

ELIA TRANSMISSION BELGIUM NV
De heer C. Peeters
Chief Executive Officer
De heer F. Dunon
C.O. Customers, Market & System
Keizerslaan 20
1000 BRUSSEL

Per e-mail met ontvangstbewijs

Directie

Technische werking van de markten

Brussel

28.04.2022

Uw kenmerk**Ons kenmerk**

2022I/T060/V186-CDC04.28
ATI/NSC/WGO

Contactpersoon

Nico Schoutteet
+32 2 289 76 72
nsc@creg.be

Verzoek om informatie over de positionering van Elia met betrekking tot het uitstel van de geplande *go-live* van het Core DA FB MC Project

Geachte heren,

In het kader van de implementatie van het *Core Day-Ahead Flow-Based Market Coupling Project* communiceerden de deelnemende partijen (Core TSB's en NEMO's) op 8 april 2022 via een persbericht het uitstel van de vooropgestelde deadline voor de inwerkingtreding van dit marktkoppingsproject.

De CREG is zich bewust van de moeilijkheden waarmee het project sinds de goedkeuring van de beslissing door ACER ("*Decision No 02/2019*") in februari 2019 te kampen heeft. Dit is in het bijzonder het geval na de analyse van de resultaten van de *external parallel runs* en de discussies met betrekking tot de beslissing door ACER in verband met de *intraday* capaciteitsberekeningsmethodologie.

Deze problemen werden bij verschillende gelegenheden tussen vertegenwoordigers van de CREG en Elia en andere Core NRA's, ACER, TSB's, NEMO's en andere belanghebbenden besproken, onder meer tijdens de vergaderingen van de Core CG (29 maart), de WG SO & EMD (31 maart), de Core IG en IG+ (1 april, 5 april en 12 april).

Tijdens deze vergaderingen en het bilateraal overleg tussen de experts van de CREG en Elia is duidelijk gebleken dat Elia één van de partijen is die tegen de *go-live* van het project op 20 april 2022 gestemd heeft (samen met het Franse RTE en het Hongaarse MAVIR). Door de unanimiteitsregel die door de Core TSB's wordt gehanteerd bij dergelijke beslissingen, heeft de positionering van Elia dus een rechtstreekse impact gehad op het uitstel van de *go-live* van het project.

Op basis van deze overlegmomenten heeft de CREG reeds een beeld van de argumentatie die Elia heeft gehanteerd ter ondersteuning van haar standpunten. De CREG wenst te bevestigen dat ze, op basis van de informatie waarover ze over dit moment beschikt, van mening is dat het uitstel van de *go-live* een gepaste maatregel was in het licht van de moeilijkheden die – onder meer door de CREG zélf, maar ook door Elia en de andere betrokken TSB's – werden geïdentificeerd. Dit standpunt werd in de afgelopen weken ook meerdere malen door de CREG verdedigd en expliciet uitgesproken tijdens de eerder vermelde vergaderingen.

Teneinde echter een volledig beeld te krijgen van de argumentatie van Elia en de problematiek die tot de beslissing van de Core TSB's heeft geleid, wenst de CREG de mogelijkheid te geven aan Elia om haar argumentatie te verduidelijken, te ondersteunen of aan te vullen met alle elementen die zij relevant acht. De CREG vraagt deze (bijkomende) informatie om te kunnen onderzoeken in welke mate de genomen beslissingen van Elia, maar ook van andere TSB's, gerechtvaardigd zijn. Daarnaast dient te worden geëvalueerd hoezeer de geplande acties in aanloop naar de nieuwe geplande datum voor de *go-live* (8 juni 2022) op realistische wijze toelaten om gepaste maatregelen te nemen om de oorspronkelijke bezorgdheden het hoofd te bieden.

De CREG verzoekt Elia om deze eventuele bijkomende informatie – in een door Elia gekozen formaat en niveau van detail – te bezorgen **tegen uiterlijk 13 mei 2022**. In parallel zal de CREG haar eigen onderzoek, op basis van de door haar geïdentificeerde problemen en haar analyse van de eerder gevoerde besprekingen, uitvoeren en te gepasten tijde overleg inplannen met Elia.

Alvast hartelijk dank voor uw medewerking. Mocht u vragen of opmerkingen hebben bij dit verzoek om informatie, verwijzen wij u graag door naar de contactpersoon in rubriek van deze brief.

Hoogachtend,

Digitally signed by
CREG on behalf of
Andreas Tirez
Date: 28/04/2022
15:31:58

Andreas TIREZ
Directeur

Digitally signed by
CREG on behalf of
Koen Locquet
Date: 28/04/2022
15:32:08

Koen LOCQUET
Wvd. Voorzitter van het Directiecomité

Elia's justifications to postpone the go-live have been already shared (jointly with RTE) with Core IG+ members on 31/03 and it has been discussed in Core IG on 01/04.

A further justification was provided to Core NRAs on 26/04, upon their request, reminding prior input and sharing some additional elements that were noticed during the period between 31/03 and the decision moment on 7/04. Some relevant legal references were also added, even though it should not be considered as a legal analysis.

Upon CREG request, Elia gathered in this presentation the previous inputs to explain what led Elia to postpone the Core FB DA go-live (slide 2-4). This is complemented by Elia's assessment of the ability of the measures agreed by Core TSOs to mitigate the concerns that have led to the delay (slide 5-6).

- The objectives of CACM are defined in art 3 of CACM. One of the purposes of Core flow-based is to improve market functioning.
- The parallel run results led Elia to raise three main concerns:
 1. **Stability concern:** there were evidences that the success rate of the capacity calculation process was not in line with current operational practice, with fallback processes triggered several times per month instead of very seldom occurrences per year in operations. Annex 1 shows that since the beginning of the year and including during the last month (March), the net positions of many bidding zones were strongly affected by an unstable capacity calculation process.
 2. **Intraday capacity concern:**
 - The indications were that a major step back was most likely to happen in terms of capacity for the intraday market (see Annex 2).
 - Essentially, how the intraday market would have been affected (and balancing markets relying on the left-over of the same capacities), and what would have been the trajectory of improvements after go-live was widely unknown for TSOs, NEMOs and market participants.
 - The concern was also related to the fact that ACER decision on Core ID CCM was due on 13th April, preventing TSOs to fully consider it and to implement anything facilitating improved capacities before a go-live on the 20th April. Some improvements were planned, but they would have come only later, with an unclear timeline and no commitments in terms of results.

3. Undue discrimination concern:

- It was observed that several TSOs recurrently rely on reduction of RAM below the "absolute minimum" of RAM of 20%. This is observed beyond the cases of fallbacks for individual validation (that could be hopefully be solved by stabilizing the process). For some TSOs, even excluding these fallback cases, such reductions are observed for up to 5% of the MTU (Annex 3).
 - This practice, while allowed currently in CWE, is closely monitored and lead to specific publications (ad hoc market messages for each occurrence) and dedicated reporting towards NRAs. This testifies of a key learning and agreement that was reached by CWE NRAs that providing 20% RAM is an essential feature to allow flow-based market coupling to function efficiently (avoiding empty or very small domains), and in turn mitigate the issue of undue discrimination (where internal trades and trades outside of the Core region are prioritised with respect to trades inside the Core region)
 - This key learning and agreement was also reflected in ACER decision on Core DA CCM (Annex 3) and meant to be pursued in the Core region. From the results, this philosophy has been completely lost during the implementation.
- Additional evidences of these concerns are given in CREG's *Note on the functioning and the results of the Core Day-Ahead Flow-Based Market Coupling Project's external parallel runs* – available [here](#).
 - Additionally, we have seen that market parties (jointly: EFET, IFIEC, MPP) were expressing strong doubts on the results, due to the lack of relevant data for the DA timeframe and the uncertainties on the level of ID capacities, which was particularly worrisome for them in current market circumstances – available [here](#). Considering the views of market participants appears essential in the market facilitator role of the TSOs.

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- The obligation to implement by the deadline provided in the methodology¹ should be considered in the light of CACM objectives as stated in Art. 3, and in particular to these specific objectives that can be put in relation to the concerns expressed above:
 - (a) promoting effective competition in the generation, trading and supply of electricity;
 - (b) ensuring optimal use of the transmission infrastructure;
 - (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;
 - (h) respecting the need for a fair and orderly market and fair and orderly price formation;
 - (j) providing non-discriminatory access to cross-zonal capacity.
- Furthermore, Core DA CCM provides (Art. 28(4)) that *during the internal and external parallel runs, the Core TSOs shall continuously monitor the effects and the performance of the application of this methodology*. A possible outcome of such monitoring could naturally be a negative assessment of the effects and performances of the methodology, which should in turn lead to a decision of postponement of the go-live.

From our perspective, the (small) benefits and (high) risks were clearly asymmetrical, and going live would have appeared as gambling with market functioning especially given the tense market situation and the clear request from the market participants to postpone to the go live

Elia has assessed the situation, against the backdrop of a complex and multi-faceted legal framework with many nuanced requirements, and concluded on 7/04 not appropriate to support a go-live on 20/04

1: Notwithstanding the fact that the deadline was already overdue

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Elia's assessment of the measures agreed by Core TSOs to mitigate the concerns having led to the postponement (1)

- Following the delay of the go-live, Core TSOs quickly discussed and agreed on a series of improvements to mitigate the concerns that were expressed by the blocking parties. The action plan identified as outcome is given in Annex 4.
- Elia's evaluates that this action plan allows tackling properly the identified concerns. More specifically:
 - In relation to stability: more time is given to stabilise the local and regional processes, and a 4-week observation period was agreed to prove the stabilization of the processes. A commitment to keep monitoring and mitigating any issue until go-live has been agreed. This approach allows getting more confidence on the processes, in stark contrast with the unstable period that preceded the go-live decision.
 - Elia notes that in April, the EXT // run process stability improved with 2 BD (20/04 and 24/04) being impacted by a fallback in TSO individual validation and for which mitigation measures are being put in place.
 - In relation to ID capacity: the additional time allowed defining a clear trajectory to achieve reasonably close to historical frequency of ID ATC = 0, with improvements implemented before go-live (allowing implementing as much as possible the decision taken by ACER on 13th April on ID CCM), with a monitoring approach, and with a commitment to keep monitoring and improving after the go-live based on operational experience.
 - Elia assesses that this overall approach is significantly mitigating the negative effects that were expected on the intraday capacities, hence on the EU intraday market, compare to the situation that was expected at the time of the decision for go-live.
 - Elia notes additionally that, at the time of this evaluation on 13th May, it remains unsure whether it will be possible for CWE TSOs to adapt their processes to be compliant with ID CCM decision. This hints that a go-live on 20th April would have led with certainty to incompliance with this methodology.

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Elia's assessment of the measures agreed by Core TSOs to mitigate the concerns having led to the postponement (1)

- In relation to undue discrimination: a targeted reporting for NRAs on the occurrence of RAM below 20% is agreed, which is essentially the same approach than in CWE. This allows keeping a focus on this important element of a properly functioning flow-based market coupling.
 - Despite the occurrence of RAM below 20% being higher in Core than in CWE, this is not linked from a methodological or legal perspective to the transition from CWE to Core. It is rather that the focus of the monitoring of this results has eroded with time in CWE, and was completely gone in Core.
 - It appeared essential to Elia to keep the CWE acquis (that were obtained in 2018 based on 3 years of operations) when transitioning to Core. In Elia's view, it is not only important for Belgium but more broadly for the whole Core region and even the European internal energy market to ensure that some absolute minimum level of capacity is offered for cross-zonal market coupling. Elia also acknowledges that this is part of a broader and complex discussion, connected to 70% monitoring in particular. The focus is hence to enable the right discussions based on the right data, rather than setting expectations in terms of results, since such expectations were also not clearly set in CWE.
- With this action plan, Elia does not have indications that the transition to Core would represent a step back, nor for Belgium nor for the European internal energy market, compared to the current situation. To the contrary, a stable and properly functioning flow-based approach in the Core region is bringing benefits thanks to methodological improvements (e.g. better management of the loop flows thanks to PSTs) and a broader geographical scope.
- Elia hence assesses that the objectives of CACM are adequately met, and that the outcome of the monitoring of the effects and the performance of the application of this methodology during the parallel run (pursuant to Core CCM Art. 28(4)) is positive. The action plan also brings a prospect of further improvements after go-live.

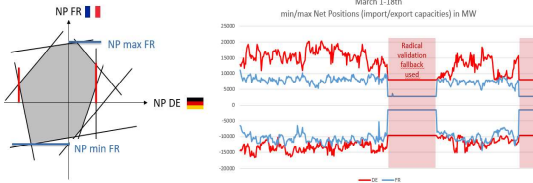
Elia was in position to support Jun 8th as the new go-live date since the key concerns Elia raised have been properly mitigated by the action plan that Core TSOs put in place.

Elia welcomes that the delay is minimized, as it hereby avoids disruption on further projects that need to be implemented in the internal energy market (15 min, intraday auctions, etc.)

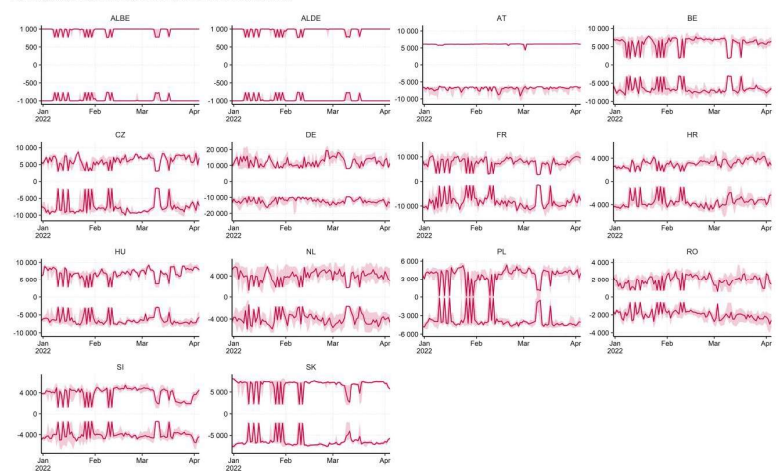
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Annex 1 : DA capacities: evidences of unstable process

Impact of the ultimate fallbacks of local validation for March 1st - 18th: example on DE and FR hubs



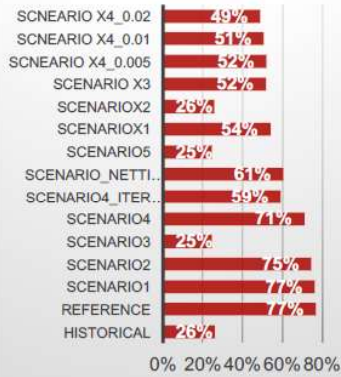
Maximum export and import positions per Core BZ



Annex 2: ID capacities: expectations about major increase of frequency of zero capacity on Core borders and Core TSOs' high level commitment to improve the situation

KPI 2

Frequency_ATC_0 (%)



Frequency of no capacity on average on Core borders

Likely (but not guaranteed) level of capacity at Core go-live

Historical level

Annex 3: Occurrence of breaches of the absolute minimum of 20% on RAM - period 1/10/2021 – 31/3/2022

(126) Then, the Agency provided a formula for the adjustment of minimum RAM as a function of the minimum RAM factor (R_{min}), which by default is equal to 0.7 (i.e. 70% of the maximum admissible flow (F_{max}) as described above). In order to prevent that the RAM in the Core CCR fell to extremely low or even negative values due to high unscheduled allocated flows, the Agency provided a second absolute minimum threshold from RAM to be equal or higher than 20% of the maximum admissible flow (F_{max}) with the objective that, regardless of the value of unscheduled allocated flow, the RAM for the Core CCR should never fall below 20% of the maximum admissible flow (F_{max}). As all Core TSOs have committed to guarantee this value of RAM in their Amended Proposals independently of the volume of unscheduled allocated flows, the Agency considers that this value should not be questionable. With this absolute threshold, the Agency provided a final formula for the adjustment of minimum RAM, which is the maximum of the following two minimum values:

- (a) 70% of the maximum admissible flow (F_{max}) reduced by unscheduled allocated flows; or
 (b) 20% of the maximum admissible flow (F_{max}).

	CNECs with 20%minRAM violations: all observations	CNECs with 20%minRAM violations: excluding DFP/spanning	CNECs with 20%minRAM violations: excluding DFP/spanning or fallback from IVA issues	Distinct MTUs (CNECs with 20%minRAM violations: excluding DFP/spanning or fallback from IVA issues)
AT - APG	47689	47686	2112	280
BE - Elia	3964	3964	168	15
CZ - CEPS	0	0	0	0
DE - 50Hertz	9311	9308	232	112
DE - Amprion	639056	639056	17179	294
DE - TenneT GmbH	82615	82615	3034	173
DE - TransnetBW	311526	311526	12393	151
FR - RTE	4	4	4	4
HR - HOPS	94	93	83	83
HU - MAVIR	0	0	0	0
NL - TenneT BV	80853	80853	2763	258
PL - PSE	95046	86031	14943	228
RO - Transelectrica	636	636	252	136
SI - ELES	32	32	18	17
SK - SEPS	1	1	1	1

Note: a threshold of 19.5% instead of 20% has been applied to filter out rounding errors

Annex 4: Core TSO improvements / commitments following the delayed go-live (as shared in Core IG 17/05)

Introduction

- Due to the blocking concerns from Elia, RTE and MAVIR (from Core TSO side) and EPEX, NordPool and HUPX (from Core NEMO side), the Core FB DA MC go live planned for April 20th was postponed.
- During a dedicated workshop on April 14th, Core TSOs addressed the three concerns adequately and reached an agreement for Core TSO improvements / commitments supporting a go live as soon as possible and ultimately before the summer.

Core TSOs would like to inform Core NRAs of the agreed Core TSO improvements / commitments.

1. Assessment based on concrete evidences of the stabilization of the regional and individual processes and monitoring in general if targets defined are met during 4 weeks in a row until go-live decision – **CONFIRMED**
 - On April 21st, Core TSOs confirmed process stability and agreed to keep monitoring of the regional and individual processes in place until go live.
 - Core TSOs committed to the new go live date and the general spirit is to focus on mitigating risks / resolving issues when these occur.
2. Define a clear trajectory to achieve reasonably close to historical frequency of ID ATC = 0 before and after the go-live - ONGOING
 - A. Improvements before Core FB DA MC go-live - ONGOING
 - i. Algorithmic improvements
 - Improvements of the objective function
 - Change of parameters based on analysis expected end of May
 - PTFDF filtering threshold to be implemented
 - WSUM (i.e. controlling trade-off between min ATC and avg (ATC)
 - ii. Local processes in place to facilitate a decrease and/or bilateral increase values
 - 13/15 TSOs have such a process in place with increases in the range of max 300 MW
 - 50Hertz, Amprion, APG (for AT-DE border), CEPS, Elia, HOPS, Mavir, PSE, RTE, SEPS, TTG (CWE borders), TTN, TNG

Annex 4: Core TSO improvements / commitments following the delayed go-live (as shared in Core IG 17/05)

- B. Monitoring - ONGOING
 - Insights into results following ID ATCs algorithmic improvements
 - EXT // run ID ATC values (based on go-live parameters) – March (available)
 - Analysis further improved results (30 days) end of May
 - Improved objective function
 - Analysis of PTDF filtering threshold
 - WSUM (i.e. controlling trade-off between min ATC and avg (ATC) end of May
 - Computation of isolation of BZs KPI
 - End of May - Intermediate check of algorithmic improvements and if ID ATCs are not reasonably close to historical frequency of ID ATC = 0, increase priority of improvements after go-live
 - C. Improvements after Core FB DA MC go-live
 - If ID ATCs are not reasonably close to historical frequency of ID ATC = 0 after the algorithmic improvements, Core TSOs will have a dedicated workshop to discuss improvements after go live
 - All Core TSOs are willing to monitor the results and continue further improvements after Core FB DA MC go-live
 - Local processes to facilitate a decrease and/or bilateral increase values
 - 2 TSOs initiated the work to implement such process: TEL, ELES
 - Local tools with the aim to further change the parameters to strive for higher capacities, while respecting operational security - disclaimer: values might be lowered when there is better visibility on the risks
 - 9/15 TSOs have such a tool in place already or can do this without a tool (Amp, CEPS, Elia, HOPS, Mavir, PSE, RTE, SEPS, TTN)
 - 2/15 TSOs planned this around September (50 Hertz, APG (of none CWE borders))
 - 2/15 TSOs initiated the work, but planning is not available yet (TTG, TNG)
 - 2/15 TSOs will monitor the developments in operations and act in accordance (ELES, TEL)
3. Implement targeted reporting and possibly publication related to the occurrence of RAM below 20% – ONGOING
- A. Dedicated report to be integrated into the already foreseen reporting structure – ONGOING
 - Content and structure of table/graph to be discussed in more detail by Flow based experts
 - B. Inform Market Parties on the minRAM <20% possible occurrence and where this can be found in PuTo