailing that this evolution is not detrimental.

Finally, given the European obligation to implement the AHC on CORE, which is due at the same time as the arrival of Celtic, UFE also asks for confirmation that a dedicated CCR for Celtic or an integration of Celtic interconnector to CORE will have the same impact on capacity calculation and available capacity.

Other feedback:

UFE understands that the Celtic interconnector would be included via advanced hybrid coupling. If this is indeed the case, market participants within UFE reiterate, as they already pointed out in

December 2022 in [a joint position](#) of EFET and MPP, that this subject lacks clarity, and in particular that the impacts on Euphemia should be analyzed in greater detail.

Concerning the handling of interconnectors between EU and British Isles, UFE considers that several issues are of much bigger impact in the landscape than the integration of Celtic into CORE: UFE supports finding rapidly an agreement on (i) the coordination of capacity calculations for the various interconnectors between EU and UK and (ii) the allocation of the resulting capacities. On the latter point, the optimal solution of a full price coupling being unfortunately politically out of sight, a non-regret measure could still be implemented to complement the present default solution in place – i.e. explicit capacity auctions, which are an acceptable second best option and should in any case be preferred to the Multi-Region Loose Volume Coupling (MRLVC) –, namely the merger of EPEX and NPS order books, so as to avoid two different Day-Ahead prices.