

Capacity Allocation and Congestion Management Guideline (CACM)

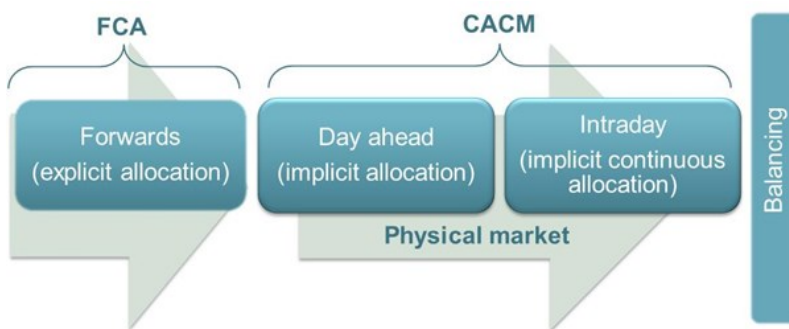
Fact Sheet

Background

The Capacity Allocation and Congestion Management Guideline (CACM) regulation lays down the rules for operating pan-European day ahead and intraday markets. The introduction of pan-European markets should increase market liquidity, facilitating the rising proportion of intermittent renewables in the electricity generation mix.

CACM will also set out new processes for determining how interconnector capacity is calculated, network congestion is managed and the criteria and process for reviewing bidding zones.

CACM sits alongside the other European market codes (Forward Capacity Allocation (FCA) and the Balancing Guideline) to describe the market rules, together known as the EU target model. Together, they outline how the capacity of the electricity networks between bidding zones (e.g. between GB and France) is allocated.



In order to calculate how much capacity can be allocated on each border, TSOs are required to construct a pan-European Common Grid Model (a model of the electricity network). Generators and load are obliged to provide information in order to construct this model; however National Grid believes we already collect all the data necessary via the GB Grid Code. Any change to this position will be consulted on and subject to regulatory approval.

Regional Capacity Calculation. Currently the amount of interconnector capacity is calculated on a largely bilateral basis between the connecting TSOs. Under CACM, a new daily (and regional) calculation will be introduced to ensure that the calculation is performed in a consistent and coordinated manner.

Intraday Trading (XBID). With the rising share of renewable generation across Europe trading electricity between countries, through Interconnectors, becomes increasingly important. This is because of the intermittent nature of renewables which leads to a need to be able to sell surplus electricity and cover shortfalls on a continuous basis in real time (i.e. within the day – or 'Intraday').

Connecting countries' power markets and trading electricity between them is known as 'market coupling'. There is a wide range (or 'spread') in the price of electricity across Europe and increasing the level of market coupling reduces this spread and, therefore, benefits the consumer.

CACM introduces market coupling for the intraday market, building on the day ahead market coupling which has already been implemented within GB.

Bidding zone reporting process and subsequent review. CACM introduces a new governance framework to regularly assess the efficiency of current bidding zone configuration and an amendment process if changes are required. Bidding zones are the areas with a single electricity price and GB is a single market bidding zone as we have a single electricity price. The assessment is through the creation of a new bidding zone report prepared every three years by ENTSO-E (supported by TSOs) and ACER. This report can initiate a separate amendment process if it identifies the need for changes. The first report is expected to be submitted at earliest 2018 depending on how the current continental bidding review develops.

This matters...

...to whom

CACM impacts anyone trading or wishing to trade Interconnector capacity and cross-border energy in the day ahead or intra-day timeframes. CACM also impacts TSOs (including Interconnectors) and power exchanges.

...when

CACM entered into force as European law on **14 August 2015**, however many of the deliverables will be delivered over the following years. Many of the detailed methodologies outlining the market rules are required to be produced within **3 years** of this entry into force date.

...how

A major part of the CACM delivery is for Transmission System Operators (TSOs) and power exchanges – now formally known as Nominated Electricity Market Operators (NEMOs) – to produce proposals on the details of the market rules. These proposals will be consulted on and subject to regulatory approval. Some of these proposals may require GB code modifications.

All changes to GB codes will be consulted on and are subject to approval by Ofgem.