Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (Text with EEA relevance)

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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003[(1)] and in particular Article 18(3)(b) and (5),

Whereas:

(1) The urgent completion of a fully functioning and interconnected internal energy market is crucial to the objectives of maintaining security of energy supply, increasing competitiveness and ensuring that all consumers can purchase energy at affordable prices. A well-functioning internal market in electricity should provide producers with appropriate incentives for investing in new power generation, including in electricity from renewable energy sources, paying special attention to the most isolated Member States and regions in the Union's energy market. A well-functioning market should also provide consumers with adequate measures to promote more efficient use of energy, which presupposes a secure supply of energy.

(2) Security of energy supply is an essential element of public security and is therefore inherently connected to the efficient functioning of the internal market in electricity and the integration of the isolated electricity markets of Member States. Electricity can reach the citizens of the Union only through the network. Functioning electricity markets and, in particular, the networks and other assets associated with electricity supply are essential to public security, to economic competitiveness and to the well-being of the citizens of the Union.

(3) Regulation (EC) No 714/2009 sets out non-discriminatory rules for access conditions to the network for cross-border exchanges in electricity and, in particular, rules on capacity allocation and congestion management for interconnections and transmission systems affecting cross-border electricity flows. In order to move towards a genuinely integrated electricity market, the current rules on capacity allocation, congestion management and trade in electricity should be further harmonised. This Regulation therefore sets out minimum harmonised rules for the ultimately single day-ahead and intraday coupling, in order to provide a clear legal framework for an efficient and modern capacity allocation and congestion management system, facilitating Union-wide trade

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in electricity, allowing more efficient use of the network and increasing competition, for the benefit of consumers.

(4) To implement single day-ahead and intraday coupling, the available cross-border capacity needs to be calculated in a coordinated manner by the Transmission System Operators (hereinafter 'TSOs'). For this purpose, they should establish a common grid model including estimates on generation, load and network status for each hour. The available capacity should normally be calculated according to the so-called flow-based calculation method, a method that takes into account that electricity can flow via different paths and optimises the available capacity in highly interdependent grids. The available cross-border capacity should be one of the key inputs into the further calculation process, in which all Union bids and offers, collected by power exchanges, are matched, taking into account available cross-border capacity in an economically optimal manner. Single day-ahead and intraday coupling ensures that power usually flows from low- price to high- price areas.

(5) The market coupling operator (hereinafter 'MCO') uses a specific algorithm to match bids and offers in an optimal manner. The results of the calculation should be made available to all power exchanges on a non-discriminatory basis. Based on the results of the calculation by the MCO, the power exchanges should inform their clients of the successful bids and offers. The energy should then be transferred across the network according to the results of the MCO's calculation. The process for single day-ahead and intraday coupling is similar, with the exception that the intraday coupling should use a continuous process throughout the day and not one single calculation as in day-ahead coupling.

(6) Capacity calculation for the day-ahead and intraday market time-frames should be coordinated at least at regional level to ensure that capacity calculation is reliable and that optimal capacity is made available to the market. Common regional capacity calculation methodologies should be established to define inputs, calculation approach and validation requirements. Information on available capacity should be updated in a timely manner based on latest information through an efficient capacity calculation process.

(7) There are two permissible approaches when calculating cross-zonal capacity: flow-based or based on coordinated net transmission capacity. The flow-based approach should be used as a primary approach for day-ahead and intraday capacity calculation where cross-zonal capacity between bidding zones is highly interdependent. The flow-based approach should only be introduced after market participants have been consulted and given sufficient preparation time to allow for a smooth transition. The coordinated net transmission capacity approach should only be applied in regions where cross-zonal capacity is less interdependent and it can be shown that the flow-based approach would not bring added value.

(8) A common grid model for single day-ahead and intraday coupling purposes representing the European interconnected system should be established to calculate cross-zonal capacity in a coordinated way. The common grid model should include a model of the transmission system with the location of generation units and loads

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relevant to calculating cross-zonal capacity. The provision of accurate and timely information by each TSO is essential to the creation of the common grid model.

(9) Each TSO should be required to prepare an individual grid model of its system and send it to TSOs responsible for merging them into a common grid model. The individual grid models should include information from generation and load units.

(10) TSOs should use a common set of remedial actions such as countertrading or redispatching to deal with both internal and cross-zonal congestion. In order to facilitate more efficient capacity allocation and to avoid unnecessary curtailments of cross-border capacities, TSOs should coordinate the use of remedial actions in capacity calculation.

(11) Bidding zones reflecting supply and demand distribution are a cornerstone of market-based electricity trading and are a prerequisite for reaching the full potential of capacity allocation methods including the flow based method. Bidding zones therefore should be defined in a manner to ensure efficient congestion management and overall market efficiency. Bidding zones can be subsequently modified by splitting, merging or adjusting the zone borders. The bidding zones should be identical for all market time-frames. The review process of bidding zone configurations provided for in this Regulation will play an important role in the identification of structural bottlenecks and will allow for more efficient bidding zone delineation.

(12) TSOs should implement coordinated redispatching of cross-border relevance or countertrading at regional level or above regional level. Redispatching of cross-border relevance or countertrading should be coordinated with redispatching or countertrading internal to the control area.

(13) Capacity should be allocated in the day-ahead and intraday market time-frames using implicit allocation methods, in particular methods which allocate electricity and capacity together. In the case of single day-ahead coupling, this method should be implicit auction and in the case of single intraday coupling it should be continuous implicit allocation. The method of implicit auction should rely on effective and timely interfaces between TSOs, power exchanges and a series of other parties to ensure capacity is allocated and congestion managed in an efficient manner.

(14) For efficiency reasons and in order to implement single day-ahead and intraday coupling as soon as possible, single day-ahead and intraday coupling should make use of existing market operators and already implemented solutions where appropriate, without precluding competition from new operators.

(15) The Commission, in cooperation with the Agency for the Cooperation of Energy Regulators (hereinafter the 'Agency') may create or appoint a single regulated entity to perform common MCO functions relating to the market operation of single day-ahead and intraday coupling.

(16) The development of more liquid intraday markets which give parties the ability to balance their positions closer to real time should help to integrate renewable energy sources into the Union electricity market and thus, in turn, facilitate renewable energy policy objectives.

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(17) Day-ahead and intraday cross-zonal capacity should be firm to allow effective cross-border allocation.

(18) In order for the implicit auctions to take place Union-wide, it is necessary to ensure Union-wide price coupling process. This process should respect transmission capacity and allocation constraints and should be designed in a manner that allows for its application or extension across the entire Union and for the development of future new product types.

(19) Power exchanges collect bids and offers within different time-frames which serve as a necessary input for capacity calculation in the single day-ahead and intraday coupling process. Hence, the rules for the trading of electricity provided for in this Regulation require an institutional framework for power exchanges. Common requirements for the designation of nominated electricity market operators (hereinafter NEMOs) and for their tasks should facilitate the achievement of the aims of Regulation (EC) No 714/2009 and allow single day-ahead and intraday coupling to take due account of the internal market.

(20) Establishing single day-ahead and intraday coupling process requires cooperation between potentially competing power exchanges in order to establish common market coupling functions. That is why oversight and compliance with competition rules is of utmost importance regarding these common functions.

(21) Despite the creation of a reliable algorithm to match bids and offers and appropriate back-up processes, there may be situations where the price coupling process is unable to produce results. Consequently, it is necessary to provide for fallback solutions at a national and regional level to ensure capacity can still be allocated.

(22) Reliable pricing of transmission capacity should be introduced for the intraday market time-frame, reflecting congestion if capacity is scarce.

(23) Any costs incurred efficiently to guarantee firmness of capacity and to set up processes to comply with this Regulation should be recovered via network tariffs or appropriate mechanisms in a timely manner. NEMOs, including in performing MCO functions should be entitled to recover their incurred costs if they are efficiently incurred, reasonable and proportionate.

(24) Rules for sharing the common costs of single day-ahead coupling and single intraday coupling between NEMOs and TSOs from different Member States should be agreed before the implementation process starts in order to avoid delays and disputes due to cost sharing.

(25) The cooperation between TSOs, NEMOs and regulatory authorities is necessary in order to promote the completion and efficient functioning of the internal market in electricity and to ensure the optimal management, coordinated operation and sound technical development of the electricity transmission system in the Union. TSOs, NEMOs and regulatory authorities should exploit synergies arising from capacity allocation and congestion management projects contributing to the development of the

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internal market in electricity. They should draw on the experience gained, respect the decisions made, and use solutions developed as part of those projects.

(26) In order to ensure the close cooperation among TSOs, NEMOs and regulatory authorities, a robust, reliable and non-discriminatory Union governance framework for single day-ahead and intraday coupling should be established.

(27) The objective of this Regulation, namely the establishment of single day-ahead and intraday coupling, cannot be successfully achieved without a certain set of harmonised rules for capacity calculation, congestion management and trading of electricity.

(28) However, single day-ahead and intraday coupling should only be implemented stepwise, as the regulatory framework for electricity trade and the physical structure of the transmission grid are characterised by significant differences between Member States and regions. The introduction of single day-ahead and intraday coupling therefore requires a successive alignment of the existing methodologies on capacity calculation, allocation and congestion management. Single intraday and day-ahead coupling may therefore be introduced at a regional level as an intermediate step where necessary.

(29) Single day-ahead and intraday coupling require the introduction of harmonised maximum and minimum clearing prices that contribute to the strengthening of investment conditions for secure capacity and long-term security of supply both within and between Member States.

(30) Given the exceptionally high degree of complexity and detail of the terms and conditions or methodologies needed to fully apply single day-ahead and intraday coupling, certain detailed terms and conditions or methodologies should be developed by TSOs and NEMOs and approved by the regulatory authorities. However the development of certain terms and conditions or methodologies by TSOs and power exchanges and their subsequent approval by regulatory authorities must not delay the completion of the internal electricity market. Thus, it is necessary to include specific provisions on cooperation between TSOs, NEMOs and regulatory authorities.

(31) In line with Article 8 of Regulation (EC) No 713/2009 of the European Parliament and of the Council[(2)], the Agency should take a decision if the competent national regulatory authorities are not able to reach an agreement on common terms and conditions or methodologies.

(32) This Regulation has been developed in close cooperation with ACER, the ENTSO for Electricity and stakeholders, in order to adopt effective, balanced and proportionate rules in a transparent and participative manner. In accordance with Article 18(3) of Regulation (EC) No 714/2009, the Commission will consult ACER, the ENTSO for Electricity and other relevant stakeholders, notably NEMOs, before proposing any amendment to this regulation.

(33) This Regulation supplements Annex I of Regulation (EC) No 714/2009, in accordance with the principles set out in Article 16 of that Regulation.

(34) Due to the significant challenges in introducing single day-ahead and intraday coupling into the current market of Ireland and Northern Ireland, it is undergoing a process of