

1 July 2024

NordREG's Letter to Nordic CCR TSOs Concerning Flow-Based implementation and ID ATCE

Dear Nordic TSO representatives,

Thank you for your continuous work in developing the Nordic electricity markets concerning the adoption of flow-based and the ID ATCE capacity calculation methodologies. We also take note of the active and engaging stakeholder discussions organized by the TSOs.

As defined in the capacity calculation methodology and the related “checkpoint agreement”, the NRAs have assessed the ID results after the TSOs published the recalculated values in late April 2024.

We are fast approaching the scheduled go-live of flow-based in October later this year, and having analysed the EPR results, we the Nordic Regulators still have some concerns. We want to emphasize that TSOs bear the responsibility for the implementation and operational aspects of the capacity calculation methodology. NordREG would therefore request the Nordic TSOs to assess and investigate the ID ATCE approach and the risks more thoroughly, and report to the regulatory authorities on how the described issues and risks could be minimized or corrected.

We have questions related to two separate, but interlinked issues; the ID capacities themselves, and arbitrage possibilities:

- **Lock-in situations.**

Lock-in situations and possible critical situations where the total import- or export trading space on intraday does not allow for the need of net import or export to the bidding zone are issues that concerns the Nordic NRAs. To understand the consequences for the market, the TSOs should investigate these situations thoroughly and, if deemed necessary, suggest the possible measures that could be introduced and their effects to the day-ahead and intraday market.

- **Arbitrage possibilities.**

The combination of including CNECs with small PDTFs in the day-ahead capacity calculation and relaxations in ATCE creates new possibilities for arbitrage. On the other hand, not relaxing the ATC domain would further reduce the ID capacities made available to the market. The Nordic NRAs acknowledge that the transitional solution with use of ATCE in the intraday capacity calculation entails a need to strike a balance between operational security and sufficient ID capacities. The TSOs should therefore thoroughly investigate the necessary level of relaxations in ATCE and minimize the consequences of these new arbitrage opportunities.

1 July 2024

- **Time period for the use of ATCE transitional solution.**

The Nordic NRAs observe a reduction of capacities in intraday. The solution that will be implemented at go-live, where the calculation will be moving from flow-based capacity calculation in day-ahead to ATCE in intraday, does not allow for optimal utilization of the intraday capacity and is a transitional solution only. The TSOs should therefore present the time plan for introducing flow-based capacity calculation in intraday.

NordREG requests the TSOs to deliver a report to NRAs within 3 months after receiving this letter. This shall include an assessment of the situation, measures taken to alleviate the concerns described by the NRAs, if any, and the expected effects for the markets after the ID ATCE is taken in to use. The TSOs are requested to include operational aspects and results from the intraday auctions in their analyses.

To follow up on the development and effects, NordREG requests the TSOs to deliver a subsequent report 6 months after the go-live date of flow-based in the day-ahead timeframe. By this date, flow-based is in use, and the TSOs shall report on the realized effects of the ID ATCE implementation, comparing them to the expected effect.

Best regards, and on behalf of NordREG Board,

Antti Paananen
Chair of the NordREG Wholesale and Transmission Working Group

