

Interim Market Coupling Project Redistribution of congestion income on the Polish borders following Interim MC

Małgorzata Kozak
Director

Department of Markets Development and Consumer Issues
Energy Regulatory Office

The meeting is supported by:

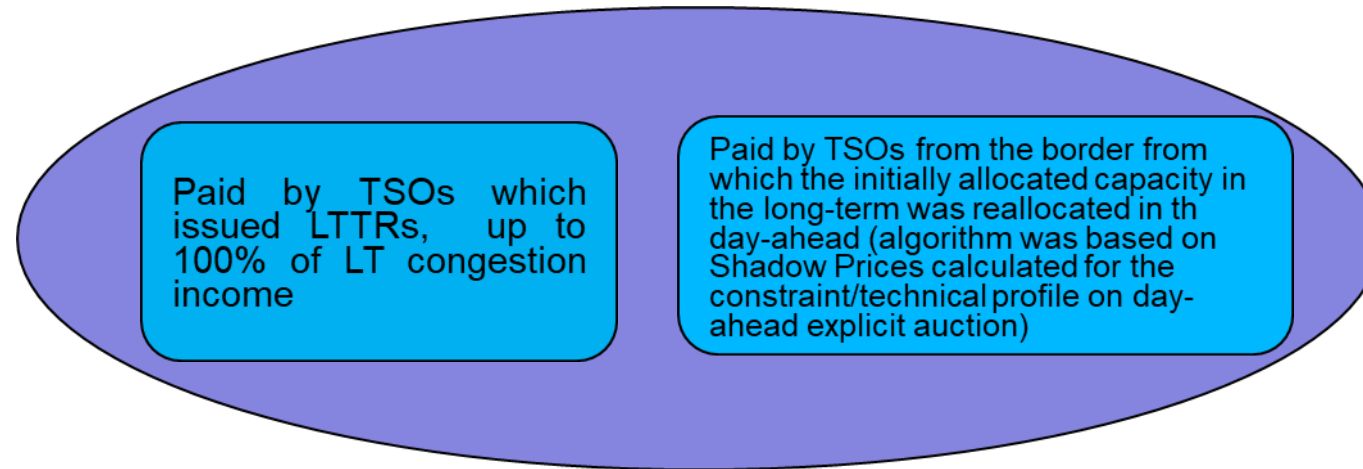


Background

2012 – implementation of technical profile on PSE's (Polish Transmission System Operator) borders (DE-CZ-SK) and implementation of the algorithm for compensation of long term transmission rights (LTTRs) remuneration in allocation process for Central Eastern Europe; in force till implementation of ICP.

This algorithm was designed to fit explicit auctions and technical profile.

The rules for compensation of LTTRs remuneration being in force from 2012 were based on the idea, that the amount of compensation to be paid by an individual TSO from DE-CZ, CZ-PL, SK-PL, DE-PL borders has two components.



The sum of both components is the total financial compensation to be paid by an individual TSO

ICP - congestion income re-distribution due to LTTR remuneration and Polish Allocation constraints

Introduction of the changes - e.g. explicit to implicit auctions - need to change the way of remuneration

The need was not questioned by any involved TSOs – 50Hertz (DE), CEPS (CZ), SEPS (SK) PSE (PL)

2020/2021 - TSOs' discussion on the target solution for ICP for redistribution of congestion income on the Polish borders

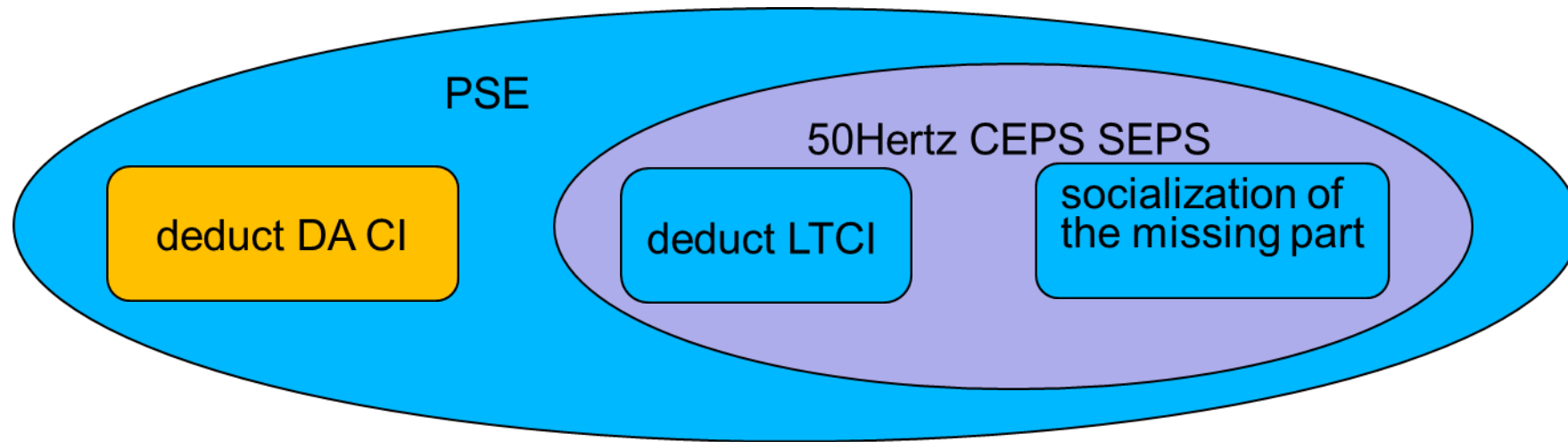
February 2021 – notification to project parties and NRAs on an agreed solution

March 2021 – information from TSOs on principal differences in understanding of the concept and request to NRAs for support in solving the deadlock. | 3 |

ICP - congestion income re-distribution due to LTTR remuneration and Polish Allocation constraints

Main point of disagreement: whether to use of DA CI and socialization or not -

General agreement on UIOSI compensation using a simple pot solution for socialization of missing remuneration (after DA and LT CI on border issuing LTTR), for all cases and directions to be shared pro-rata based on CI.



ICP - congestion income re-distribution due to LTTR remuneration and Polish Allocation constraints

March – June – NRAs work on compromise

Challenges:

- Voluntary project;
- No dedicated EU legislation;
- Any mechanism of ICP should be accepted by the involved parties (unanimously);
- Parallel discussion on Flow Base Market Coupling (dedicated EU legislation but with no transitory provision regarding LT CCM – implementation expected in 2024);
- National legislation - prohibition to act to the detriment of the company;

April/May 2021 - first NRAs guidance – rejected by PSE

8th June

The final temporary compromise was achieved as a result of modified guidance provided by NRAs. The proper agreement reflecting this compromise is being developed on the TSO's level - approved by all TSOs request for ACER mediation

17th June 2021 - ICP go-live

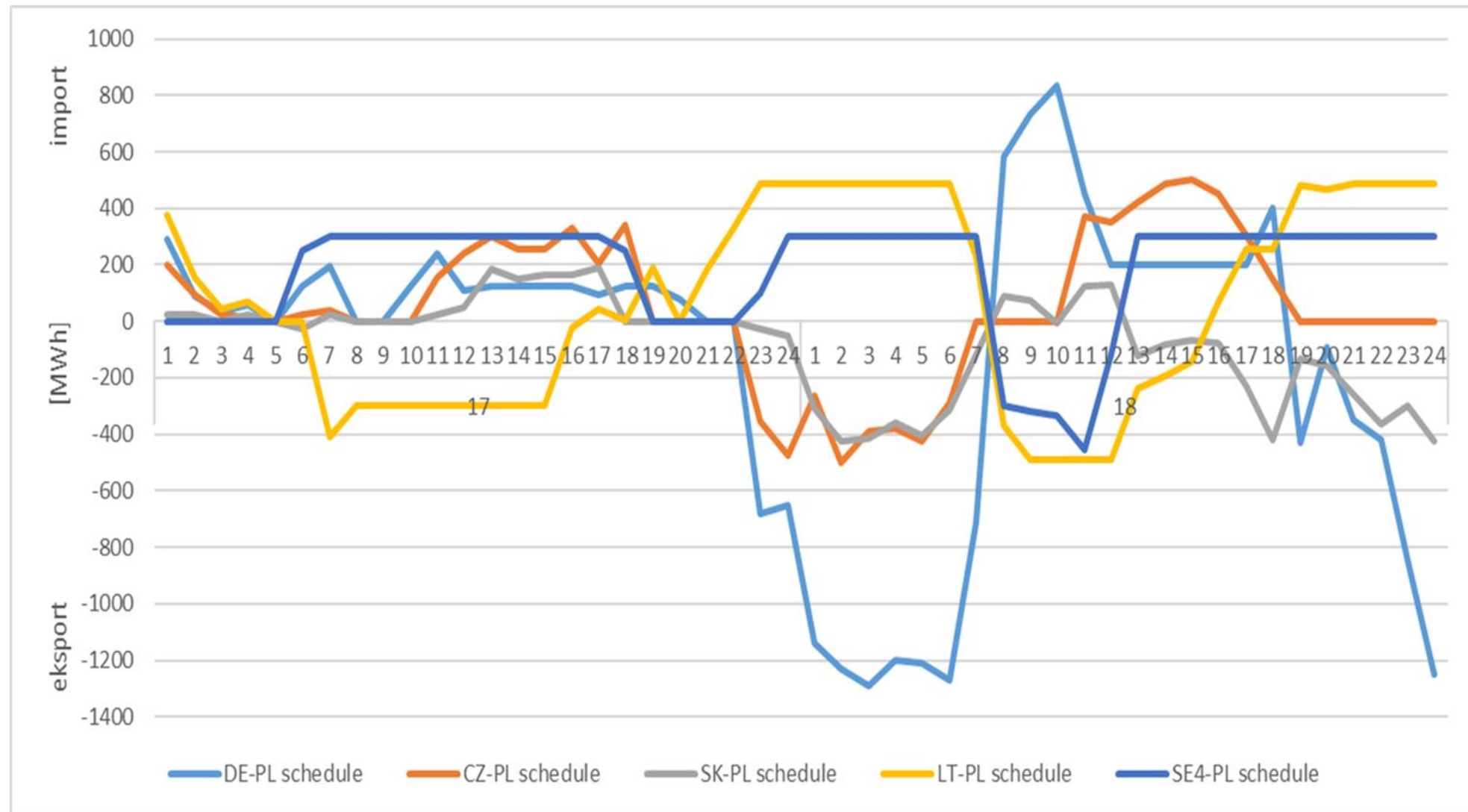
ICP - congestion income re-distribution due to LTTR remuneration and Polish Allocation constraints

15th of October 2021

The target solution regarding the congestion income re-distribution due to LTTR remuneration:

1. All concerned NRAs and ACER agreed to request TSO to implement the slightly modified “Hungarian Compromise” (Option 4) compensation mechanism (with $k=1$, i.e. DA CI+100% LT CI) with a 25/50/25 sharing key for transits when PL allocation constraints are active.
2. This solution shall apply retroactively from 1 September 2021.
3. The proposed solution for ICP shall be applied without prejudice to the solutions applied in CORE FB MC.

ICP - comparison of the day before go – live and day of go-live



**THANK YOU
FOR YOUR ATTENTION!**

malgorzata.kozak@ure.gov.pl