

# RTE request for derogation on the implementation of the minimum margin available for cross-zonal trade

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)

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**29 April 2020**

## Whereas

- (1) RTE is required, by Article 16(8) of the Regulation (EU) 2019/943 of 5 June 2019 on the internal market for electricity (hereinafter, the “Regulation 2019/943”), to offer minimum levels of available capacity for cross-zonal trade as of the 1<sup>st</sup> of January 2020.
- (2) Article 16(4) of the Regulation 2019/943 provides that, in order to maximise available capacities to reach the minimum capacity requirements provided for by paragraph 8, Transmission System Operators (hereinafter, “TSOs”) shall use counter-trading and redispatch, including cross-border redispatch, via “*a coordinated and non-discriminatory process*”. However, complying with the minimum requirements set in Article 16(8) by relying on costly remedial actions would entail uncertainties on the non-coordinated areas and undermine the operational security of the French grid. Operational security is listed as one of the main objectives of day-ahead and intraday markets by Article 7(2) of Regulation 2019/943 and, according to Article 16(9), foreseeable grounds related to maintaining operational security justify a request for a derogation from the obligation, imposed by Article 16(8), to offer minimum levels of available capacity for cross-zonal trade.
- (3) This document constitutes a request for derogation in accordance with Article 16(9) of the Regulation 2019/943 and addresses the foreseeable grounds, related to the operational security of the French grid, justifying the request for a derogation.
- (4) A first derogation for the Core (CWE) capacity calculation region (hereinafter “CCR”) had already been submitted and approved by the French regulatory authority CRE on 12 December 2019 for the first semester 2020 (1 January 2020-30 June 2020). This document constitutes a request for derogation for the second semester 2020 (1 July 2020-31 December 2020).
- (5) RTE will provide a long-term solution to the issue that this derogation seeks to address, in coordination with the TSOs of the affected CCRs.

## **RTE SUBMITS THE FOLLOWING REQUEST FOR DEROGATION**

### **Article 1. Subject matter and scope**

This document constitutes a request for derogation from the implementation of the minimum margin available for cross-zonal trade in accordance with Article 16(9) of Regulation 2019/943.

### **Article 2. Definitions**

All the terms used in this request for derogation shall have the meaning provided by Article 2 of Regulation 2019/943 and Article 2 of Regulation 2015/1222.

### **Article 3. Operational security grounds justifying the request for a derogation**

- (1) As of 1<sup>st</sup> of July 2020, RTE will not be able to guarantee operational security -as mentioned in Article 16(9)- while applying the minimum requirements set in Article 16(8), due to the uncertainties on the non-coordinated areas (namely due to external flows stemming from neighbouring CCR and third countries). The limitation of the reliability margin (30%) is not sufficient to cover the risk in regard to calculated capacities. Indeed, error in the forecasted flows can be of the same order of magnitude as the calculated capacity.
- (2) The development of new processes aiming at offering higher capacities to the market, and the introduction of new tools enabling the fulfilment of Article 16(8) minimum capacity requirements introduce risks to operational security.
- (3) With regards the risk related to new processes to offer higher capacities:
  - a. The implementation of the minimum capacity requirement should lead to more capacity given to the market, which may require a more extensive application of remedial actions, in accordance with Article 16(4) of the Regulation 2019/943. The operational experience for processes with an extensive application of remedial actions is currently low.
  - b. The implementation of the minimum capacity requirement set forth in Article 16(8) of the Regulation 2019/943 should lead to more capacity given to the market, which may require a more extensive application of costly remedial actions, in accordance with Article 16(4) of the same Regulation. The operational experience for processes with an extensive application of costly remedial actions is currently very low.
  - c. The likelihood of a more extensive application of remedial actions is higher in Member States where no action plan is applied, as it is the case for France.
- (4) With regards to the risks related to new tools:
  - a. In line with Article 16(3) of Regulation 2019/943, it should be possible for Regional Coordination Centres (hereinafter, "RCCs") to identify the cases where remedial actions are sufficient to guarantee the security of supply.

As of 1<sup>st</sup> of July 2020, RCCs will not have the tools necessary to assess and validate the availability of such remedial actions. Furthermore, RCCs will not have common tools to do it efficiently and thus provide affordable energy to the final customers, which is one of the main objective of Regulation 2019/943;

- b. As of 1<sup>st</sup> of July 2020, RTE will not have the tools necessary to assess and validate the availability of such remedial actions. Furthermore, RTE does not have yet internal tools to do it efficiently and thus provide affordable energy to the final customers, which is one of the main objective of Regulation 2019/943. While the implementation of these new tools is ongoing at the time of the submission of this request for derogation, the limited amount of time between the publication of Regulation 2019/943 (June 2019) and the 1<sup>st</sup> of July 2020 did not allow RTE with sufficient time to develop and implement a finalized version of these tools. Consequently, the tools did not yet benefit from a testing period during which the operators are to be trained as well. Therefore, an additional testing period of 6 months is required to finalize and stabilise the tool and acquire further experience and as such guarantee the quality and stability of the results. This additional testing period is necessary to guarantee operational security.
- (5) To mitigate the identified operational security risks, RTE requests this additional transition period of 6 months to gather relevant experience from the processes and to complete the testing of the tools. During this period, the continuation of the so-called parallel run approach shall be applied.

#### **Article 4: Succinct of accomplishment of the first derogation**

- (1) A first derogation (from 1<sup>st</sup> of January 2020 to 30<sup>th</sup> of June 2020) was submitted and approved by CRE. This first derogation consisted of a 6-months parallel run approach for the day-ahead capacity calculation process in CWE.
- (2) During this parallel run taking place in the first semester 2020, RTE:
  - a. Finalized the tool to monitor the margin for cross-zonal trades for all the French critical network elements with contingency (hereafter “CNECs”) as defined by ACER recommendation n°01/2019;
  - b. Started the reporting to CRE about the margin for cross-zonal trades on the French CNECs relevant for the day-ahead capacity calculation process in CWE, including additional relevant parameters to assess more accurately the margin offered.
  - c. Pursued the experimentation on the processes, the development and stabilization of the validation tool to ensure the margin offered for cross-zonal trades.
  - d. Started the training of operational teams on the usage of such tools.
- (3) However, due to the specific working conditions generated by the Covid-19 situation, development, test and training-phase of such tools had to be put on hold for several weeks, in order for RTE’s development and operational teams to focus on critical activities. After this short period, developments have resumed but at a slower pace. Therefore, the implementation has been delayed and the first semester of 2020 has proved to be a too limited period of time to meet the targets initially planned in the first derogation.

- (4) With the aim of meeting expectations on the implementation of minimal cross-zonal available for cross zonal trade while ensuring the security of system on operations, a second derogation of 6 months is required.

### **Article 5: Description of the learning period justifying this second derogation request**

- (1) The parallel run approach will be extended by 6 months for the day-ahead capacity calculation process in CWE, which means that:
  - a. RTE will execute the new processes and local tools for the calculation of the minimum margin on its CNECs, in accordance with the minimum capacity requirement of Regulation 2019/943 and this request for derogation;
  - b. the capacity calculation process is run on the basis of a dataset from RTE, combined with the dataset provided by the other TSOs in CWE:
    - i. For those TSOs that would also apply a parallel run, the dataset specific to the parallel run will be used. This would allow, via the parallel run, to test the effect of the implementation of the minimum capacity requirements;
    - ii. For those TSOs that do not apply a parallel run, the dataset provided to the operational day ahead flow-based process in CWE will be used.
- (2) During the parallel run, RTE will continue to apply the current approved capacity calculation methodology and practices in the CWE region to the operational day-ahead flow-based process. For the avoidance of doubt, the current methodology in the CWE region includes providing a minimum margin on the French CNECs for cross-zonal trades within the CWE region equal to 20% of the thermal limit of the considered network element.
- (3) RTE will continue the development of the validation tools and the experimentation on processes for the validation phase, in order to ensure the fulfilment of the minimum capacity requirement set forth in Regulation 2019/943.
- (4) RTE will continue to train the operators in order for them to gain enough experience with new processes and tools to ensure the operational security.
- (5) RTE participation to this parallel run will gradually increase to reach two important milestones :
  - a. From July to August 2020, the experimentation phase for the choice of the study point of validation process
  - b. From September to the end of December 2020, the parallel run participation will be done according to operational processes, therefore the results of capacity calculation on those months will be significant in comparison of the situation that will occur for the capacity calculation in CWE starting from 1<sup>st</sup> of January 2021.

### **Article 6: Reporting**

- (1) Information on this learning period will be communicated regularly to CRE.
- (2) A more extensive report on this learning period will be communicated to CRE at the end of the parallel run phase.

- (3) RTE will continue to provide monitoring indicators for the French CNECs to CRE on a monthly basis, including the percentage of margin for cross zonal-trades on each French CNEC.

### **Article 7: Renewal of the derogation**

If at the expiry of the derogation period, the operational security obstacles described in Article (3) of the current derogation are not tackled, RTE may ask for a renewal in accordance with Article 16(9) of the Regulation 2019/943. RTE will provide justification for such a renewal and the proposal for the minimum value.