

## **European Network Code on Forward Capacity Allocation**

Update to the Joint European Standing Group

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# Summary and timelines

- Forward Capacity Allocation Network Code (FCA NC) is the second of the European Network Codes on Capacity Allocation Mechanisms.
- ACER opinion on FCA NC is calling for improvements.
- ENTSO-E response to ACER opinion is that in a few specific areas there may be scope for amendments, but not all points raised by ACER need to be amended.

**29/07/2011:** ACER Framework Guidelines (FWGL) on Capacity Allocation and Congestion Management (CACM) for Electricity

**21/09/2012:** Commission invite ENTSO-E to begin drafting of FCA NC

**1/10/2013:** FCA NC and Supporting Document submitted by ENTSO-E to ACER

**18/12/2013:** ACER opinion sent to ENTSO-E

**22/01/2013:** ENTSO-E response to ACER opinion

**31/01/2014:** Trilateral ENTSO-E/ACER/Commission

**End of Q1 2014:** ENTSO-E aim to resubmit an updated version of the FCA to ACER

# ACER opinion

- FCA NC broadly in line with the FWGL.
- However, in some aspects the code is not in line with the FWGL and the objectives stated therein, and lacks ambition in particular regarding the implementation horizon.
- ACER has requested several amendments to the code to ensure full alignment with FWGL and consistency with the other electricity network codes.
- In particular, the following are of concern:
  - i. Timelines set to implement terms and conditions or methodologies
  - ii. Firmness provisions
  - iii. Principles for long-term transmission rights remuneration
  - iv. Decision on cross zonal risk hedging opportunities
  - v. Alignment with the other network codes (e.g. CACM)
- ACER considers that the issues identified can be addressed within a reasonable period.
- ACER fully committed to support ENTSO-E in the process of addressing the issues.
- Some issues similar to those identified in ACER Opinion on CACM

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# Timelines to implement terms and conditions or methodologies

ACER concerned about lack of ambition in FCA NC when setting binding deadlines to implement the main features of the European target model for the long-term timeframe:

- Implementation of the Single Allocation Platform – long process (up to 3 years and 3 months).
- Harmonisation of allocation rules – long process, stronger harmonisation needed (aim for a single document with dedicated sections including specificities for Physical Transmission Rights (PTRs) and Financial Transmission Rights (FTRs)).
- Harmonisation of nomination rules – neither timescales nor binding deadline have been provided.
- Type of Transmission Rights – deadline to develop a proposal for the type of Transmission Rights should be shortened.

# Firmness provisions

- Firmness regime set out in the FCA NC is not in line with the principles and criteria specified in the CACM FWGL “... *financial firmness may be accepted in case of explicit auctions... caps on the compensation may be introduced only in specific cases: curtailments announced before the nomination deadline... and subject to NRA approval*”. FCA NC Article 57 partial compliance “...*caps based on congestion income and /or price cap to be applied on curtailments announced both before and after the nomination deadline*”.
- Long-term firmness deadline – FCA NC does not foresee a harmonised long-term firmness deadline for all TSOs issuing transmission rights across Europe.
- Design of caps – compensation caps shall consider the total revenues received from capacity allocation (i.e. across all timeframes), on a yearly basis. For DC cables, a cap based on the total revenues issued from capacity allocation on a monthly basis, at the respective bidding zone border, may be considered.

# Other issues

- FCA NC states that remuneration for the Transmission Right shall be “*based on*” the market spread between the two concerned bidding zones and the “*revenue adequacy principle*” – conflicting with definition of remuneration in the FWGL (only allowance to be made for DC losses and subject to NRA approval).
- Decision on cross zonal risk hedging opportunities – concerns about the lack of detail regarding the evaluation of existing cross zonal risk hedging opportunities (e.g. criteria for assessment) and the timelines proposed.
- Alignment with the other network codes e.g. provisions regarding NRA approvals – reasonable to align the approach with the other Network Codes.

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