

# TSO Assessment on Stakeholder Feedback

The Nordic TSOs have carried out a public consultation of the evaluation report. The evaluation report has been in public consultation from 3<sup>rd</sup> of October to 14<sup>th</sup> of October. The Nordic TSOs have received four answers (from Vattenfall, Fortum, Finnish Energy and Statkraft), which are reiterated below together with the TSOs' comments.

## 1. The TSOs ability to fulfill article 38(5) in EB GL

Stakeholder comments:

Generally Vattenfall do not agree that the FB CCM has delivered appropriate capacity calculation results during the external parallel run in order to fulfil the requirement in Article 38(5). As the parallel run process has been paused due to technical issues and Nordic RSC has failed to meet several key NRA-requirements (e.g. delivery of key data results), and the parallel run will be completely restarted once Nordic RSC has solved these technical issues, we cannot support that these partial results are used as basis for a decision to implement any changes to capacity allocation between time frames – short term or long term.

EBGL is quite clear that capacities should be calculated according to CACM GL (i.e. FB or CNTC method) before starting to reserve transmission capacity for aFRR. As we see, this means that CACM compliant CCM should be in production use, which is not the case yet. As we understand, TSOs and NRAs have interpreted EBGL requirement in a way that FB should be proven to be reliable and create benefits. According to our understanding and the TSOs' NBM newsletter sent out 31/08, this is not the case yet: "The Nordic CCM project has decided to reset the starting date of the 3-months evaluation period of the Nordic EPR. Due to unavailability of the Simulation Facility (SF), it has not been possible to perform any market simulations for the Nordic EPR during the 3-months evaluation period that started on 5 June 2022". Due to this we consider that FB is not proven to work and it is hard to estimate / speculate the functioning and benefits of it based on the limited and unreliable data published so far. => EBGL requirement is not fulfilled

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No answer.

TSO comments:

The Nordic TSOs have shown that capacities can be calculated in accordance with the approved Nordic day-ahead flow-based capacity calculation methodology during three consecutive months.

The TSOs' note that the calculation of flow-based has performed with-in the boundary of using fall-back measures in less than 3 percentage of time, which indicates that the calculations are robust. See section 3.3 in the report.

The Nordic TSOs therefore find that the flow-based capacity calculation methodology has delivered appropriate results during three consecutive months. Based on the outcome of the report, the Nordic TSOs consider the legal pre-condition set in article 38(5) in EBGL and ACER's decision no. 21-2020 for the go-live to be fulfilled.

## 2. The assessment of criteria

Stakeholder comments:

We do not agree that only criteria 1 is of relevance. A decision on a long term capacity calculation methodology must also at the minimum be assessed also by Criteria 3 – Socioeconomic welfare and Criteria 5 – Stakeholder feedback.

We consider that all five components of the evaluation criteria are relevant. Based on the TSO information and data published, we consider that the criteria is not fulfilled yet (see also our answer to question #1) Especially criteria related to social welfare seem to be based on subjective opinion of the author of the report.

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Statkraft agrees that the TSOs result from the parallel run is sufficient to move forward with the implementation of aFRR CM as planned.

However, the parallel run has not provided sufficient insight into the consequences the implementation of FB will have on the market, as the criteria are too focused on the technical side of the capacity calculation methodology.

TSO comments:

The consulted evaluation report only considers the go-live of aFRR; not the go-live of flow-based. All criteria will be addressed in the evaluation report for flow-based go-live. All stakeholders will have the possibility to submit comments to the flow-based go-live report during the foreseen stakeholder consultation.

The Nordic TSOs are waiting for Simulation Facility to be available.

## 3. Any other feedback

Stakeholder comments:

Vattenfall remain open to proceed the process of implementing a Nordic aFRR market based on NTC, but in that case it must be conditioned on a temporary or time limited exemption the requirements of article 38(5) and that an additional evaluation is carried out when the external runs of the flow-based methodology meets all NRA requirements and has resulted in a full NRA-report, which is also approved by all NRAs.

As market fundamentals have changed significantly this Autumn with very scarce supply and sensitive price levels, we find that any capacity reservation and its impact should be properly analysed prior to implementation. Otherwise extreme prices caused by for example TSO capacity reservations could be detrimental and undermine the trust for the power market – which seemingly is already eroding.

We cannot see that EBGL article 38 paragraph 5 could be fulfilled by this TSO report. No CCM compatible capacity calculation methodology is in use, and even simulations have not been successful. Furthermore the market is extremely sensitive to supply and demand at the moment.

We consider that proper impact analysis for the proposed market change should be done to avoid decrease of trust for the market and to secure that this is an actual improvement lowering overall cost for the power system and its users.

We hope for all the relevant data to be published are shared with market participants. Based on currently available data and information, it is difficult to assess the effects of the capacity reservation on the market.

We support an implementation of aFRR CM in December 2022.

#### TSO comments:

The TSOs note that two out of the of the four entries made in the stakeholder consultation support implementation of the aFRR capacity market. The TSOs also note that the aFRR capacity market is foreseen to be based on NTC values in a limited time only until flow-based is implemented.

ACER have with decisions no. 19-22/2020 approved the methodology for the Nordic capacity market. The TSOs note that documentation on the functioning of the market-based allocation methodology has been produced and submitted prior to ACER's approval of the Nordic aFRR Capacity Market. The market-based allocation method secures that capacity is utilized in the most efficient way in accordance with the relevant requirement in the EBGL.

The TSOs have in addition provided a note describing the impact of the aFRR capacity market on the Finnish day-ahead prices in 2023. The note suggests that the introduction of a Nordic aFRR capacity market has a positive effect for year 2023 on the average day-ahead price in Finland compared to the national aFRR CM.

The flow-based go-live report will as indicated present data addressing all criteria. The report will also be the subject of a stakeholder consultation.