

**Approval by the IU Regulatory
Authorities
of
the amended IU TSOs' proposals for the Coordinated
Redispatching and Countertrading Methodology
and
the Redispatching and Countertrading Cost Sharing
Methodology**

19 July 2019

I. Introduction and legal context

This document elaborates an agreement of the Regulatory Authorities within the capacity calculation region Ireland-United Kingdom (IU), agreed on 19 July 2019, on the amended proposals of the Transmission System Operators (TSOs) within the IU capacity calculation region (CCR) for:

- i. a common methodology for coordinated redispatching (RD) and countertrading (CT) in accordance with Article 35 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (Regulation 2015/1222) and;
- ii. a common methodology for redispatching (RD) and countertrading (CT) cost sharing in accordance with Article 74 of Regulation 2015/1222.

This agreement of the IU Regulatory Authorities shall provide evidence that a decision on either methodology does not, at this stage, need to be adopted by the Agency for the Cooperation of Energy Regulators (ACER) pursuant to Article 9(11) of the Regulation 2015/1222. This agreement is intended to constitute the basis on which IU Regulatory Authorities will each subsequently make national decisions pursuant to Article 9(12) of Regulation 2015/1222.

The legal provisions relevant to the submission and approval of the proposals and this IU Regulatory Authority agreement can be found in Articles 3, 9, 35 and 74 of Regulation 2015/1222.

Article 3 of Regulation 2015/1222:

Objectives of capacity allocation and congestion management cooperation

This Regulation aims at:

- (a) Promoting effective competition in the generation, trading and supply of electricity;*
- (b) Ensuring optimal use of the transmission infrastructure;*
- (c) Ensuring operational security;*
- (d) Optimising the calculation and allocation of cross-zonal capacity;*
- (e) Ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;*
- (f) Ensuring and enhancing the transparency and reliability of information;*
- (g) Contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;*
- (h) Respecting the need for a fair and orderly market and fair and orderly price formation;*
- (i) Creating a level playing field for NEMOs;*
- (j) Providing non-discriminatory access to cross-zonal capacity*

Article 9 of Regulation 2015/1222:

Adoption of terms and conditions or methodologies

1. *TSOs and NEMOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*

[...]

5. *Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.*

[...]

7. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:*

[...]

c. the methodology for coordinated redispatching and countertrading in accordance with Article 35(1);

[...]

h. the redispatching or countertrading costs sharing methodology in accordance with Article 74(1)

[...]

9. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*

10. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6, 7 and 8, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*

[...]

12. *In the event that one or several regulatory authorities request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6, 7 and 8, the relevant TSOs or NEMOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authorities. The competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs (6) and (7) within the two-month deadline, or upon their joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009. If the relevant TSOs or NEMOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 of this Article shall apply.*

[...]

14. *TSOs and NEMOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 13.*

Article 35 of Regulation 2015/1222:

Coordinated redispatching and countertrading

1. *Within 16 months after the regulatory approval on capacity calculation regions referred to in Article 15, all the TSOs in each capacity calculation region shall develop a proposal for a common methodology for coordinated redispatching and countertrading. The proposal shall be subject to consultation in accordance with Article 12.*
2. *The methodology for coordinated redispatching and countertrading shall include actions of cross-border relevance and shall enable all TSOs in each capacity calculation region to effectively relieve physical congestion irrespective of whether the reasons for the physical congestion fall mainly outside their control area or not. The methodology for coordinated redispatching and countertrading shall address the fact that its application may significantly influence flows outside the TSO's control area.*
3. *Each TSO may redispatch all available generation units and loads in accordance with the appropriate mechanisms and agreements applicable to its control area, including interconnectors.*

By 26 months after the regulatory approval of capacity calculation regions, all TSOs in each capacity calculation region shall develop a report, subject to consultation in accordance with Article 12, assessing the progressive coordination and harmonisation of those mechanisms and agreements and including proposals. The report shall be submitted to their respective regulatory authorities for their assessment. The proposals in the report shall prevent these mechanisms and agreements from distorting the market.

4. *Each TSO shall abstain from unilateral or uncoordinated redispatching and countertrading measures of cross-border relevance. Each TSO shall coordinate the use of redispatching and countertrading resources taking into account their impact on operational security and economic efficiency.*
5. *The relevant generation units and loads shall give TSOs the prices of redispatching and countertrading before redispatching and countertrading resources are committed.*

Pricing of redispatching and countertrading shall be based on:

- (a) prices in the relevant electricity markets for the relevant time-frame; or*
- (b) the cost of redispatching and countertrading resources calculated transparently on the basis of incurred costs.*

6. *Generation units and loads shall ex-ante provide all information necessary for calculating the redispatching and countertrading cost to the relevant TSOs. This information shall be shared between the relevant TSOs for redispatching and countertrading purposes only.*

Article 74 of Regulation 2015/1222

Redispatching and countertrading cost sharing methodology

1. *No later than 16 months after the decision on the capacity calculation regions is taken, all TSOs in each capacity calculation region shall develop a proposal for a common methodology for redispatching and countertrading cost sharing.*
2. *The redispatching and countertrading cost sharing methodology shall include cost-sharing solutions for actions of cross-border relevance.*
3. *Redispatching and countertrading costs eligible for cost sharing between relevant TSOs shall be determined in a transparent and auditable manner.*
4. *The redispatching and countertrading cost sharing methodology shall at least:*

- (a) *determine which costs incurred from using remedial actions, for which costs have been considered in the capacity calculation and where a common framework on the use of such actions has been established, are eligible for sharing between all the TSOs of a capacity calculation region in accordance with the capacity calculation methodology set out in Articles 20 and 21;*
 - (b) *define which costs incurred from using redispatching or countertrading to guarantee the firmness of cross-zonal capacity are eligible for sharing between all the TSOs of a capacity calculation region in accordance with the capacity calculation methodology set out in Articles 20 and 21;*
 - (c) *set rules for region-wide cost sharing as determined in accordance with points (a) and (b).*
5. *The methodology developed in accordance with paragraph 1 shall include:*
- (a) *a mechanism to verify the actual need for redispatching or countertrading between the TSOs involved*
 - (b) *an ex post mechanism to monitor the use of remedial actions with costs;*
 - (c) *a mechanism to assess the impact of the remedial actions, based on operational security and economic criteria;*
 - (d) *a process allowing improvement of the remedial actions;*
 - (e) *a process allowing monitoring of each capacity calculation region by the competent regulatory authorities.*
6. *The methodology developed in accordance with paragraph 1 shall also:*
- (a) *provide incentives to manage congestion, including remedial actions and incentives to invest effectively;*
 - (b) *be consistent with the responsibilities and liabilities of the TSOs involved;*
 - (c) *ensure a fair distribution of costs and benefits between the TSOs involved;*
 - (d) *be consistent with other related mechanisms, including at least:*
 - (i) *the methodology for sharing congestion income set out in Article 73;*
 - (ii) *the inter-TSO compensation mechanism, as set out in Article 13 of Regulation (EC) No 714/2009 and Commission Regulation (EU) No 838/2010 (5);*
 - (e) *facilitate the efficient long-term development and operation of the pan-European interconnected system and the efficient operation of the pan-European electricity market;*
 - (f) *facilitate adherence to the general principles of congestion management as set out in Article 16 of Regulation (EC) No 714/2009;*
 - (g) *allow reasonable financial planning;*
 - (h) *be compatible across the day-ahead and intraday market time-frames; and*
 - (i) *comply with the principles of transparency and non-discrimination.*
7. *By 31 December 2018, all TSOs of each capacity calculation region shall further harmonise as far as possible between the regions the redispatching and countertrading cost sharing methodologies applied within their respective capacity calculation region.*

II. The IU TSOs proposals

IU TSOs have submitted amended proposals for the RD and CT methodology and for the RD and CT cost sharing methodology which are examined in turn. The IU TSOs submitted the revised RD and CT and RD and CT cost sharing proposals on the 24th May 2019. Regulation 2015/1222 requires the competent Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and take decisions within two months following receipt of an amended proposal by the last regulatory authority. A decision is therefore required by each Regulatory Authority by 24 July 2019.

RD and CT methodology

The RD and CT methodology proposes a common approach within the IU CCR for the effective and economically efficient use of coordinated remedial actions which have the effect of relieving physical congestions within a control area of an IU TSO. The methodology includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222, in line with Article 9(9) of Regulation 2015/1222.

The proposal for a coordinated RD and CT methodology was consulted on by the IU TSOs through ENTSO-E between 12 January 2018 and 12 February 2018¹, in line with Article 35 and Article 12 of Regulation 2015/1222. The IU TSOs submitted an original RD and CT proposal in March 2018. The IU Regulatory Authorities issued a first request for amendment (RfA)² on 14 September 2018. The IU TSOs subsequently submitted an amended proposal on 23 November 2018. The IU Regulatory Authorities submitted a second RfA on 15 January 2019³ based on a number of issues which had not been addressed from the initial RfA.

RD and CT cost sharing methodology

The coordinated RD and CT cost sharing methodology proposes common cost sharing solutions for actions of cross-border relevance within the IU CCR in accordance with Article 74(2) of Regulation 2015/1222. The methodology includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222, in line with Article 9(9) of Regulation 2015/1222. This proposal is not subject to consultation and the IU TSOs did not consult on the methodology.

The original RD and CT cost sharing methodology proposed by IU TSOs, was received by the IU Regulatory Authorities in March 2018. The IU Regulatory Authorities issued a RfA on 14 September 2018. The IU TSOs subsequently submitted an amended proposal on 14 November 2018. IU Regulatory Authorities submitted a second RfA on 15 January 2019 based on issues which had not been addressed from the initial RfA.

III. IU Regulatory Authority position

In their second RfA, the IU Regulatory Authorities requested several amendments in order to ensure the methodologies included the necessary level of detail and transparency to be considered satisfactory. This section assesses the main changes made by IU TSOs in their last proposals, which are examined in turn :

¹ The public consultation is available on the ENTSO-e website: https://consultations.entsoe.eu/markets/iu-tsos-methodology-for-coordinated-r-c/consult_view/

² The first IU Regulatory Authorities RfA for the RD&CT and RD&CT Cost Sharing is available here: <https://www.ofgem.gov.uk/publications-and-updates/ofgem-decisions-regarding-iu-tsos-proposal-coordinated-redispaching-rd-countertrading-ct-methodology-and-iu-tsos-proposal-rd-ct-cost-sharing-methodology>

³ The second Regulatory Authorities RfA for the RD&CT and RD&CT Cost Sharing methodologies is available here : <https://www.ofgem.gov.uk/publications-and-updates/decision-request-amendment-redispaching-and-countertrading-and-redispaching-and-countertrading-cost-sharing-methodologies>

1. RD&CT methodology

- a) RD&CT Procedures:** In their previous proposals, IU TSOs indicated their intention to describe the process to both select RD&CT actions and determine the cost of these actions in separate RD and CT operational procedures. Such procedures would be established between relevant TSOs of each bidding zone border in the IU CCR during the implementation phase of these methodologies and would not be submitted to IU Regulatory Authorities for approval.

IU Regulatory Authorities are of the view that methodologies should be standalone documents and should contain all the elements required in the relevant Articles of Regulation 2015/1222. It is of critical importance for the methodologies to contain all the relevant principles at the heart of the methodology so that the methodologies can be deemed to contain an appropriate level of transparency necessary to be approved. IU Regulatory Authorities therefore requested that the RD&CT methodology include the key principles for the coordination of RD&CT actions.

In their latest proposals, IU TSOs have provided additional details on:

- The types of RD&CT actions
- The process to select RD&CT actions
- The rules to calculate the costs of RD&CT actions

IU Regulatory Authorities consider that the RD and CT and RD and CT cost sharing methodologies now contain all such relevant principles and can therefore be deemed to contain an appropriate level of transparency for market participants.

- b) Provisions to reduce NTC values:** IU Regulatory Authorities asked IU TSOs to remove all provisions allowing a reduction of NTC values as determined by the day-ahead and intraday capacity calculation. The IU RAs consider that such provisions are out of the scope of the RD&CT and RD&CT cost sharing methodologies. In their latest proposals, IU TSOs have removed all such provisions.
- c) Deadline to exchange information on price and volume:** IU Regulatory Authorities asked IU TSOs to define clear deadlines to exchange information on both the volume available for RD&CT actions and the price of these actions. The TSOs have now clarified that the deadline to exchange this information will be at 19.00 of the day before delivery.
- d) Rejection of a remedial action:** IU Regulatory Authorities asked IU TSOs to detail the framework in case TSOs reject a remedial action proposed by the regional security coordinator (RSC). IU TSOs have specified that in case of a rejection of a remedial action, the RSC will propose a second remedial action. If this action is also rejected, the requesting TSO will use local emergency actions.

2. RD&CT Cost Sharing

- a) Principles of cost sharing:** IU Regulatory Authorities requested that TSOs include the costs and incomes of RD in the total cost of coordinated RD and CT. IU TSOs have amended their proposals to include the relevant costs and incomes in the total costs of coordinated RD and CT.

In light of the above assessment and considerations, IU Regulatory Authorities share the opinion that the amended RD and CT and RD and CT cost sharing methodologies have been amended to a satisfactory degree and can be approved.

Actions

The IU Authorities have assessed, closely cooperated and coordinated to reach an agreement that the amended RD and CT methodology and RD and CT cost sharing methodology meet the requirements of the Regulation 2015/1222 and as such can be approved by relevant Regulatory Authorities.

The IU Regulatory Authorities must therefore make their decisions, on the basis of this agreement, by 24 July 2019. The RD and CT methodology and RD and CT cost sharing methodology will be adopted upon the decision of the last Regulatory Authority concerned.

Following national decisions by the IU Regulatory Authorities, the IU TSOs will be required to publish the amended proposals as approved in line with Article 9(14) of Regulation 2015/1222. The IU TSOs must meet the implementation deadline required respectively by Article 16(2) and Article 7(1) of the amended RD and CT methodology and the amended RD and CT cost sharing methodology.