



## **ACER consultation on amendments to the Core intraday capacity calculation methodology (IDCCM)**

**Joint response – 31 July 2023**

The European Federation of Energy Traders (EFET), Market Parties Platform (MPP) and the International federation of industrial energy consumers (IFIEC) welcome the opportunity to provide comments regarding the ACER consultation on the amendments to the Core IDCCM.

### **Key messages:**

1. the success of this new IDCCM lies on the implementation and functioning of the regional operational security coordination (ROSC).
2. we share the view that the use of minimum capacity remains necessary during the interim period and until the advent of ROSC.
3. we favour keeping the validation purely flow-based.

Our general feedback is that intraday (ID) markets bear the critical role of performing the transition from the Day-Ahead (DA) towards real-time operation and balancing the grid. We believe that the “transition” between the market and the real-time operations of the grid must be done progressively. In other words, large, sudden and systemic capacity contractions in ID compared to the amounts allocated in DA may harm global economic efficiency and provide the wrong incentives to market participants.

Besides these remarks, we also comment on the proposed IDCCM. The current process consists in an initial extraction of DA leftover as Available Transmission Capacity (ATC), which are then fed into XBID (continuous trading). Upon go-live of Core Flow-Based in June 2022, this initial Intraday ATC extraction algorithm was transformed from an iterative search to a mathematical optimization. Since its implementation, the optimization approach has proven to be:

1. Robust: very few operational issues have been encountered.
2. Safe: a single, early calculation from the DA leftover with increase/decrease has never led to major concerns in terms of ensuring operational resilience and security of supply
3. Effective: the frequency of isolation when no ATC is released in either direction of a border has been noticeably reduced while the average ATC value across the Core region has been maintained at a level comparable to that of the iterative search. This is also thanks to the chosen parameter values for the algorithm (PTDFz2z threshold, minRAM levels, w\_sum weight,...).

With the new IDCCM proposal, a major paradigm shift is introduced: the pre-congestion in these domains shall no longer be addressed by means of virtual capacity (minRAM,...) and Non-costly Remedial Action (NRAO) optimization, but by the application of coordinated remedial actions (ROSC). We urge not to remove these means before the go live of ROSC.

We note that more capacity recalculation rounds are to be added, based on updated views of the physical network as the trading day goes by. This should in principle provide a better alignment between the market and the physical reality of the grid.

In the current process, the initial ID ATC extraction is based on the two days ahead congestion forecast (D2CF) from TSOs, which is already an outdated view of the system. Meanwhile, the proposed amendments propose to rely on a Day-Ahead Congestion Forecast (DACF) for IDCC1 and on an IntraDay Congestion Forecast (IDCF) for IDCC2. These grids status should be updated not only with the Already Allocated Capacities sold in previous market rounds, but also with remedial actions (redispatch, countertrading, topological changes,...) taken to optimize flows and maximize the remaining capacity.

Given these premises, it is clear that the success of this new IDCC is conditional on the proper implementation and functioning of the regional operational security coordination (ROSC). Otherwise, in the absence of virtual capacities, the pre-congestion in the domains cannot be mitigated and the capacity allocated to the market will be drastically reduced. In this regard, we point out that the extra complexity of running auctions (compared to pure continuous trading) was initially precisely justified by an increase in market liquidity – this can definitely not materialise with less transmission capacity made available to the market in intraday. Overall, the challenge lies in the fact that ROSC and the IDCC follow separate timeline processes, both from an implementation and an operational perspective.

You will find our detailed answer to ACER's consultation below.

#### **1. Alignment of intraday capacity calculation (IDCC) with the regional operational security assessment (ROSC).**

*Do you agree with the proposed alignment of ROSC and IDCC processes?*

**Yes**

No

*I don't have a view*

*Do you have any other comment regarding this topic?*

Target model :

As mentioned above, the proper alignment between ROSC and IDCC is more than just a helpful addition to the capacity calculation methodology. We rather view it as an absolute necessity for the success of the target model. The congestion relief provided by the Coordinated Regional Operational Security Assessment (CROSA) runs must be incorporated in the capacity calculations, otherwise the benefits of the method are not leveraged on time.

Moreover, even with fully synchronized processes, we currently have to rely on unquantified statements that ROSC will indeed truly be able to provide congestion-free domains. As a result of low capacity and isolated zones, the utility of the IDCCM would decrease as market participants would have greater difficulties to rebalance cross-zonal portfolios.

Interim solution:

Full ROSC (v2) is not planned to go-live before late 2026, meanwhile the Core IDCC go-live is expected earlier (gradually between June 2023 and June 2024<sup>1</sup>). Therefore, in the

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<sup>1</sup> Exact timeline is uncertain due to pending decisions by ACER regarding the ID CCM amendments.

interim period, the market will face the drawbacks of the solution (removal of minRAM, NRAOs,...) without benefitting from its advantages (de-congested domains).

To avoid a scenario with reduced ID capacity due to an inability to address pre-congestions during years of record-high renewable development, we oppose the implementation of such an interim solution. It is at the very least essential to find an alternative solution until ROSC becomes operational:

- One possibility would be to add a minRAM inclusion in the proposed ID CCM, until the full implementation of ROSC.
- Alternatively, the existing ID CCM process (current process) could be maintained until the ROSC solution is fully tested and implemented.

## 2. Recalculation of intraday capacities

*Do you agree with the proposed recalculation of intraday capacities based on outputs of a completed CROSA?*

Yes

No

*I don't have a view*

*Do you have any other comment regarding this topic?*

We strongly support the proposal to improve the CCM during the interim period and to recalculate capacities after the CROSA runs to ensure the IDCC is as synchronized as possible with "interim versions" of ROSC (awaiting ROSC v2). As such, we find the introduction of a temporary IDCC1bis to be a no-regret step towards a workable interim solution.

Still, as mentioned by a working group on 17 July: "the final result of the current DA security analysis process is not always congestion free. Thus, there will be moments where an IDCC1bis has no impact." It is therefore difficult for market participants to assess how effective this measure will be in bringing additional capacity - in particular at times of high pre-congestions.

Nonetheless, we would encourage Core TSOs to pursue the implementation of this improvement, keeping in mind that further analyses/measures may be necessary to fully make up for the absence of minRAM, NRAO or full ROSC in the interim period.

## 3. Conversion of cross-border relevant network elements with contingencies (XNECs) from CROSA to critical network elements with contingencies (CNECs).

*Do you agree with the possibility of conversion of XNECs from CROSA to CNECs?*

Yes

No

*I don't have a view*

*Do you have any other comment regarding this topic?*

For this topic, we refer to our general feedback in the introduction. We believe the overarching principal is for the ID timeframe to provide a smooth transition from the DA to the balancing timeframe, in terms of market opportunities (i.e. capacity provided) and convergence to the reality of the grid.

We do not fundamentally oppose the conversion of XNECs to CNECs, as long as the resulting capacities in ID do not reduce drastically compared to the DA. In other words, this conversion should be made only when the CROSA runs are sufficiently able to mitigate pre-congestions.

Otherwise, the additional network elements simply impose another layer of capacity restrictions and the market has to accept a second-best solution in terms of welfare creation, with few benefits.

Two additional elements:

- It is still important to remove XNECs that are below the 5% threshold. This prevents elements with low remaining capacity from being overly restrictive in the ATC calculation when they are in fact not heavily impacted by cross-zonal exchanges. The higher this threshold, the less restrictive CNECs become, and the more ATC can be extracted.
- The inclusion of excessively large amounts of network elements would eventually approach a nodal grid model within a market timeframe, which would go against the philosophy of the EU's IEM.

#### **4. Minimum capacity values and flow-based domain extension**

*Do you have any view regarding this topic? If yes, please explain.*

The first results of the IDCC1 parallel runs – which are performed without minRAM nor LTA inclusion - show a resurgence of higher frequency of bidding zone isolation in the Core region and lower average cross-zonal capacities compared to operational values. This is particularly significantly for NL and few other BZs (BE, CZ, RO export). The domain is fully dependent on the TSOs' individual ability to manually solve pre-congestions (non-coordinated/automated process).

We are in favour of maintaining current operational safeguarding practices so that there is no step back from the current standard of capacity availability. In this sense, we share the view that the use of minimum capacity remains necessary during the interim period and until the advent of ROSC. This should mitigate the isolation risk for bidding zones that are particularly sensitive to it, while allowing the TSOs to take a step forward in grid quality by implementing the domain recalculation on more recent grid models.

#### **5. ATC-based validation**

*Do you agree with the ATC-based validation as proposed by the Core TSOs? Please explain.*

Yes

**No***I don't have a view*

As already mentioned in our response to the consultation on the 3<sup>rd</sup> amendment of the IDCCM<sup>2</sup>, we favour keeping the validation purely flow-based, since ATC allocation should be phased out starting in 2026/2027.

However, while we support and understand the need for TSOs to ensure grid security, we also call for a strictly proportional and justified use of such Individual Validation Adjustment (IVA) validation. In DA, we already observe occurrences of IVA where bulk reductions are applied, leading to no capacity remaining on some CNECs/borders. In ID, the time window for validation is shorter, thus bulk reductions could be applied even more often, as a straight-forward shortcut compared to more sophisticated solutions.

Finally, if an ATC validation were to be implemented nonetheless, we find it essential that the validation must be included as additional constraints in the extraction algorithm itself, rather than ex-post. Indeed, if the extraction selects a particular ATC domain which is then shrunk ex-post, this represents in our view a sub-optimal capacity allocation because another solution domain, which could satisfy both the ATC validation and the FB constraints could have been found instead.

## 6. Other proposed changes

*These changes are further explained in the related [explanatory document](#) and the [public consultation report](#).*

*Do you have any comment regarding these proposed changes?*

We encourage ACER to continue investigating all elements with potential benefits. One example of such elements could be the potential benefits of keeping negative ATCs as hard constraints in the intraday auctions.

Within the proposed methodology, negative ATCs can indeed be extracted, as a result of having CNECs with negative RAMs in the domain due to the absence of any minRAM. While these negative values are allocated to the continuous trading segment, they are capped to 0MW during the Intraday Auctions (IDAs), supposedly because this could cause the clearing algorithm to fail.

Having negative ATCs in the auction would effectively provide a signal for participants to help TSOs alleviate congestion in the domain, in a transparent and market-based setting. Since such negative values derive from pre-congestions, they should have in principle been solved by TSOs before the auction. This provides additional incentives for TSOs to apply all possible remedial actions and can reduce the overall cost for the system. Besides, we find the algorithm failure argument (no solution can exist if all the negative capacity is not fully taken) to be rather weak, and easily manageable by adding price bounds or slack variables.

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<sup>2</sup> See: [EFET-MPP-IFIEC response on 3rd Core ID CC amendments](#)