First report of Elia System Operator SA detailing the methodology and projects that shall provide a long-term solution to the operational security risk which the derogation granted to Elia System Operator SA seeks to address, in accordance with Article 16(9) of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast)

26 Jun 2020

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Whereas

(1) Article 16(9) of Regulation 2019/943 prescribes that upon request of transmission system operators in a capacity calculation region, the relevant regulatory authorities may grant a derogation from the requirement of Article 16(8) of Regulation 2019/943 ("CEP70 requirement") on foreseeable grounds where necessary for maintaining operational security. The derogation shall be granted for no more than one year at a time, or, provided that the extent of the derogation decreases significantly after the first year, up to a maximum of two years. The extent of such a derogation shall be strictly limited to what is necessary to maintain operational security and shall avoid undue discrimination between internal and cross-zonal exchanges.

(2) Elia System Operation SA has submitted a request for derogation on Oct 13, 2019 for all Belgian CNECs participating to the day ahead capacity calculation process in CWE based on three foreseeable grounds:

   a. Loop flows above an acceptable level, for 1 year starting from the 1st of January 2020.

   b. Lack of remedial action potential, most severe in case of outages, for 1 year starting from the 1st of January 2020.

   c. The introduction of new processes and tools, for 3 months starting from the 1st of January 2020.

(3) This request for derogation has been granted by the Belgian NRA (CREG) in its decision (B)2014 on Dec 6, 2019 after consultation of the other NRAs.

(4) The introduction of new processes and tools was done successfully on Apr 1st, 2020 following a dry run period of 3 months as stipulated in the derogation.

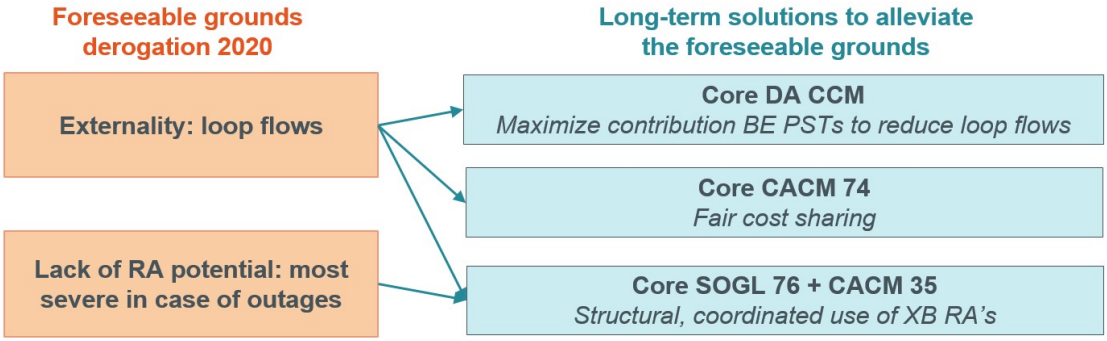
(5) Article 16(9) of Regulation 2019/943 prescribed that "Where a derogation is granted, the relevant transmission system operators shall develop and publish a methodology and projects that shall provide a long-term solution to the issue the derogation seeks to address.

(6) Elia System Operation SA presented the content of the report to the Belgian NRA and stakeholders during the System Operation & European Market Design Working Group that was held on Jun 22, 2020.

ELIA REPORTS ON THE LONG-TERM SOLUTIONS THAT ALLEVIATE THE FORESEEABLE GROUNDS JUSTIFYING THE DEROGATION GRANTED TO ELIA FOR THE PERIOD JAN 1 2020 TILL DEC 31 2020

Article 1. Overview of required long-term solutions

(1) Below picture summarizes the CACM and SOGL methodologies which are to be implemented in the Core capacity calculation region and which are key to alleviate the foreseeable grounds on i) loopflows and ii) the lack of RA potential, which is most severe in case of outages:



(2) **Contribution of the Core DA CCM (pursuant to CACM Art. 20):** Article 10(5) of the Core DA CCM will offer each Core TSO the possibility to individually define the initial setting of its own non-costly and costly remedial actions, based on the best forecast of their application and with the aim to reduce the loop flows on its cross-zonal CNECs below a loop flow threshold that avoids undue discrimination. The same loop flow threshold is also considered as a constraint in the non-costly remedial action optimiser, as described in Article 16 of the Core DA CCM. This is important in the Belgian context as the Belgian PSTs contribute to the reduction of loop flows.

(3) **Contribution of the Core SOGL 76 and CACM 35 methodologies:** the fact that the SOGL 76 methodology and CACM 35 methodology are not yet in place prevents Elia to rely on cross-border remedial actions as existing bilateral redispatching contracts do not enable an efficient use due to the manual procedures involved and the limited visibility on the future availability of redispatching potential. This is relevant for both foreseeable grounds:

a. If the mechanisms of the capacity calculation methodology are not sufficient to decrease loop flows below an acceptable level and if Elia faces congestions as a result of the application of the CEP70 requirement, SOGL 76 and CACM 35 should allow finding solutions in a coordinated way in the Core region to relieve these congestions.

b. If the remedial action potential on national basis is not sufficient to decrease internal flows – most severe in case of outages as the grid capacity is reduced - and if Elia faces congestions as a result of the application of the CEP70 requirement, SOGL 76 and CACM 35 should allow finding solutions in a coordinated way in the Core region to relieve these congestions.

(4) Contribution of the Core CACM 74 methodology: in addition to the implementation of SOGL 76 and CACM 35, which alleviate operational security risk, CACM 74 should enable a fair cost sharing, ensuring that the TSOs of the bidding zone(s) at the origin of the loop flows above an acceptable level bear the costs of the remedial actions, in accordance with the polluter-pays principle as described in Article 16(13) of Regulation 2019/943.

Article 2. Implementation roadmap of the long-term solutions

(1) Below table summarizes the latest available information regarding the implementation of the four Core methodologies listed in Article 1:

Methodology	Status	Currently foreseen implementation date
Core DA CCM	Implementation ongoing	May – September 2021
SOGL 76	In June 2020 Core NRAs referred Core TSOs' proposal to ACER, who's formal decision is due by Dec 2020	Implementation timings as proposed by Core TSOs • Interim solution: 2y after NRA approval • Target solution: 4y7m after NRA approval
CACM 35	In March 2020 Core NRAs referred Core TSOs proposal to ACER, who's formal decision is due by Sep 2020	Unknown but highly unlikely before 2022
CACM 74	In March 2020 Core NRAs referred Core TSOs proposal to ACER, who's formal decision is due by Sep 2020	Unknown but highly unlikely before 2022

Article 3. Conclusion

(1) As the implementation dates of the SOGL76, CACM 35 and CACM 74 methodologies are unknown at the time of writing this report, it is not possible to deduce a target date by when the foreseeable grounds would be fully alleviated.

(2) Yet it can be fairly assumed that not all four required methodologies will be implemented prior to 2022, implying Elia will submit a request for derogation for the period Jan 1st 2021 until Dec 31st 2021.

(3) The implementation of the Core DA CCM in 2021 is expected to decrease the extent of the derogation. The exact impact cannot be quantified at this stage as the outcome depends on a regional process which is being developed and tested. However, the methodological approach that was proposed for 2020 to compute the level of minRAM is very likely to be reconducted for 2021. This approach will directly take into account the improvements brought by the Core DA CCM in terms of reduction of loop flows, by increasing accordingly the minRAM target that will be applied on Belgian CNECs.