

Nordic CCM Biweekly EPR Results

SH Meeting – meeting minutes

September 14, 2023, 9.00-10.05 (Webinar)

| Participants | |
|---|----|
| Total participation, including CCM project members: | 33 |

Text in non-italics are comments, statements, questions or claims from the stakeholder(s).

Text in italics are answers or comments provided by the Nordic CCM project.

1. EPR results (09.05-10.05)

Question: Regarding the first slides regarding SEW, what about the effect of changes in water values?

CCM project: *We cannot comment on bidding strategy due to water values. What we can see is that we can move more electricity with FB than NTC, so there is more cross-zonal capacity for the market to trade with.*

Question: Ramping on Fennoskan, will that be imposed?

CCM project: *Svk and Fingrid are currently looking into this. The issue with ramping is that with FB there is a large increase in changes in the direction of the flow compared to NTC and the interconnector might not be able to withstand technically these power flow changes. We are looking into the effect on SEW as well as the effect of increase of the capacity of the borders in case ramping will be applied.*

Question: Regarding bidding curves, have the TSOs thought about looking into estimating the bidding curves?

CCM project: *No. The purpose of EPR is to get used to FB results as such and price curves, changes in water values and so on are not really impacting how FB will be used or how FB works. It is not our task to forecast the future and what will happen with prices and so on. We compare how the result changes with two different domains of cross-zonal capacity.*

Question: Why wasn't countertrade done to handle the situation in week 26? If you can countertrade, then that is what you should do. It should not be an issue of minimising countertrade but the thinking is to limit countertrade.

CCM project: *In the future operations are getting more complex so we want to give accurate capacity to the market.*

Question: But if you can, why not do it? Countertrade already now, why are you decreasing countertrade in FB? What would happen if you countertraded? This is a problem.

CCM project: *The less expensive solution is what we should do. If it is more expensive to countertrade that is not what we should do. In general, countertrading is less efficient than having that constraint in the DA market. According to basic economic thinking we need to apply the solution that is the most efficient. Regarding countertrade, the cost is what will happen in real time and as such it is invisible to you.*

A more complete explanation added after the meeting: Available non-costly remedial actions are currently applied to the FB CC. Costly remedial actions are however not currently applied. According to the CCM Art 10.4: "For costly RAs to be expected to be available, the extent to which these relieve the flows on the internal CNECs and internal combined dynamic constraints shall be added to the RAM in accordance with Article 17 only if economic efficiency of applying the costly RA can be demonstrated. TSOs shall define the rules for economic efficiency within the methodology to be developed in accordance with Article 5(5)."

Costly remedial action applied in CC and allocated in the market constitute an overload that will have to be mitigated closer to real time by buying back that capacity. Because the resources available for such buy-back is scarce closer to real-time, the cost of a buy-back is hardly expected to be cheaper than the value of the overload. Thus, it is difficult, on a general level, to argue for applying (costly) planned countertrade in CC as an efficiency improvement.

Question: Talking about this situation: most social efficient, what values would it create to countertrade? Compared to the cost, the issue is that you don't want to countertrade, if you countertraded you would get different results, you guys not countertrading is the problem, consumer getting better result.

CCM project: *We will get back to you later.*

Answer added after the meeting: The target function of the European power market is to maximize the welfare economic surplus, which is to say, minimize the total cost of satisfying the market. While doing this, we must consider the physical ability of the power-system to transfer electricity. Non-costly remedial actions are applied, but by also applying costly remedial action, like planned countertrade, we ignore the physics and allow for overload-situations requiring closer to real-time buy-back of capacity (which normally will be the more expensive solution).

Question: It should be a question of value maximisation.

CCM project *(answer provided during the meeting has been completed with a more detailed statement on countertrade from the CCM project): Cost minimization is the same as value maximization (which is a well-known duality in microeconomics. I agree that the TSOs should countertrade (if it is economically efficient) and if it was possible to be secured in the day-ahead timeframe (whilst still ensuring sufficient remedial actions to maintain operational security). In the future we should look into more countertrade to increase the FB domain (if it is economically efficient or in order to ensure compliance to the 70% rule). To do this we would need to know in Day-ahead what countertrade possibilities will be available in order to not risk operational security, which is not the same as what was available in the operational hour.*

Comment: It is correct that with the current market situation will the Swedish consumers lose where others are gaining but that is how market coupling works...

Question: I agree, there is no choice whether to have FB or not but it is a question of the way have you implement FB. You make choices all the time. You don't have to have negative flows, you can countertrade. It's about how you chose parameters. That Swedish consumers lose all the time. It could be made in a better way, if you don't want to change, how you model, how we change countertrade what we can. And talking about what we can't do in the future, we can do it now and we are not getting dummer,

CCM project: Thank you, we welcome the conclusion that there is no need to discuss whether or not to implement FB. Regarding improving FB, that is what the TSOs will continue to do. However, it is tricky. We are all learning and your input on improvement is good. We have improved capacity calculation in NTC and will continue to do that with FB as well.

Regarding non-intuitive flows, there is no way that can be excluded from the optimization. An ACER decision have clarified that. Link: https://acer.europa.eu/Individual%20Decisions/ACER%20Decision%2004-2020%20on%20Algorithm%20methodology_1.pdf (article 123) And non-intuitive flows increase welfare by providing a higher gain somewhere else in the system. Flow-based can allow for that and that makes FB able to provide a better total SEW.

Regarding consumer loss in Sweden. It is unfortunate but it is not an effect of FB but of increased cross-zonal capacity in the system. If we increase the cross-zonal capacity in NTC we are seeing the same thing, consumers in Sweden loosing due to the increase in flow. The benefit with FB is that it makes it possible to see what happens when you do changes.

Question: You can't say that FB is losing compared to NTC. We can see that it doesn't.

CCM project: With NTC, TSOs provide capacities on assumption of what is going to happen in day D. In FB the TSO don't make those assumptions the market allocation is done in the market coupling by finding the solution with the highest SEW.

Question: can countertrade be on the agenda for the stakeholder meeting on 26 October?

CCM project: Thank you for that suggestion, we will relay that to the team responsible for that agenda.

Question: Is the information in one of the tables of the weekly report overview a round-up issue or a real result? It is regarding non-intuitive flow and price spreads. There are high non-intuitive flows and low price spreads, and the numbers are so small that it makes it hard to read the table.

CCM project: It is most likely a real result but we will check and get back to you. Please send it to me (Rikke) and I will check it myself.

Question: As I understand it there is a planned stakeholder meeting tomorrow, is that so?

CCM project: Yes, it is. It will include a presentation from the NRAs. The link and agenda is available in the News update from Monday, on the Nordic RCC website: https://teams.microsoft.com/join/19%3ameeting_OWUzMzNhMzltZmY2Yi00NTVkLWE3MzEtYWVjOWE1NGUyOWZl%40thread.v2/0?context=%7b%22Tid%22%3a%229730f69d-2dd5-4ef4-a102-c6b7936b1ffd%22%2c%22Oid%22%3a%228739a760-046f-4f93-8219-3a5651c367ab%22%7d

Meeting link: https://teams.microsoft.com/join/19%3ameeting_OWUzMzNhMzltZmY2Yi00NTVkLWE3MzEtYWVjOWE1NGUyOWZl%40thread.v2/0?context=%7b%22Tid%22%3a%229730f69d-2dd5-4ef4-a102-c6b7936b1ffd%22%2c%22Oid%22%3a%228739a760-046f-4f93-8219-3a5651c367ab%22%7d

Link to agenda: <https://nordic-rcc.net/wp-content/uploads/2023/09/Agenda-CCM-stakeholder-meeting-15-September-2023.pdf>

As there were no further questions, the meeting closed around 10.05. All participants are thanked for their constructive inputs!

The presentations have been uploaded on the Nordic RCC website: <https://nordic-rcc.net/flow-based/documents-presentations/>