For information only

Evaluation of responses to the public consultation on the cross-border capacity allocation methodologies for the exchange of balancing capacity in the Hansa, Core and Baltic capacity calculation regions

in accordance with Articles 41(1) and 42(1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (the 'EB Regulation')

1 Introduction

By 26 February 2021, the relevant regional regulatory authorities referred to ACER the proposals for:

- the methodology for a market-based allocation process of cross-zonal capacity in Hansa CCR in accordance with Article 41(1) of the EB Regulation ('Hansa MB Proposal');
- the methodology for a market-based allocation process of cross-zonal capacity in Core CCR in accordance with Article 41(1) of the EB Regulation ('Core MB Proposal');
- the methodology for a market-based allocation process of cross-zonal capacity in Baltic CCR in accordance with Article 41(1) of the EB Regulation ('Baltic MB Proposal'); and
- the methodology for a cross-zonal capacity allocation process based on economic efficiency in Core CCR in accordance with Article 42(1) of the EB Regulation ('Core EE Proposal'). (all four are generally referred to as 'the Proposals')

In order to take an informed decision and in accordance with Article 14(6) of the Regulation (EU) 2019/942 ACER launched a public consultation on 12 April 2021 inviting all interested stakeholders, including ENTSO for Electricity, Regulatory Authorities and Transmission System Operators ('TSOs') to provide comments on the Proposals. The closing date of the public consultation was 2 May 2021.

More specifically, the public consultation invited stakeholders to comment on the following aspects of the Proposals:

(i) the timeframe for the market-based cross-zonal capacity allocation process;
(ii) forecasted market value of cross-zonal capacity;
(iii) maximum volume of the allocated cross-zonal capacity; and
(iv) TSO-BSP settlement scheme.

The Proposals were voluntary submissions by the respective TSOs. The Hansa MB Proposal and the Core EE Proposals were withdrawn after the closing date of the public consultation. Therefore, ACER does not take a decision on these.

2 Responses

By the end of the consultation period, ACER received comments from 18 respondents.

This evaluation paper summarises all of the respondents' comments and how these were considered by ACER. The table below is organised according to the consultation questions and provides the respective views of the respondents, as well as a response from ACER clarifying how their comments were taken into account in the present Decision.

Respondents' views	ACER views
Question 1.1 Do you agree with ACER's approach to define the day-ahead as the timeframe for the market-based cross-zonal capacity allocation methodology? If not, please share your concerns for the proposed approach, as well as your answers to the issues raised by ACER above.	
13 respondents provided an answer to this question.	
9 respondents (APG; BMWi; Europex; Gamybos optimizavimas; HSE; Ignitis Gamyba; Ørsted; Tennet; Tiwag) agree with the approach. One respondent (APG) states that the availability of the long-term capacity calculation methodology should not prevent the application of the market based allocation process, which takes place day-ahead. Two respondents (HSE; Tiwag) mentions that the market-based allocation process has to be finalised before the single day-ahead coupling and should ensure enough time and transparency for market participants to consider the relevant information for placing their bids in both markets. One respondent (Ignitis Gamyba) points out insufficient clarity on how the cross-zonal capacity allocation for balancing capacities or sharing of reserves and energy exchange between binding zones will interact. One respondent (Tennet) highlights that this will also be important for developing short-term markets and is following the aim of the Regulation 2019/943.	ACER agrees. While the cross-zonal allocation processes could in principle be based on either the results of the long-term or day-ahead capacity calculation methodology in accordance with Article 38(5) of the EB Regulation, the long-term capacity calculation methodology will not be implemented soon. ACER agrees. In accordance with Article 11(2) of Regulation 543/2013 the results of the market-based allocation process need to be available no later than one hour before gate closure time of the single day-ahead coupling. ACER agrees that the market-based allocation process is not sufficiently clear in the Proposals and added relevant details and provisions in cooperation with TSOs. ACER agrees.
Two respondents (EFET; RWE) do not agree. One respondent (EFET) mentions that the EB Regulation does not mandate a specific gate closure time and that the cross-zonal capacity allocation methodologies (i.e. Article 40, 41 and 42 of the EB Regulation) should not be used as a tool to restrict the derogation	ACER agrees that there is no explicit legal requirement for setting a more detailed timing of the market-based allocation process. However, the possibilities for application of the market-based allocation process are limited and should be considered in the relevant methodology. While applying such process closer to real time is following the aim of Regulation 2019/943, the market-based allocation process does not generally restrict

Respondents' views	ACER views
possibilities to the day-ahead procurement of balancing capacity of Article 6(9) Regulation 2019/943.	the possibilities of earlier procurement, since national procurement (independent of this process) is still possible.
One respondent (EFET) questions the difference in process and objective of the market-based allocation process compared to the co-optimised allocation process (i.e. Article 40 of the EB Regulation) and does not see added value in the market-based methodology compared to co-optimisation.	ACER clarifies that while the general objectives of the processes are the same, the timings, complexity and related need for forecasting differ.
Two respondents (EnBW; RWE) share concerns about the negative impact of cross-zonal capacity allocation for the exchange of balancing capacity or sharing of reserves on the intraday market.	These comments are not in the scope of this question but further addressed under question 5.
Question 1.2 Do you agree with ACER's conclusions that a single gate closure time for every application the market-based cross-zonal capacity allocation in a CCR is necessary to allow a non-discriminatory application(s) in the restricted time period for possible application? Please share any concerns you may have regarding the process.	
13 respondents provided an answer to this question.	
7 respondents (Europex; Gamybos optimizavimas; HSE; Ignitis Gamyba; Ørsted; Tennet; Tiwag) agree with the approach presented by ACER. Two respondents (Gamybos optimizavimas; Ignitis Gamyba) further share their support for a single gate closure time for all CCRs. One respondent (Ørsted) in principle also acknowledges the possibility of sequential gate closure times where market participants receive the outcome of the first auction before submitting bids for the next one. Onerespondent (Tennet) states that a single gate closure time is necessary to create a level playing field among the different balancing capacity products.to comply with the Regulation 2019/943 regarding the substitution of reserves for cost minimisation; the possibility for substituting reserves in case of shortage and because it is not possible to	ACER agrees that further harmonisation can be beneficial if possible. ACER agrees to the general possibility. However, such approach would raise issues of discrimination and would be very difficult to apply considering the existing timings. ACER agrees.

Respondents' views	ACER views
perform sequential runs of the market-based allocation process in the short time window after FCR market and before the final day-ahead capacity calculation.	
Two respondents (50 Hertz; EFET) provide comments stating that a single gate closure time should not generally apply to all TSOs of a CCR but be limited to the TSOs and products participating in the market-based allocation process. One respondent (50 Hertz) states that as long as a balancing cooperation only exchanges one product, there is no need to have a common gate closure time with other products, which are not exchanged. One respondent (EFET) mentions that Article 38 of the EB Regulation refers to "two or more TSOs" to establish one of the processes for reservation of balancing capacity as per Articles 40, 41 or 42 of the EB Regulation, not necessarily all TSOs of a CCR.	ACER agrees that the Proposals cannot generally set a single gate closure time for all national balancing capacity markets in a CCR but can only specify the necessary requirements related to the market-based allocation process. Such requirements are only relevant for TSOs of a CCR who (at their own initiative) apply a methodology for allocating cross-zonal capacity to the balancing timeframe in accordance with Article 38(1) of the EB Regulation.
Four respondents (50 Hertz; Amprion; Ørsted; Tennet) mention the importance of linking the different balancing capacity products if they are procured under one single gate closure time.	ACER agrees to the importance of linking and specified the relevant requirement in Article 3(6) of Annex I.
Four respondents (APG; BDEW; EnBW; RWE) share their concerns related to the issue that a single gate closure time for different balancing capacity products would split liquidity, while sequential gate closure times allow BSPs to re-optimize their portfolios and to offer free (non-procured) balancing capacity on subsequent markets.	ACER agrees that such issue could arise in case of a single gate closure time without the possibility of linking. Therefore, ACER included the requirement of linking in Article 3(6) of Annex I. A simultaneous and linked procurement will increase liquidity and the efficiency of the involved balancing capacity markets.
Two respondents (APG; EFET) do not see the decision on a single gate closure time in the scope of the methodology for a market-based allocation process. One respondent (EFET) further specifies that the EB Regulation does not mandate to set a single gate closure time at which the process of the	While ACER agrees that it is not explicitly required by the EB Regulation that the Proposals specify a single gate closure time, ACER understands that the effective functioning of the market-based allocation process using the calculated cross-zonal capacities for the day-ahead timeframe does not allow for more than one gate closure time. Furthermore, a single gate closure time effectively addresses the issue of discrimination related to a

Respondents' views	ACER views
market-based reservation of balancing capacity should be carried out for the entire CCR.	first-come first-serve principle or similar concepts for allocating cross-zonal capacity with subsequent gate closure times. Therefore, ACER deems it necessary to require a single gate closure time (as further described in the Decision). The exact timing of such single gate closure time for the market-based allocation process is not in the scope of this methodology but should be addressed in the proposal pursuant to Article 38(1) of the EB Regulation. Again, ACER wants to clarify that such requirement for a single gate closure time only applies to the balancing capacity products which are procured in relation to the market-based allocation process.
Three respondents (EFET; EnBW; RWE) share concerns regarding potential disturbance with the balancing energy procurement and activation processes.	ACER does not share or see the reasons for such concern.
Question 2.1 Do you agree aligning the determination of the forecasted market value for the exchange of energy in all three methodologies with the one in the Baltic MB Proposal? Do you have any comments on the selection of the reference day, the concept of adjustment factors or the concept of the proposed mark up?	
10 respondents provided an answer to this question.	
One respondent (Tennet) strongly disagrees with applying the strong simplifications of the Baltic approach (i.e. using a forecast based on the market spread) in the flow-base environment of the Core CCR, since it does not fully consider the surpluses of seller, buyer and transmission holders, on all impacted bidding zone borders.	ACER agrees that a forecast method based on the flow-based domain (as calculated in accordance with the day-ahead capacity calculation methodology) can provide a more accurate forecast and better considers the impact on all bidding zone borders of a CCR. Therefore, ACER kept the proposed forecasting method in accordance with Article 39(5)(b) of the EB Regulation and further improved, in coordination with TSOs, the concept, requirements and transparency on how to forecast the market value of cross-zonal capacity for the exchange of energy based on a flow-based domain in the Core MB Proposal.

Respondents' views	ACER views
	The market spread approach, as described in the Baltic MB Proposal, is a simpler and more transparent forecasting method in accordance with Article 39(5)(a) of the EB Regulation, which is more suitable for estimating the market value of cross-zonal capacity for the exchange of energy in CCRs with less interdependent bidding zone borders. ACER kept the market spread approach for the Baltic CCR, which did not yet decide on a flow-based capacity calculation in accordance with Article 20 of the CACM Regulation.
One respondent (50 Hertz) questions the day-ahead price spread as an indicator of welfare changes in cross-zonal capacity allocation in the Core region and deems the inaccuracies compared to a shadow price approach as significant.	See ACER's response above.
5 respondents (APG; EFET; Europex; Ørsted; Tiwag) agree to the higher transparency of the Baltic approach and would support an alignment of the market-based methodologies using it. One respondent (Tiwag) shares its opinion that a market spread approach would sufficiently reflect the value of cross-zonal capacity without the complexity of the propose approach in the Core MB Proposal. One respondent (Ørsted) highlighted the importance of full transparency and predictability of the mark-up and urges TSOs to carry out an analysis of the appropriate reference day methodology as well as application and size of mark-ups and adjustment factors.	ACER agrees to the need of improving the transparency provided by the Core MB Proposal and added the necessary details and clarifications . ACER also harmonised the Proposals where possible. However, ACER kept the different general forecasting methods to consider the individual specificities of the different CCRs and considering the choice of the forecasting method in accordance with Article 39(5) of the EB Regulation (see also above). ACER in principle agrees to the benefits of increased transparency but also acknowledges the limitations of such fully transparent method (i.e. using market-spreads) regarding the accuracy for highly interdependent bidding zone borders in a CCR with flow-based capacity calculation (The more complex forecasting method of the Core MB Proposal can, in comparison to the a market-spread method, effectively take into account the impact on other bidding zone borders in a CCR).

Respondents' views	ACER views
	ACER added a method and specific requirements for determining adjustment factors the Core MB Proposal and added provisions and transparency requirements for deviating from the default reference day.
One respondent (APG) stresses the positive impact of selecting non-default reference days and applying adjustment factors (or similar measures) to improve to forecast accuracy.	ACER agrees to the benefits of improving the forecast accuracy and importance to have a sufficiently accurate forecast. While the adjustment factor (and the mark-up) in the Proposals are used to address forecast inaccuracies, the option of selecting a non-default reference day allows for directly improving the forecasted market value of cross-zonal capacity for the exchange of energy. Since any changes to the default forecasting method could come at the cost of decreased transparency and predictability (especially relevant for a forecasting method in accordance with Article 39(5)(a) of the EB Regulation), ACER added relevant transparency requirements related to these processes in the Proposals.
Three respondents (APG; BMWi; Europex) provided comments related to the application of mark ups and/or adjustment factors. One respondent (APG) states that forecast errors can be in both directions and are not always disadvantageous to the energy market. Mark-ups may additionally distort a forecast towards a possible over allocation to the energy market. Since this is not desired, a mark-up should only be optional. One respondent (APG) questions the chosen mark-up values in the Baltic MB Proposal and deems a relative mark-up more future proof (e.g. regarding possible changes of price levels) Two respondents (APG; BMWi) propose to define mark-ups (an equivalent adjustment factor) based on ex-post analyses. One respondent (BMWi) deems it more suitable to fix eventual mark-up on a level below a CCR.	ACER agrees that a forecast error could go in both directions. However, as mentioned in the Decision, the mark-up aims to protect the day-ahead market against the negative impact of inaccurate forecasts. Since such negative impact on the day-ahead market is only caused by the forecast error in one direction, only such direction should be considered. As defined in Article 6 of Annex I of the Core MB Decision such concept can also be provided in the form of an adjustment factor. Both tools for fulfilling the aim of protecting the day-ahead market against forecast inaccuracies (absolute mark-ups or factors) are adjusted based on an ex-post analysis of the forecast errors. In case of a mark-up on the market spread forecast, such mark-up can be adjusted per bidding zone border, while flow-based capacity calculation inputs do not allow for deviating mark-ups per bidding zone border.

Respondents' views	ACER views
One respondent (BMWi) proposes to consider also eventual negative impacts on the intraday market in the mark-up. One respondent (Europex) highlights the importance to protect the day-ahead market against over allocation to balancing capacity due to inaccurate forecasts.	ACER does not deem it necessary or possible to consider the impact on intraday markets (or balancing energy markets) in the market-based allocation process at the time of this Decision. The day-ahead market value should be considered the best available forecast also for the subsequent intraday market. (also see responses to question 5) ACER agrees to the importance of protecting the day-ahead market from reducing its cross-zonal capacities in accordance with Article 20(2) of the CACM Regulation against inaccurate forecasts from the market-based allocation process.
Two respondents (Gamybos optimizavimas; Ignitis Gamyba) generally support the Baltic proposal. One respondent (Ignitis Gamyba) highlights that a unified and aligned principle among all regions will bring clarity and more transparent market environment across all EU cross borders.	ACER agrees to the benefits of harmonised and aligned principles among the CCRs. However, ACER also deems it important to allow for individual solutions on a CCR level (addressing regional specificities where necessary) to allow for effective implementation and efficient application (e.g. see ACER's response to the first issue of this question). While ACER already aimed for a first harmonisation of principles in the regional market-based methodologies, where possible and reasonable, the methodology pursuant to Article 38(3) of the EB Regulation will further harmonise the existing regional market-based methodologies.
Question 2.2 Please provide your views on the selection of the shadow price associated to the critical network elements limiting the exchange, as basis for the determination of the forecasted market value for the exchange of energy.	
9 respondents provided an answer to this question.	
4 respondents (50 Hertz, APG, EFET; Tennet) acknowledge that using a forecasting method based on flow-based parameters (i.e. shadow prices) is expected to result in a higher forecasting accuracy.	ACER agrees.
Two respondents (50 Hertz; Tennet) recommend to keep the forecasting method based on shadow prices of the Core MB Proposal.	ACER agrees with these responses and improved, in coordination with TSOs, the transparency and clarity of the forecasting method proposed in Core MB Proposal, which should be more efficient for the Core CCR.

Respondents' views	ACER views
One respondent (50 Hertz) highlights that such method would provide a more accurate forecasted market value of cross-zonal capacity for the exchange of energy and therefore an allocation with higher welfare gains. One respondent (Tennet) stresses that such approach is the only future proof way to allocate fairly cross-zonal capacity to balancing capacity, since it is directly considering all 3 surpluses (i.e. seller; buyer; congestion income) and considers the impact on all bidding zone borders of a CCR, while respecting the non-netting potential of cross-zonal capacity for the exchange of balancing capacity.	
5 respondents (APG; Gamybos optimizavimas; Ignitis Gamyba; Ørsted; Tiwag) do not support a forecasting method based on shadow prices and mention the lack of transparency of such approach. One respondent (Tiwag) shares doubts on the possible benefits of such complex approach and mentions that the relevant flow-based parameters were originally designed to optimise the gross power flow among multiple regions, and not designed to forecast cross-zonal prices for balancing. One respondent (APG) mentions that a shadow price approach is complex and based on many assumptions and the improved accuracy towards a market spread approach is not guaranteed. One of these respondents (APG) proposes to introduce a forecasting method based on shadow prices only at a later stage when flow-based coupling is better understood by all stakeholders of the Core CCR. One respondent (APG) is of the opinion that a market spread approach is more easily applicable and therefore less of an obstacle for forming a balancing capacity cooperation.	ACER agrees to the generally higher complexity of a forecasting method based on flow-based parameters but also sees the increased accuracy for providing a forecasted market value of cross-zonal capacity for the exchange of energy, which could not be provided for a CCR with flow-based capacity calculation in such detail when using a market spread approach. ACER sees the benefits of increased efficiency of using the flow-based approach in day-ahead coupling and wants to clarify that forecasting is expected to improve when it better considers the realities of the underlying market. ACER does not agree that introducing a more efficient method should be avoided due to lack of understanding of every stakeholder in a CCR. As described in the Decision, the market-based allocation process shall be ready for use by the time of implementation of this methodology. Therefore, ACER does not see an obstacle for forming balancing cooperation, which would apply a ready for use process.

Respondents' views	ACER views
Two respondents (EFET; Europex) require a more precise and clear proposal to evaluate the proposed approach.	ACER agrees to the insufficient details regarding the forecasting method in the Core MB Proposal and added the relevant details and clarity.
Question 2.3 Do you agree with following in the Core EE Proposal the same principles for the forecasted market value of cross-zonal capacity for the exchange of energy as in MB Proposals? Please also provide your views on the selection of the reference period.	
10 respondents provided an answer to this question.	The Core EE Proposal (voluntary submission) has been withdrawn by the Core TSOs after the closing date of the public consultation. Therefore, ACER does not take a decision on the Core EE Proposal and will only provide limited responses to the input received for this proposal (various issues related to the Core EE Proposal have not been fully assessed or resolved by ACER by the time of the withdrawal).
5 respondents (Danish energy; EFET; Gamybos optimizavimas; Ignitis Gamyba; Tennet) share their disagreement with the concept of an economic efficiency methodology. Two respondents (Gamybos optimizavimas; Ignitis Gamyba) highlight the lack of transparency of the economic efficiency approach and several other aspects where the Core EE Proposal lacks in clarity. Two respondents (Danish energy; Ørsted) consider such approach as reservation of cross-zonal capacity and detrimental to free trade between market participants and the integration of other market timeframes. One respondent (Ørsted) shares examples of welfare losses in cases with similar reservations of cross-zonal capacity. One respondent (Tennet) does not deem it possible to accurately withdraw cross-zonal capacity from the day-ahead market timeframe in an optimisation performed more than a week ago. One respondent (Tennet) states that if TSOs want to procure balancing capacity more than one week ahead, this should be done nationally but	ACER agrees that the cross-zonal capacity allocation process based on economic efficiency is the least efficient of the available processes and therefore not the favourable approach. ACER agrees that the Core EE Proposal is lacking clarity and transparency.

Respondents' views	ACER views
not in the context of a balancing cooperation pursuant to Article 33 of the EB Regulation.	ACER agrees that national procurement of balancing capacity is possible more than one week ahead while respecting the requirements of Article 6 of Regulation 2019/943.
Two respondents (APG; Europex) generally agree that both methodologies (i.e. market-based and economic efficiency) should be consistent and transparent.	ACER in principle agrees.
Two respondents (APG; Tiwag) do not deem an approach using shadow prices as feasible of the Core EE Proposal. One respondent (Tiwag) states that the main further difference to the market based process is the usage of a reference period and that the simpler concept of the Core EE Proposal is more transparent for market participants to follow.	ACER did not conclude on this aspect of the Core EE Proposal.
One respondent (Tennet) deems a shadow price approach as feasible and the preferred approach for the Core EE Proposal.	ACER did not conclude on this aspect of the Core EE Proposal.
One respondent (APG) considers the reference period in the Core EE Proposal as the easiest way to improve the forecast but shares concerns that a similar approach in both processes regarding the reference period may negatively impact the Core MB Proposal.	ACER did not conclude on this aspect of the Core EE Proposal.
Two respondents (EFET; EnBW) comment on parts of the Core EE Proposal which refer to the proposal in accordance with Article 33(1) of the EB Regulation for aspects, which should be directly addressed by the Core EE Proposal instead.	ACER agrees to these comments.
Question 2.4 Do you agree with the approach proposed in the Core EE Proposal for determining the forecasted market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves? Do you have any comments on the selection of the reference period?	
8 respondents provided an answer to this question.	The Core EE Proposal (voluntary submission) has been withdrawn by the Core TSOs after the closing date of the public consultation. Therefore,

Respondents' views	ACER views
	ACER does not take a decision on the Core EE Proposal and will only provide limited responses to the input received for this proposal (various issues related to the Core EE Proposal have not been fully assessed or resolved by ACER by the time of the withdrawal).
Three respondents (EFET; EnBW; RWE) are missing clarity on how the reference period will be defined and are concerned that market participants are not consulted before such concept will be applied. Two of these (EFET; EnBW) further claim that description of the reference period is insufficient to meet the requirement of Article 42(1)(b) of the EB Regulation.	ACER shares these concerns.
One respondent (Europex) comments that an adjustment factor can be used to improve the forecast accuracy and over allocation or unjustified preference of the balancing capacity markets needs to be prevented.	ACER in principle agrees.
Three respondents (Gamybos optimizavimas; Ignitis Gamyba; Ørsted) share their general objection against the Core EE Proposal. One of these respondents (Ignitis Gamyba) further proposes to only have one common methodology and process for allocating cross-zonal capacity for the exchange of balancing capacity, which would support transparency and market players' understanding of the process across different regions.	ACER agrees that the cross-zonal capacity allocation process based on economic efficiency is the least efficient of the available processes and therefore not the favourable approach. ACER agrees to the benefits of harmonised and aligned principles among the CCRs. However, ACER also deems it important to allow for individual solutions on a CCR level to address regional specificities where this is more efficient. The methodology pursuant to Article 38(3) of the EB Regulation will further harmonise the methodologies for allocating cross-zonal capacities for the exchange of balancing capacities or sharing of reserves.
One respondent (Tiwag) shares limited agreement with the Core EE Proposal, since the basic inputs are transparent and further proposes that actual balancing market bid curves are used.	ACER in principle agrees that the inputs used in the Core EE Proposal are simple but is concerned about the efficiency of this method. ACER did not further conclude on this aspect of the Core EE Proposal.

Respondents' views	ACER views
Question 3.1 Do you agree taking in the MB methodologies as a default value for the maximum volume of allocated cross-zonal capacity the 10% of the cross-zonal capacity calculated for the day-ahead timeframe pursuant to the capacity calculation methodology of the CACM Regulation? If not what other options would you consider?	
11 respondents provided an answer to this question.	
9 respondents (APG; BMWi; Danish Energy; EFET; Europex; Ørsted; RWE; Tennet; Tiwag) agree to the maximum volume limit of 10%, which should be based on the cross-zonal capacity calculated for the day-ahead timeframe pursuant to the capacity calculation methodology pursuant to Article 20(2) of the CACM Regulation. One respondent (EFET) explicitly welcomes that this threshold applies to all balancing capacity products and not to each individually leading to a higher threshold in total. One respondent (Europex) stresses that the 10% should be considered the maximum and the importance of protecting the day-ahead and intraday energy markets against the negative effects of withdrawing cross-zonal capacities. One respondent (Europex) proposes to introduce a similar threshold also for the co-optimisation methodology pursuant to Article 40 of the EB Regulation.	ACER agrees. The co-optimised allocation process does not require a maximum limit pursuant to the EB Regulation and is out of scope of this Decision.
Two respondents (Gamybos optimizavimas; Ignitis Gamyba) support a 10% limit which only applies to cross-zonal capacity from interconnectors between synchronous areas.	Allocating cross-zonal capacity for the exchange of balancing capacity or sharing of reserves has equal subsequent implication whether this is done between synchronous areas or within a synchronous area. Also the general aim of the market-based allocation process to maximise the total welfare gains in the underlying market through cross-zonal capacity calculation allocation is not impacted by any difference of synchronous areas. Therefore, ACER is of the opinion that any such limit should in general be equally applied between synchronous areas or within a synchronous area.

Respondents' views	ACER views
One respondent (Ignitis Gamyba) proposes a more flexible solution, which allows setting the limit in the methodology pursuant to Article 33(1) of the EB Regulation. The respondent further explains that the 10% limit requires more analysis and that such limit could be an obstacle for regional balancing capacity market development. With the limitation of 10% an issue may arise for ensuring the required level of system reliability due to the unforeseen unavailability on national level.	ACER does not agree since the maximum volume limit must be defined pursuant to the market-based allocation methodology in accordance with Article 41(1)(d) of the EB Regulation. ACER agrees that the 10% limit may need to be extended depending on the specific circumstances of a CCR and in a scarcity situation on the balancing capacity market. ACER introduced the relevant process for addressing scarcity situations and increased the limit above 10% for the Baltic MB Proposal. Further explanation can be found in ACER's Decision on the Baltic MB Proposal.
One respondent (APG) suggests to mitigate short term effects by using average values and further claims that such approach would also increase transparency with regard to the final amount of allocated cross-zonal capacity.	ACER disagrees since such approach would not sufficiently protect the day-ahead market in times of scarce cross-zonal capacity and might not provide an equal footing between the two markets in case of scarce capacities and a forecast error. When directly using day-ahead capacity calculation values, transparency is equally provided for the day-ahead energy market and the balancing capacity market.
Two respondents (BMWi; RWE) propose to also allow TSOs for setting a threshold lower than 10%.	ACER is of the opinion that in accordance with Article 41(1)(d) the maximum limit must be set in the market-based allocation methodology where TSOs proposed a threshold of 10%. Depending on the welfare gains of the two individual markets (i.e. energy and balancing capacity) cross-zonal capacities can be allocated for the exchange of balancing capacity or sharing of reserves up to this threshold and below. Further protection of the day-ahead market should be ensured by applying mark-ups or adjustment factors.
Question 3.2 Please provide your views on having a dynamic process for the adjustment of the maximum volume in cases of unsatisfied TSO demand.	
9 respondents provided an answer to this question.	

Respondents' views	ACER views
Three respondents (APG; Gamybos optimizavimas; Ignitis Gamyba) support the described dynamic approach. One respondent (Gamybos optimizavimas; Ignitis Gamyba) further shares that such dynamic process would reflect the real situation in the market and system where the market value of cross-zonal capacity allocation will be reflected objectively and the system reliability constraints will be maintained.	ACER agrees.
One respondent (BMWi) acknowledges the risk of not being able to meet the demand for balancing capacity but stresses that exemptions from the 10% cap should be clearly limited to exceptional cases and on a temporary basis. Such exemption should not structurally solve the lack of balancing capacity at the expense of the energy markets and need to be closely and regularly monitored.	ACER agrees that the 10% limit should only be increased in exceptional cases. Anyhow, ACER is also of the opinion that a case of unsatisfied demand should be addressed where possible and the default maximum limit should be increased in such cases. ACER agrees to the importance of monitoring such cases closely and regularly and added the relevant transparency requirement to the Proposals.
Four respondents (Danish Energy; EFET; Europex; Ørsted) do not support a dynamic process with the possibility to increase the 10% limit. One respondent (Europex) proposes that maximum volume limit should only be subject to change following a review by the regulatory authorities in accordance with Article 39(6) of the EB Regulation, rather than an 'automatic' process triggered by scarcity of bids. Two respondents (Danish energy; Ørsted) state that in case the need for local reserves cannot be met with the 10% limit, TSOs should signal what their need is. Using a dynamic process to increase the limit could potentially undermine this signal. One respondents (EFET) states that only a downward adjustment of the limit should be allowed.	ACER is of the opinion that a case of unsatisfied demand should be addressed where possible and the default maximum limit should be increased. As such increase would avoid an operational security risk, the value of such increase can be considered as significant and therefore no further review in accordance with Article 39(6) of the EB Regulation is needed for such increase. ACER understands that the signal for the need of reserves is always TSOs' demand, which should not change. The resulting price from markets with insufficient local offers offers, as well as the published information for such market outcome (see requirements of Article 12(2) of Annex I) will provide market participants with the relevant signals and information about where balancing capacity is needed due to insufficient local offers.
One respondent (Tennet) cannot fully answer this question due to missing clarity on how surpluses are calculated in case of unsatisfied demand. The	ACER clarified the process in Article 7(6) and (7) of Annex I.

Respondents' views	ACER views
respondent further states that there should always be a possibility to satisfy demand across a bidding zone border in case of unsatisfied local demand and discourages the option of reducing the demand to a level which can be met in a balancing cooperation.	
One respondent (Europex) sees the need for clarification whether the maximum limit applies to each individual cross-zonal interconnector (or CNE).	While the maximum limit applies per bidding zone border where a forecast method based on a market spread is applied (e.g. Baltic MB Proposal), for an approach based on flow-based parameters the limit applies to all CNEs. ACER provided the respective wording in Article 5 of Annex I.
Question 3.3 Do you have any comments on the maximum volume of the allocated cross-zonal capacity in the Core EE Proposal?	
7 respondents provided an answer to this question.	The Core EE Proposal (voluntary submission) has been withdrawn by the Core TSOs after the closing date of the public consultation. Therefore, ACER does not take a decision on the Core EE Proposal and will only provide limited responses to the input received for this proposal (various issues related to the Core EE Proposal have not been fully assessed or resolved by ACER by the time of the withdrawal).
Four respondents (BMWi; EFET; Europex; RWE) support the maximum volume limit of 5%. Three respondents (BMWi; EFET; RWE) welcome the possibility to further reduce this limit. One respondent (EFET) welcomes the clarification that such limit applies to the sum of all balancing capacity products.	ACER agrees to the 5% limit but did not further conclude on this issue for the Core EE Proposal.
Two respondents (Danish energy; Ørsted) share their general objection against the allocation process based on economic efficiency analysis.	ACER agrees that the cross-zonal capacity allocation process based on economic efficiency is the least efficient of the available processes and therefore not the favourable approach.
One respondent (Ignitis Gamyba) proposes to review the Core EE Proposal to unify the concept for all methodologies for the allocation of	ACER did not conclude on this aspect of the Core EE Proposal.

Respondents' views	ACER views
cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.	
Question 4 Please share your views regarding the possibility of allowing existing projects to deviate from the marginal (pay-as-cleared) principle.	
15 respondents provided an answer to this question.	
7 respondents (50 Hertz; Amprion; APG; BDEW; EFET; EnBW; RWE) welcome an exemption for pay as bid for the existing cooperation projects to perform a stepwise transition into the new framework of the Core MB Proposal. One respondent (Amprion) mentions that limiting pay-as-bid to the existing cooperation could slow the process of creating a bigger cooperation.	To allow for a transformation of an existing cooperation to the target of fully implemented market-based allocation process ACER added a provision to the Core MB Proposal allowing an early implementation of the market-based process with an exemption of the requirement for marginal pricing. This stepwise implementation and application of the incomplete market-based allocation process may only be applied until the deadline for the complete implementation of the Core MB Proposal.
Three respondents (APG; SEPS; Tiwag) suggest having both pricing principle options in the Core MB Proposal. One respondent (SEPS) proposes to harmonise the pricing principle only with the harmonised methodology in accordance with Article 38(3) of the EB Regulation. One respondent (APG) states that both pricing principles work equally well for calculating the market value of cross-zonal capacity. One respondent (Tiwag) shares its preference for the pay-as-bid principle and explains that the pricing principle within a cooperation needs to be harmonised.	As explained in the Core MB Decision, ACER does not deem the pay-as-bid pricing principle as compatible with the requirement pursuant to Article 41(4) of the EB Regulation for equal treatment of cross-zonal capacity allocated for the exchange of energy or the exchange of balancing capacity or sharing of reserves. ACER disagrees, since using a pay-as-bid or marginal pricing principle cannot equally consider a BSPs' surplus or congestion income due to the fundamental differences of these two approaches (e.g. in pay-as-bid the BSPs' economic surplus is embedded in the market participant's bid while in marginal pricing the BSPs' economic surplus can be directly calculated). ACER agrees that multiple price principles within one cooperation are not feasible.
Two respondents (APG; SEPS) comment on the legal context for having a pricing principle in the Proposals.	As explained in the Core MB Decision, ACER does not deem the pay-as-bid pricing principle as compatible with the requirement pursuant to Article

Respondents' views	ACER views
One respondent (APG) states that settlement and pricing rules for balancing capacity are not within the scope of the Proposals. One respondent (SEPS) sees no explicit legal indication for using pay-as-cleared settlement rule for balancing capacity standard products.	41(4) of the EB Regulation for equal treatment of cross-zonal capacity allocated for the exchange of energy or the exchange of balancing capacity or sharing of reserves. Further, the pricing principle is a necessary basis related to the general functioning of the market-based allocation process. Therefore, the pricing principle needs to be addressed in the methodology for a market-based allocation process.
7 respondents (EFET; Europex; Gamybos optimizavimas; HSE; Ignitis Gamyba; Ørsted; Tennet) support the use of the marginal pricing principle. Three respondents (Europex; Gamybos optimizavimas; Ignitis Gamyba) further mention that once existing projects end (with a clearly defined expiration date) there should be no more deviations from the harmonised target model.	ACER agrees with these respondents and deems marginal pricing as the target solution. Any other pricing principle cannot be applied for cross-border balancing capacity procurement once the market-based allocation process is fully implemented (national procurement processes which are limited to one bidding zone may continue to use pay-as-bid).
One respondent (Tennet) shares its opinion that in case marginal pricing is required, the German Austrian aFRR balancing capacity cooperation will more likely discontinue than switch to marginal pricing.	Any application of the market-based allocation process is voluntary in accordance with Article 38(1) of the EB Regulation. Therefore, TSOs can start or end an application on their own initiative. However, the existing cooperation should be considered an early implementation and a step towards the implementation of the target solution. Therefore, ACER expects the existing cooperation to be transformed into the fully implemented market-based allocation process, as foreseen by the Core MB Decision.
Three respondents (SEPS; Slovenské elektrárne; Tennet) state that if an exemption of pay-as-bid is provided, it needs to be applicable for all TSOs in a CCR. Any exemption only for some TSOs of a CCR would be non-equal treatment and cannot result in a level playing field.	ACER agrees and did not restrict any early implementation to existing cooperations.
Question 5 If you would like to comment on other topics please indicate clearly the related Proposal, Article, paragraph of the proposal and add a sufficient explanation.	

Respondents' views	ACER views
7 respondents provided an answer to this question.	
Four respondents (BDEW; EFET; EnBW; RWE) generally deem the implementation of approaches to allocate cross-zonal capacity for the exchange of balancing capacity very critical and oppose their implementation. Such reservation of cross-border capacity for any purpose other than trading has consequences for all market processes. One respondent (EFET) further states that the usage of cross-border transmission capacity is a key element of European market integration in the forward, day-ahead and intraday timeframes. Improvements made on these markets due to the availability of cross-zonal capacity could be lost with the reservation of cross-zonal capacity for balancing.	ACER also considers gained welfare in other markets as relevant and sees the benefits in allocating cross-zonal capacity (for trading energy or trading balancing capacity) to the market where the highest welfare gains is archived. If a cross-zonal capacity allocation process for the exchange of balancing capacity or sharing of reserves is applied, only the cross-zonal capacity that will generate more welfare in the balancing capacity markets will be unavailable for the other energy markets. Therefore, the major share of cross-zonal capacity can still be expected to be available for the day-ahead and subsequent intraday timeframe. The calculation of long-term cross-zonal capacity (i.e. resulting in the allocation of long-term transmission rights for the forward timeframe) is not impacted by the market based allocation process.
One respondent (BDEW) shares the concern that allocation of cross-zonal capacity for the exchange of balancing capacity in the day-ahead time frame would strongly interfere with the day-ahead market coupling process, since parallel markets would be created, forcing market participants to choose between bidding for energy and bidding for balancing capacity, which could lead to inefficiencies.	ACER does not agree since the market-based allocation process ends at the latest one hour before the gate closure time for the single day-ahead coupling.
Four respondents (BDEW; EFET; EnBW; RWE) share concerns about negative impacts of cross-zonal capacity allocation to balancing capacity on the preceding energy trading timeframes. One respondent (EFET) mentions that Article 39(2) of the EB Regulation explicitly foresees the consideration of the intraday timeframe "where relevant and possible", acknowledges that such estimation is difficult but deems an estimation of zero value as wrong. Three respondents (BDEW; EFET; EnBW) claim that allocation to balancing is restricting market participants' ability to adjust their	ACER agrees to the difficulty of considering subsequent timeframes (i.e. balancing energy; intraday) in the market value of cross-zonal capacity and understands that the value resulting from the single day-ahead coupling is the best available estimation for the subsequent timeframes. Therefore, any further consideration of these timeframes should currently not be considered. ACER invites TSOs to further investigate related effects once more experience is gained from the application of these processes. ACER is of the opinion that also with a market-based allocation process in place the intraday market will still sufficiently enable market participants

Respondents' views	ACER views
positions across borders in the most economically efficient manner, and to contribute to overall system balance. One respondent (BDEW) claims that the balancing market only has a subordinate role, while the functioning of the day-ahead and intraday market must be in focus. One respondent (RWE) notes that available and reserved capacity may remain unused in the balancing timeframe.	to adjust their positions. If a relevant impact on the functioning of the intraday market can be identified, the respective methodologies need to be amended to address these impacts. ACER does not deem it necessary to rank the importance of the involved markets but understands that ideally all relevant markets should be commonly optimised to archive the highest possible total welfare gains. ACER agrees that the usage of cross-zonal capacity in subsequent timeframes (i.e. balancing energy; intraday) is uncertain and therefore difficult to evaluate.
One respondent (APG) proposes to include in the market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves the positive effects of cross-zonal capacity being available for cross-zonal activation of balancing energy (following the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves). The possible welfare gains resulting from cross-zonal activation of balancing energy can be significant and other measures addressing the functioning of these markets could be avoided. In its Article 39(2) the EB Regulation sets the precedence that expected bids of a subsequent market may be taken into account when calculating the market value of cross-zonal capacity.	As described in ACER's response above on the consideration of the impact on the intraday timeframe, ACER deems it difficult to specifically consider subsequent timeframes (i.e. balancing energy; intraday) in the market value of cross-zonal capacity. While the consideration of value from the intraday timeframe is explicitly mentioned under Article 39(2) of the EB Regulation, such consideration is not foreseen for balancing energy. Therefore, it should not be included in the market value for the exchange of balancing capacity or sharing of reserves. However, ACER invites TSOs to further investigate related effects once more experience is gained from the application of these processes.
One respondent (APG) notes that the Core day-ahead capacity calculation methodology (CCM) does not include any provision, which would allow to consider cross-zonal capacity allocation for the exchange of balancing capacity or sharing of reserves. Therefore, an amendment of the Core day-ahead CCM is needed and should be a requirement in the Core MB Proposal. In case the Core day-ahead CCM cannot be amended in time, the Core MB Proposal should include provisions how to consider this in Core capacity calculation process.	ACER agrees that the Core CCM in accordance with Article 20(2) of the CACM Regulation and the congestion income distribution methodology in accordance with Article 73(1) of the CACM Regulation need to be amended before the market-based allocation process can be applied. As mentioned in the Core MB Decision, ACER invites TSOs to amend these methodologies in due time to fulfil the implementation deadline of Article 13(2) of Annex I to the Decision on the Core MB Proposal.

Respondents' views	ACER views
	Including requirements for the capacity calculation process is out of scope of the Core MB Proposal.
One respondent (Tennet) recommends a requirement to add the congestion income from the exchange of balancing capacity to the congestion income from day-ahead and distribute it in accordance with the methodology pursuant to Article 73(1) of the CACM Regulation. Any risks and benefits should not remain with an application but be socialised.	ACER largely agrees and added relevant provisions. Since the benefits of a balancing cooperation go beyond the generated congestion income, the risks of insufficient congestion income to cover the remuneration of long-term transmission rights should remain with the cooperation (further explanation can be found in the Decision).
One respondent (Europex) states that TSOs should not collect any difference between best non-accepted offer and the imported balancing capacity.	ACER agrees that TSOs should only generate congestion income in accordance with Article 11(1) of Annex I. Any further implied collection should reflect the TSOs' costs but is not in the scope of this Decision.
One respondent (EFET) criticises inefficiencies resulting from uncertainties of forecasts in the Proposals.	ACER agrees that such uncertainties exist. However, the relevant provisions (e.g. max limit; mark-ups; adjustment factors) are in place to address this issue.
One respondent (EFET) criticises insufficient details and transparency regarding the forecasting process of the Proposals, which does not fulfil the requirement of Article 41(1)(b) and Article 42(1)(b) of the EB Regulation.	ACER agrees and added the relevant details and provisions.
One respondent (EFET) states that cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves should not be included in the 70% threshold in accordance with Article 16(8) of Regulation 2019/943, since this capacity serves the use of TSOs.	While ACER understands that cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves is cross-zonal capacity available for market participants of the balancing timeframe, addressing this issue is not in the scope of this Decision.
One respondent (EFET) addresses concerns on how balancing capacities should be considered in a flow-based domain, since the resulting energy flows are uncertain.	Due to the uncertainty of energy flows, only positive PTDFs can be considered when allocating cross-zonal capacity for the exchange of balancing capacity or sharing of reserves. (this also impacts the calculation of the market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves)

Respondents' views	ACER views
One respondent (EFET) is missing an assessment on the need to reserve cross-zonal capacity for balancing in spirit with Article 38(8) of the EB Regulation.	ACER understands that Article 38(8) of the EB Regulation is rather addressing already allocated cross-zonal capacities. At their own initiative, TSOs may apply a process for allocating cross-zonal capacity for the exchange of balancing capacity or sharing of reserves in accordance with Article 38(1) of the EB Regulation. These processes themselves should assess whether an allocation to balancing is beneficial (i.e. generating more welfare) and an additional assessment before on further needs is not necessary.
One respondent (EFET) invites ACER to reject the Proposals.	ACER does not see a legal basis to reject the Proposals.

3 List of respondents

Organisation	Type
50Hertz Transmission GmbH	TSO
Amprion	TSO
Austrian Power Grid AG	TSO
BDEW - German Association of Energy and Water Industries	Association
BMWi - German Federal Ministry for Economic Affairs and Energy	Ministry
Danish Energy	Association
EFET- European Federation of Energy Traders	Association
EnBW Energie Baden-Württemberg AG	Energy company
Europex	Association
Gamybos optimizavimas, UAB	Energy company
HSE d.o.o.	Energy company
Ignitis Gamyba, AB	Energy company
Ørsted	Energy company
RWE Supply & Trading GmbH	Energy company
Slovenska elektrizacna prenosova sustava, a.s. (SEPS)	TSO
Slovenské elektrárne, a.s.	Energy company
TenneT TSO	TSO
TIWAG - Tiroler Wasserkraft AG	Energy company