

## **Febeliec answer to the CREG consultation (PRD)1778 on the request for approval from Elia System Operator on the common proposal for the modification of the CWE FBMC approval package with the introduction of the German-Austrian border and the implementation of the 20% minRAM rule**

Febeliec would like to thank the CREG for this consultation (PRD)1778 on the request for approval from Elia System Operator on the common proposal for the modification of the CWE FBMC approval package with the introduction of the German-Austrian border and the implementation of the 20% minRAM rule. As generally known, Febeliec has always been a strong proponent of European market integration and as such always welcomes all the steps that are taken to move towards a more integrated market. On the consultation at hand and before diving into more concrete comments on the proposal, Febeliec would like to reiterate this position by stating that it is not convinced that splitting bidding zones is the right approach towards market integration (which goes much further than mere market coupling), unless no better options are available. Febeliec understands the political background of the proposed solution from German and Austria, but is not convinced that no better options were available; the decision is the result of a political compromise and does not have integration of markets at its core. Moreover, it is only a patch to solve the issue of non-sufficient and not fast enough investments in national (internal) transmission capacity. Bidding zone delineation is used here in a way that is only triggered by national/local issues and according to Febeliec not in line with the spirit of a unified European market, even though Febeliec also admits that this can alleviate some of the negative side- and spillover effects of the lack of investments in transmission capacity in Germany on its neighbours. Moreover, and also as a general comment, Febeliec has questions as towards the 20%minRAM rule that is being introduced on request of the NRAs, as this is on the one hand a step in the good direction, as this fosters more integration of markets, but at the same time brings forward questions on cost sharing in case costly remedial actions have to be taken (with a polluter pays principle, where the one causing the issue because of underinvestment and thus non-correct usage of the neighbouring transmission grids by inducing massive loopflows should be the one paying for them) but also raises the question on the basis for applying a 20%-rule and not any other value, especially taking into account that for the German-Austrian border a much larger value is being assigned. Especially the latter creates questions about discrimination and self-serving from certain parties and does not reflect at all the spirit of European integration. In the end, the grid users pay for 100% of the cross-border capacity and not for a mere 20%.

On the **documentation of the CWE FB MC solution**, Febeliec would like to raise following comments and questions:

- Febeliec takes note of the reference to the SPAIC DE-AT. Febeliec has no specific comments on this document at this point, but invites all CWE NRAs to thoroughly continue monitoring this new situation and report regularly to stakeholders on the impact.
- Is there any impact on the choice between Flow-Based plain and Flow-Based intuitive as a result of the introduction of the 20%minRAM and the DE-AT split?
- With respect to the threshold for the assessment of the relevance for the system of selected Critical Branches, Febeliec strongly urges regular updates of the applied threshold as well as the impact thereof on the selection of critical branches, in order to avoid unnecessary introductions of new critical branches or the unnecessary maintenance of historic critical branches that are no longer relevant (e.g. through the introduction of new lines and cables or other network investments, the application of technologies as Ampacimon, better modelling tools, more hands-on experience, ...)
- Febeliec takes notice of the application of remedial actions to cover the LTA domain as a minimum target and keeps on supporting this approach. Nevertheless, Febeliec wonders what will happen if these remedial actions will no longer be sufficient to do so. In any case, Febeliec wants to strongly oppose any initiative from the CWE TSOs to reduce the long-term allocated capacity below historically allocated values, in other words, a regression to a lesser situation is in any case unacceptable.
- With respect to the guidelines mentioned in footnote 6 (p42), Febeliec understands that it is very difficult to codify the expertise and experience of TSOs but also urges not to be too lenient on this element and in any case not accept it for any reduction of capacity (Cf. previous point), as this element is so intangible that it can open the door for arbitrariness.
- The paragraph included on p61 should be clarified as it is unclear what the implications of this inclusion will be on the flow-based domain and thus the cross-border flows. Febeliec is pleased to see that the German external constraint will be lifted with the introduction of the German-Austrian Bidding Zone border as of 01/10/2018.
- As listed above, Febeliec is not entirely pleased with the 20%minRAM approach, although it is already an improvement compared to the current situation. However, Febeliec also takes note that a TSO may decide not

to apply the minRAM in certain circumstances on specific CBCOs or the full set of the TSOs' CBCOs, justified to regulatory authorities. For Febeliec, any exception in negative direction should be duly and extensively be justified. Moreover and in general, Febeliec also wants to indicate that the minRAM patch is only a minimal volume that should be given to the market and that TSOs should continue to strive to increase the RAM beyond the currently proposed 20% threshold and in any case make available as much capacity as possible, in order to evolve towards real market integration.

- The paragraph included on p82 should be clarified as it is unclear what the implications of this inclusion will be on the flow-based domain and thus the cross-border flows.

On the **methodology for capacity calculation for ID timeframe**, Febeliec would like to raise following comments and questions:

- Why is it not foreseen to include the border between Germany and Austria in the process (point 4.3.1.1)? Is this merely the result of a lack of time to implement this in the same timeframe or is there some other parameter for this border which makes such re-computation of ID ATC during the intraday timeframe impossible?

On the **congestion income allocation under Flow-Based Market Coupling**, Febeliec would like to raise following comments and questions:

- Febeliec understands that with the split of the German and Austrian bidding zone a new solution is needed to cope with flows to and from external bidding zones vis-à-vis CWE and takes note of the introduced concept of the Slack Zone. Nevertheless, such approach for the determination of external flow values and especially the fact that the total cost can be different from the congestion income and that those hubs with external flows might have to solve discrepancies between both should not in any case impact non-concerned hubs/bidding zones. Moreover, Febeliec wonders whether the approach with one single slack zone will be maintainable in case flow-based market coupling is extended beyond CWE (or new interconnectors are being introduced between CWE and non-CWE bidding zones) and expands in multiple directions, thus leading to many more external flows with many more involved parties.
- Febeliec on the above point is pleased to see that an analysis and re-evaluation of the proposed methodology is foreseen for respectively months 6 and 12 following go-live of the DE-AT split with respect to congestion income allocation results. In any case, febeliec is adamant that the introduction of this split, as a partial solution for underinvestment in Germany's internal grids, can under no circumstance lead to a deterioration of the situation for the other CWE bidding zones, especially not since a unilateral (political) decision from the concerned two countries has already increased the minRAM on this border to substantially above the 20% which is applied for all other borders.