



# **TSO Roles and Responsibilities under Capacity Allocation and Congestion Management Regulation**

**Decision Paper**

**7 October 2015**

**SEM-15-079a**

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## 1 BACKGROUND

CACM entered into force on 14 August 2015. This paper outlines the decision of the Regulatory Authorities (RAs) in Ireland (the Commission for Energy Regulation, CER) and in Northern Ireland (the Utility Regulator, UR) on assigning the new obligations under Capacity Allocation and Congestion Management Guidelines (CACM) to the TSOs which are currently operational on the island of Ireland.

Many elements of the I-SEM design are underpinned by draft European Regulations (e.g. CACM, the Forward Capacity Allocation Network Code and the Electricity Balancing Network Code<sup>1</sup>) and therefore will be directly applicable without need for transposition into national law and take precedence over the existing SEM legal framework in the event of conflict or inconsistency.

On 13 May 2015, the CER and UR published a Consultation Paper on the TSO Obligations under CACM (SEM-15-033o) together with an annex setting out their minded-to position on assignment of TSO roles and responsibilities under CACM.

The final decision is set out in Annex 1 to this Decision and it is based upon our application of CACM Article 1(3), responses received from the TSOs and others as well as taking into account the views of Ofgem (who are aware of our TSO allocation) with particular regard to the case of Interconnector TSOs with cross bidding zones. Without prejudice to the overall consideration of I-SEM Roles and Responsibilities (SEM-15-016), this assignment of TSO obligations under CACM also takes into account the wider views of stakeholders regarding any perceived or actual conflicts of interest and synergies.

## 2 TSO OBLIGATIONS UNDER CACM REGULATION

The CACM Regulation places a number of obligations on all TSOs in EU Member States. All TSOs within a Member State are required to comply with the obligations placed on TSOs under CACM unless in the case of Member State where more than one transmission system operator exists, these obligations are assigned under Article 1(3) of CACM. Article 1(3) of the CACM Regulation provides:

*“In Member States where more than one transmission system operator*

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<sup>1</sup> While the CACM is due to be formally adopted as an EC Regulation, the rules for Forward Capacity Allocation and Balancing are currently Network Codes. It is likely that all three market Codes will be adopted as European Commission Regulations. The terms Guidelines, Regulations and Network Codes are used interchangeably in this this paper.

*exists, this Regulation shall apply to all transmission system operators within that Member State. Where a transmission system operator does not have a function relevant to one or more obligations under this Regulation, Member States may provide that the responsibility for complying with those obligations is assigned to one or more different, specific transmission system operators.”*

Given the text of Article 1(3) of the CACM Regulation, the CER and UR consider that Article 1(3) of CACM Regulation provides a discretion to a Member State, where a transmission system operator in that Member State “does not have a function relevant to one or more obligations under [the CACM Regulation]”, to determine whether all TSOs in that Member State are obliged to comply with all of the new obligations placed on TSOs under the CACM Regulation.

Both the Department of Energy, Communications, Energy and Natural Resources in Ireland and the Department of Enterprise, Trade and Investment in Northern Ireland have asked their respective regulatory authority, the CER and the UR to consider whether each RA would propose to use the discretion under Article 1(3) of CACM. The CER has the responsibility for determining the assignment of TSO responsibilities under CACM in Ireland. The UR has the responsibility for determining the assignment of TSO responsibilities under CACM in Northern Ireland.

There are currently a number of TSOs which operate on the all-island market who will be required to comply with the CACM regulation upon its entry into force. These include EirGrid plc and SONI, the Moyle Interconnector Limited and the East West Interconnector Limited (which is expected to be certified as a TSO in Q4 2016). It may be the case that not all of the TSOs operating in the all-island market will be required to comply with all of the obligations under the CACM Regulation as outlined above. In line with a parallel process constructed by Ofgem for TSOs operating in Great Britain, the CER and UR will assign responsibilities between the TSOs operating in Ireland and Northern Ireland as per Article 1(3) of CACM<sup>2</sup>.

It should be noted that we do not consider that Article 1(3) requires us to decide how TSOs will comply with obligations once assigned. We are of the view that the TSOs are best placed to determine the method of compliance with these new obligations. It should also be noted that any TSO may choose to delegate all or part of any task assigned to it under CACM to one or more third party under Article 81 of CACM.

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<sup>2</sup> <https://www.ofgem.gov.uk/ofgem-publications/94210/consultation-pdf>

### 3 RESPONSES

Responses were received from Mutual Energy Ltd., EirGrid plc., and Bord Gáis Energy.

Bord Gáis Energy made a number of specific points relating to particular Articles of CACM as summarised below:

Article 11 (stakeholder involvement): BGE referenced the fact that none of the Irish TSOs are considered to have a role under Article 11. BGE believes that all of the TSOs have a role here as all TSOs are highly likely to have key insights into possible problems and may be instrumental in providing suitable solutions, therefore all four TSOs should be considered relevant under this article.

Article 24 (generation shift keys methodologies): BGE is of the view that EWIC and Moyle should have a role under this article.

Article 35 ('coordinated redispatching and countertrading') BGE agrees that it is critical that the allocation of responsibilities for coordinated redispatching and countertrading remains as provided for in Annex 1 to the Consultation.

Article 40/53 (products accommodated DAM/IDM) and 41/54 (maximum and minimum prices DAM/IDM). BGE expressed a preference that the views on articles 40 and 41 should be aligned with Articles 53 and 54.

Article 69 (Proposal for day ahead firmness deadline) and 71 (firmness of intraday capacity): As an island system conditions may affect the firmness of IC capacity, BGE believes that EirGrid and SONI should be included as having a role under these articles and that it should not be limited to the Interconnector TSOs.

Article 79 (cost of ensuring firmness): BGE recommended including EirGrid and SONI with respect to this Article as they may have an information sharing role at least.

Mutual Energy Ltd. also referred to individual CACM articles in their response:

Articles 17-19 are ticked as 'all TSO obligation' but it would not be possible for an interconnector TSO to develop grid modes in isolation. Moyle asked for identification of a 'lead' TSO.

Articles 69 and 79 are highlighted as being ‘interconnectors only’ obligations in the annex, but interconnector TSOs would have little control or influence over cross-zonal capacity restrictions so SONI and EirGrid have an obligation under these articles.

Both EirGrid Plc. and Mutual Energy Ltd. were of the view that the annex would benefit from increased granularity in places indicating where exactly obligations are conferred on each type of TSO i.e. interconnector TSO versus ‘onshore’ TSO. Mutual Energy noted that the RAs approach seemed to suggest that TSOs themselves should develop a more nuanced approach and use article 81 to delegate obligations to the appropriate party. Mutual Energy further suggested that if this were to be the case that there would be a role for the RAs in this delegation process, whether that be coordinating or assisting TSOs to agree on the appropriate efficient allocation of roles.

EirGrid commented that it would be appropriate that the assignment of obligations aligns with the approach adopted in GB.

## 4 RA RESPONSE TO SUBMISSIONS

In addition to responses received, the RAs have also been discussing the appropriate allocation under CACM Article 1.3 with Ofgem and have taken Ofgem’s views into account when reaching decisions.

Having considered the submissions received the CER response is as follows:

Article 11: The CER notes that Article 11 of CACM does not ascribe any direct responsibilities to the TSOs, rather obligations are placed on ACER and ENTSO-E. The CER cannot attribute particular obligations to TSOs arising from Article 11. The TSOs will be represented through their involvement with ENTSO-E.

Articles 17-19: The CER considered each Article separately. For Article 17, the CER is of the view that the Common Grid Model Methodology will include the relevant parts of European Grids with forecasted production and consumption patterns for each market time unit and should apply to all TSOs. For Article 18, we are of the view that Capacity Calculation Scenarios apply to both the SOs in its capacity as the real time system operator and the ICs in their capacity as managers of cross border electricity flows.

Article 24: This Article of CACM is TSO specific as it is appropriate for the TSOs to determine any remedial actions to be taken into account in capacity calculation. Accordingly, the CER is of the view that no obligations are placed on the Interconnectors by virtue of Article 24.

Article 35 ('coordinated redispatching and countertrading') The CER considers that it is the responsibility of the SO to balance the network and therefore it is not appropriate for other TSOs to be involved in redispatching and countertrading.

Article 40/53 (products accommodated DAM/IDM) and 41/54 (maximum and minimum prices DAM/IDM). One respondent expressed a preference that the views on articles 40 and 41 (Day Ahead) should be aligned with Articles 53 and 54 (Intra-day). In this decision, the CER's views on products accommodated and maximum and minimum prices are aligned for Day Ahead and Intraday.

Article 69 (Proposal for day ahead firmness deadline) and 71 (firmness of intraday capacity): The CER is of the view that Article 69 creates obligations for the SOs and Interconnector TSOs, and has departed from their proposal in the consultation that Interconnector TSOs alone should be assigned this obligation. We consider that this Article applies to both the SOs in their capacity as the real time system operators and to the Interconnector TSOs in their capacity as managers of cross border electricity flows.

Article 79 (cost of ensuring firmness): The CER is of the view that Article 79 confers obligations on all TSOs. This Article applies to both the SO in its capacity as the real time system operator and the ICs in their capacity as managers of cross border electricity flows.

The CER and UR have made a number of changes to the positions indicated in the Consultation Paper, (SEM-15-033o), which arise primarily from more detailed consideration of the sub-paragraphs of CACM to allow for further granularity and clarity of roles. Annex 2 provides detail on the changes to the RAs minded to position indicated in Consultation paper SEM-15-033o.

## 5 DECISION

The CER has set out the assignment of TSO obligations in Annex 1 to this Decision. The rationale for the TSO assignment of responsibility with respect to each Article of CACM is provided for in this document. The UR will also publish a separate decision on the assignment of TSO obligations with respect to Northern Ireland

and which should be read in tandem with this document and which will also be published on the allislandproject website.

The Systems Operator (EirGrid plc in Ireland and SONI in Northern Ireland) is responsible under their licences for the real time operation of the electricity Grid in Ireland and Northern Ireland. The CER considers that all TSO obligations under CACM are applicable where there are grid operational requirements including articles on capacity calculation, DA and ID and costs associated with them. The SO is responsible in Force Majeure or emergency situations.

The Interconnectors (East West Interconnector Limited (EIL) and Moyle Interconnector Limited (MIL)) are directly involved in cross border market operations. EIL and MIL are tasked with managing the electricity flows taking into account exchanges with interconnected systems. Therefore we consider that all TSO obligations under CACM are applicable to the ICs where they deal with the capacity for cross border electricity flows.

Furthermore, in making this decision on the assignment of TSO obligations under the CACM Regulation, we have taken into account synergies and potential conflicts of interest between the TSOs roles.

The CER has set out the assignment of TSO obligations in Annex 1 to this Decision. We will review the assignment in the following instances:

#### **After Developments of Methodologies and Terms and Conditions**

The CER and UR may review their respective assignment of roles where one or more TSOs provide clear evidence that the original assignment does not reflect an enduring function for the TSOs and that to fulfil this obligation unnecessary costs would be imposed on the consumer.

#### **When there is a change in TSO activity**

It is the responsibility of the TSO concerned to notify the CER and UR of any change in TSO activity. The CER and UR may, dependent on evidence provided determine whether to review TSO assignment of obligations in the event of a change in TSO activity.

#### **Amendments to CACM**

Where amendments are made to CACM, the TSOs must provide justifications for a review of the assignment of TSO obligations. The CER and UR will consult on any proposed changes to the assignment of TSO obligations as set out in Annex 1 to this Decision.



## 6 NEXT STEPS

As has been stated previously, many elements of the I-SEM design are underpinned by draft European Regulations and therefore will be directly applicable without need for transposition into national law and take precedence over the existing SEM legal framework in the event of conflict or inconsistency.

Nonetheless, the RAs will carry out a licence review of TSO and IC licences in the context of I-SEM and may effect changes were required by the I-SEM design and underpinning requirements of CACM. It is expected that any proposed licenced changes will be consulted upon.