

Amendments to the Transmission Access Guarantee

prepared for [REDACTED] by [REDACTED]

regarding EC proposal for CACM 2.0 Article 54 - TAG

Summary of key concerns

Regarding the Transmission Access Guarantee in Article 54 of the CACM 2.0

1. Change to basic model approach: The simple approach (as described in the slides) should be used rather than the complex counterfactual model
2. Methodological details should be defined in the TSOs methodology. The proposed annex should be removed as details there would hinder amendments also of small provision (bug fix) to the CACM review, which is not recommended with a fully new and complex methodology.
3. The cap of the usable congestion income should be project-specific and not bidding zone specific; However, this would require a limitation of the provision in Art. 19(2) which states: “that compensation shall not exceed the total congestion income generated on interconnectors between the bidding zones concerned”; we deem this more adequate compared to the BZ border approach as these could potentially include onshore ICs and SAICs;
4. The TAG compensation should generally not apply to the Intraday timeframe; this reduces complexity and avoids potential optimization between market timeframes and balancing (OBZ implies massive balancing exposure of the OBZs).
5. The hierarchy of use cases for congestion income needs to be intentionally decided by legislators (LT remuneration, TAG, onshore network development, redispatch and congestion management measures, ...) and aligned. Also, the caps of various topics need to be aligned.

Amendments

	EC Draft	TSO suggestion	Rational
Art. 54 (1)	All TSOs, shall jointly develop, review and, where necessary, propose amendments to the methodology for transmission access guarantee. By 6 months following the entry into force of this Regulation, all TSOs shall develop the first proposal for this methodology. This methodology shall lay down the principles for compensating offshore renewable electricity generation plant operators in an offshore bidding zone directly connected to two or more bidding zones, in line with Article 19(2)(c) of Regulation (EU) 2019/943.	All TSOs, shall jointly develop, review and, where necessary, propose amendments to the methodology for transmission access guarantee. By <u>12</u> months following the entry into force of this Regulation, all TSOs shall develop the first proposal for this methodology. This methodology shall lay down the principles for compensating offshore renewable electricity generation plant operators in an offshore bidding zone directly connected to two or more bidding zones, in line with Article 19(2)(c) of Regulation (EU) 2019/943.	To facilitate potential changes, the technical annex shall be deleted and the content shifted to the methodology.
Art. 54 (2)	The methodology for transmission access guarantee referred to in paragraph 1 shall include an automatic and transparent compensation mechanism that applies if access to EU interconnected market has been reduced in such a way that it results in the offshore renewable electricity plant operator not being able to export its technically available electricity generation capability to the market and, where relevant, in a corresponding price decrease in the offshore bidding zone as compared to without capacity reductions. It shall apply where one or more transmission system operators of the concerned bidding zones has not made available in the validated capacity calculation results: <ul style="list-style-type: none"> a. the capacity agreed in the connection agreement on the interconnector or interconnectors 	The methodology for transmission access guarantee referred to in paragraph 1 shall include an automatic and transparent compensation mechanism <u>executed by NEMOs</u> that applies if access to EU interconnected market has been reduced in such a way that it results in the offshore renewable electricity plant operator not being able to export its electricity generation capability. <u>which may be weather dependent and excludes the outage and maintenance operations of the offshore renewable electricity generation assets and is limited by the maximum capacity in the connection agreement.</u> to the market and, where relevant, in a corresponding price decrease in the offshore bidding zone as compared to without capacity reductions. It shall apply where one or more transmission system operators of the concerned bidding zones	<p>The electricity generation capability is defined by the technology applied (i.a. turbine capacity) and the natural wind resources (wind yield, weather conditions) which prevail in the wind farm space.</p> <p>We recommend clarifying the “or” between the two references of the TAG volume. <u>For example as “a) or b), whichever is lower”</u></p> <p>Derogations are integral part of the regulation and should therefore also be considered here.</p>

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	<p>connected to the offshore bidding zone; or</p> <p>b. minimum levels of available capacity for cross-zonal trade pursuant to the capacity calculation rules in Article 16(8) of Regulation (EU) 2019/943. Any derogation pursuant to Article 16(9) or deviation pursuant to Article 16(3) of Regulation 2019/943 shall not be taken into account when determining the compensation payable.</p>	<p>has not made available in the validated capacity calculation results:</p> <p>a. the capacity agreed in the connection agreement on the interconnector or interconnectors connected to the offshore bidding zone; or</p> <p>b. minimum levels of available capacity for cross-zonal trade pursuant to the capacity calculation rules in Article 16(8) of Regulation (EU) 2019/943, <u>whichever is lower</u>. <u>Derogations</u> pursuant to Article 16(9) or deviation pursuant to Article 16(3) of Regulation 2019/943 shall be taken into account when determining the compensation payable.</p>	
Art 54 (3)	For the purpose of this article, the transmission system operators of the bidding zones concerned are the transmission system operators of the bidding zones containing critical network elements which cause a reduction of revenue of the offshore renewable electricity generation plants situated in the offshore bidding zones connected to two or more bidding zones, as set out in more detail in Annex X of this Regulation.	For the purpose of this article, the transmission system operators of the bidding zones concerned are the transmission system operators of the bidding zones containing critical network elements which cause a reduction of revenue of the offshore renewable electricity generation plants situated in the offshore bidding zones connected to two or more bidding zones, as set out in more detail in <u>the methodology as mentioned in paragraph 1</u> of this Regulation.	
Art 54 (4)	The contributions to compensation shall come from the congestion income of those transmission system operators who do not make the capacities available as set out in paragraph 2. In case several TSOs have not made available the capacity pursuant to the capacity calculation rules laid down in Article 16(8) of Regulation (EU) 2019/943, the costs of compensation shall be shared among them proportionally to the impact that the lack of capacity on their	The contributions to compensation shall come from the congestion income of those transmission system operators who do not make the capacities available as set out in paragraph 2. In case several TSOs have not made available the capacity pursuant to the capacity calculation rules laid down in Article 16(8) of Regulation (EU) 2019/943, the costs of compensation shall be shared among them proportionally to the <u>reduction of the capacity available</u> .	<p>Flow-based decomposition of each and every capacity reduction is fully overengineered.</p>

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	critical network elements had on the reduction of revenue of the offshore renewable electricity generation plants.	<u>The TAG compensation for an offshore renewable electricity generation plant operator shall not exceed the congestion income earned on the interconnectors between the concerned offshore bidding zone and neighbouring bidding zones.</u>	TAG compensation should be limited to CI from the connected Interconnectors. Otherwise, the congestion income from independent interconnectors is used as well which reduces the redispatch compensation and increases end user electricity prices.
Art 54 (5)	The distribution of the compensation costs shall be performed by the MCO to the offshore renewable electricity generation plants.	The distribution of the compensation costs shall be performed by the MCO to the offshore renewable electricity generation plants.	
Art 54 (6)	The methodology referred to in paragraph 1 shall define the inputs, the calculation method of the compensation, the outputs, the financial settlement process between the Market Coupling Operator, TSOs and offshore renewable electricity generation plants, the timings and procedures of the transmission access guarantee compensation mechanism and the roles and responsibilities of the different parties involved in the process. It shall incorporate the elements listed in Annex X of this Regulation.	The methodology referred to in paragraph 1 shall define the inputs, the calculation method of the compensation, the outputs, the financial settlement process between the Market Coupling Operator, <u>NEMOs</u> , TSOs and offshore renewable electricity generation plants, the timings and procedures of the transmission access guarantee compensation mechanism and the roles and responsibilities of the different parties involved in the process. It shall incorporate the elements listed <u>in the methodology in paragraph 1</u> of this Regulation.	NEMOs have to be crucial party here; financial settlements must be defined between the concerned parties.
Art 54 (7)	7. The proposal referred to in paragraph 1 shall meet the following requirements: a. the compensation shall only consider the reductions from the technically available offshore renewable electricity generation capability in a specific market time unit, which may be weather dependent and excludes the outage and maintenance operations of the offshore renewable electricity generation assets and is limited by the maximum capacity in the connection agreement. The	7. The proposal referred to in paragraph 1 shall meet the following requirements: a. the compensation shall only consider the reductions from the offshore renewable electricity generation capability in <u>a specific day-ahead</u> market time unit, which may be weather dependent and excludes the outage and maintenance operations of the offshore renewable electricity generation assets and is limited by the maximum capacity in the connection agreement. The proposal shall specify how to	1) Only allowing day ahead compensation reduces the complexity and the avoids optimization behaviour between market times 2) The prioritization of the TAG compensation should be understood as

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	<p>proposal shall specify how to calculate the technical availability of offshore renewable electricity generation plants in each market time unit;</p> <p>b. there shall not be any double compensation for the same risk covered under this mechanism. Where the same risk is covered by the transmission access guarantee compensation and other mechanisms, Member States shall ensure that the transmission access guarantee compensation applies in priority.</p> <p>c. Where the same reduction of transmission capacity spreads across timeframes, there shall be no double compensation and the compensation payable should apply in priority to the reduction occurring in the day-ahead timeframe</p>	<p>calculate the offshore renewable electricity generation plants <u>capability in the day-ahead</u> market time unit;</p> <p>b. there shall not be any double compensation for the same risk covered under this mechanism. Where the same risk is covered by the transmission access guarantee compensation and other mechanisms, Member States shall ensure that the transmission access guarantee compensation applies in priority.</p> <p>c. Where the same reduction of transmission capacity spreads across timeframes, there shall be no double compensation and the compensation payable should <u>only</u> apply in the day-ahead timeframe</p>	<p>only applying to Net CI (meaning after remuneration of LTTRs). Even then, it is unclear if and how TAG may take precedence over other priorities listed in the Use of CI methodology expected to be amended in 2026/2027.</p> <p>Furthermore, prioritisation of TAG over other mechanisms (e.g. CfDs) may not be favourable for all member states depending on their national regimes and policy priorities. For Germany, prioritising TAG over CfDs or market premiums would imply the following trade-off:</p> <ul style="list-style-type: none"> - Less CI leftover for other uses (financing new interconnectors, maintain CZ capacity, etc.) which would as a direct consequence need to be funded via an increase in transmission tariffs impacting final consumers. - It is not clear what the ultimate effect would be on German consumers and taxpayers (combined effect of TAG and state subsidies), given that, under the "polluter-pays" principle, German tariff payers might have to compensate OWPs located in foreign EEZs to a greater extent than what they indirectly 'receive' due to payments to OWPs located in German waters from TSOs elsewhere in Europe. - Still, there are both operational advantages and transparent distributional effects resulting from TAG being uniformly applied throughout Europe
Art 54 (8)	By three years following the first full year of application of transmission access	By three years following the first full year of application of transmission access	

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	guarantee compensations, all transmission system operators shall perform a study on conditions which may trigger the expiry of the transmission access guarantee compensation mechanism to address the situation where the risk for offshore renewable electricity generation plant operators in a given offshore bidding zone disappears, such as through the development of sufficient demand within the bidding zone offshore or the direct access to a sufficient number of markets. The study shall be submitted to ACER. Based on that study, ACER may request all transmission system operators to submit amendments to the methodology pursuant to paragraph 1.	guarantee compensations, all transmission system operators shall perform a study on conditions which may trigger the expiry of the transmission access guarantee compensation mechanism to address the situation where the risk for offshore renewable electricity generation plant operators in a given offshore bidding zone disappears, such as through the development of sufficient demand within the bidding zone offshore or the direct access to a sufficient number of markets. The study shall be submitted to ACER. Based on that study, ACER may request all transmission system operators to submit amendments to the methodology pursuant to paragraph 1.	
Art 54 (9)	<p>9. The MCO shall report annually on the implementation of the transmission access guarantee. This report shall at least contain:</p> <ul style="list-style-type: none"> a. a summary of the information under Article 11 paragraph 3(e); b. An overview of the annual reconciliations pursuant to Annex X; and c. Any instances of calculation errors and steps taken to remedy the errors. 	<p>9. The MCO shall report annually on the implementation of the transmission access guarantee. This report shall at least contain:</p> <ul style="list-style-type: none"> a. a summary of the information under Article 11 paragraph 3(e); b. An overview of the annual reconciliations pursuant to the methodology in paragraph 1; and c. Any instances of calculation errors and steps taken to remedy the errors. 	
Art 54 (10)	ACER shall monitor and oversee the implementation of the transmission access guarantee provisions. It may provide recommendations for reporting improvements to the MCO which shall be implemented for future reporting.	ACER shall monitor and oversee the implementation of the transmission access guarantee provisions. It may provide recommendations for reporting improvements to the MCO which shall be implemented for future reporting.	
Art. 66 (1)	A bidding zone review shall be used for establishing a new offshore bidding zone or reviewing existing bidding zones for the offshore network in accordance with the	A bidding zone review shall be used for establishing a new offshore bidding zone or reviewing existing bidding zones for the offshore network in accordance with the	BZ reviews shall only be performed if significant changes on the transmission and generation capacity occur with relevant impact

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	procedures established in Articles 63 and 64.	procedures established in Articles 63 and 64.	Both the DK3 establishment process and ongoing NL2 process for LionLink have been based on article 14(7) of the Electricity Regulation, after quite extensive consultation with the EC by the Member States. It was concluded that in order to establish an OBZ, it should suffice to justify that all network elements between the hub and existing bidding zones contain structural congestion, and there is no need to execute a full bidding zone review process. We should flag this to BMW. The Dutch Ministry plans to ask questions to the EC about this.
Art. 66 (2)	In the case of offshore generation or load units or both directly connected to two or more bidding zones via a hybrid interconnector, the competent authorities in the relevant Member States shall follow the process in accordance with Articles 63 and 64 to establish a new bidding zone via a streamlined or multilateral bidding zone review.	In the case of offshore generation or load units or both directly connected to two or more bidding zones via a hybrid interconnector, the competent authorities in the relevant Member States shall follow the process in accordance with Articles 63 and 64 to establish a new bidding zone via a streamlined or multilateral bidding zone review.	This section already defines a positive outcome of BZR towards creating an OBZ. This should be decided by the ministries.
Art. 66(3)	The bidding zone review methodology pursuant to article 63(5) may include a scenario accounting for the integrated offshore network development plans for the relevant sea basin and the use of future network generation and load forecasts for that timescale.	The bidding zone review methodology pursuant to article 63(5) may include a scenario accounting for for offshore hybrid projects in the relevant sea basin and the use of future network generation and load forecasts for that timescale.	ONDP is not the right process for reference. ONDPs are performed for the identification of transmission needs and not at all fit for BZ review. ONDP is not project based.
TECHNICAL ANNEX: TAG 1)	<ol style="list-style-type: none"> 1. The calculation of the transmission access guarantee compensation payments shall be performed for each market time unit and: <ol style="list-style-type: none"> a. be based on a simulation of alternative market coupling auction results performed by the MCO after the auction results are published. 	▼	The proposed annex should be removed as details there would hinder amendments also of small provision (bug fix) to the CACM review, which is not recommended with a fully new and complex methodology. On ENTSO-E slides (1) (d)-(e) and (7) (b) and (d)-(j) of the Annex are moved to

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hat gelöscht: <#>The calculation of the transmission access guarantee compensation payments shall be performed for each market time unit and: ¶ be based on a simulation of alternative market coupling auction results performed by the MCO after the auction results are published. The alternative auction simulation shall take the same inputs to the auction, except for the capacity calculation outputs which shall be modified in such a way that the available capacities not meeting the requirements of Article 54(2) are replaced by capacities that would have fulfilled such requirements. ¶ the modified capacity calculation outputs shall be calculated by RCCs. For regions applying the flow-based approach, they shall provide modified flow-based parameters and allocation constraints. For regions applying the coordinated net transmission capacity approach they shall provide modified available transmission capacity values and allocation constraints as well as information on critical network elements and corresponding TSOs which are not meeting the requirements of Article 54(2). The modified capacity calculation outputs shall be published in a similar way to the capacity calculation outputs according to Article 11(3)(c) and provided to the MCO. ¶ compensations as the difference, if positive, between the actual market revenues and the simulated revenues of the offshore renewable electricity generation plant operators under the simulation of alternative market coupling auction results. ¶ proportional distribution of the transmission access guarantee compensation costs between transmission system operators based on the polluter-pays principle pursuant to paragraph 6 and ensure payments to renewable generation plant operators.¶ congestion income of one or more transmission system operators is insufficient to pay the compensation amounts as calculated in paragraphs (1)(b) and (1)(c), those compensation amounts shall be proportionally reduced. This reduction shall be provisionally identified on a monthly level and final settlement shall be calculated and performed at the end of each calendar year. ¶

	<p>The alternative auction simulation shall take the same inputs to the auction, except for the capacity calculation outputs which shall be modified in such a way that the available capacities not meeting the requirements of Article 54(2) are replaced by capacities that would have fulfilled such requirements.</p> <p>b. the modified capacity calculation outputs shall be calculated by RCCs. For regions applying the flow-based approach, they shall provide modified flow-based parameters and allocation constraints. For regions applying the coordinated net transmission capacity approach they shall provide modified available transmission capacity values and allocation constraints as well as information on critical network elements and corresponding TSOs which are not meeting the requirements of Article 54(2). The modified capacity calculation outputs shall be published in a similar way to the capacity calculation outputs according to Article 11(3)(c) and provided to the MCO.</p> <p>c. define the transmission access guarantee compensations as the difference, if positive, between the actual market revenues and the simulated revenues of the offshore renewable electricity generation plant operators under the simulation of alternative market coupling auction results.</p>		Article 54, which gives more details but also leaves room for the methodology
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	<p>d. ensure a proportional distribution of the transmission access guarantee compensation costs between transmission system operators based on the polluter-pays principle pursuant to paragraph 6 and ensure payments to renewable generation plant operators.</p> <p>e. In case the congestion income of one or more transmission system operators is insufficient to pay the compensation amounts as calculated in paragraphs (1)(b) and (1)(c), those compensation amounts shall be proportionally reduced. This reduction shall be provisionally identified on a monthly level and final settlement shall be calculated and performed at the end of each calendar year.</p>		
TECHNICAL ANNEX: TAG 2)	The settlement of the transmission access guarantee compensations pursuant to paragraph (1) shall be performed at least on a monthly basis.	▼	
TECHNICAL ANNEX: TAG 3)	A reconciliation shall be performed at the end of each calendar year considering any calculation errors and compensation limitations pursuant to the Electricity Regulation (EU) 2019/943 Article 19(2)(c).	▼	
TECHNICAL ANNEX: TAG 4)	The distribution process shall rely, where possible and efficient, on the congestion income distribution process defined in the methodology referred to in Article 53(1);	▼	
TECHNICAL ANNEX: TAG 5)	The transmission access guarantee compensation shall apply to market coupling auctions. By two years after the entry into force of this Regulation and subsequently every 5 years, all transmission system operators shall perform a feasibility study with a view to	▼	

hat gelöscht: The settlement of the transmission access guarantee compensations pursuant to paragraph (1) shall be performed at least on a monthly basis.

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hat gelöscht: The distribution process shall rely, where possible and efficient, on the congestion income distribution process defined in the methodology referred to in Article 53(1);

hat gelöscht: The transmission access guarantee compensation shall apply to market coupling auctions. By two years after the entry into force of this Regulation and subsequently every 5 years, all transmission system operators shall perform a feasibility study with a view to applying the transmission access guarantee compensations to the intraday coupling continuous trading. The study shall be submitted to ACER. In case of positive conclusions, all transmission system operators shall submit an amendment proposal to the methodology pursuant to Article 54(1) within 6 months. In case of negative conclusions to which ACER disagrees, it may request all transmission system operators to submit amendments to the methodology to enable the transmission access guarantee to apply to the intraday continuous trading.

	applying the transmission access guarantee compensations to the intraday coupling continuous trading. The study shall be submitted to ACER. In case of positive conclusions, all transmission system operators shall submit an amendment proposal to the methodology pursuant to Article 54(1) within 6 months. In case of negative conclusions to which ACER disagrees, it may request all transmission system operators to submit amendments to the methodology to enable the transmission access guarantee to apply to the intraday continuous trading.		
TECHNICAL ANNEX: TAG 6)	<p>For the purposes of this methodology, the polluter-pays principle shall be implemented as follows:</p> <ol style="list-style-type: none"> the total transmission access guarantee compensation costs for all offshore bidding zones in a given market time unit shall be distributed among critical network elements not meeting the criteria of Article 54(2) proportionally to their individual impact on production volumes and prices related to offshore bidding zones. This individual impact should be based, to the extent possible, on power transfer distribution factors. the contribution per transmission system operator of the bidding zone concerned shall be calculated as the sum of the costs calculated per critical network element pursuant to point a) for all critical network elements of a given transmission system operator . For this purpose, all critical network elements shall be attributed to one 	▼	<p>The applicability of this is i.a. dependent on the CI sharing mechanism and the questions, whether polluting but non-hosting TSOs have CI for compensation available.</p> <p>To be clarified in methodology.</p>

hat gelöscht: For the purposes of this methodology, the polluter-pays principle shall be implemented as follows: ¶ the total transmission access guarantee compensation costs for all offshore bidding zones in a given market time unit shall be distributed among critical network elements not meeting the criteria of Article 54(2) proportionally to their individual impact on production volumes and prices related to offshore bidding zones. This individual impact should be based, to the extent possible, on power transfer distribution factors. ¶ contribution per transmission system operator of the bidding zone concerned shall be calculated as the sum of the costs calculated per critical network element pursuant to point a) for all critical network elements of a given transmission system operator . For this purpose, all critical network elements shall be attributed to one transmission system operator only. ¶

	transmission system operator only.		
TECHNICAL ANNEX: TAG 7)	<p>The governance process shall establish efficient procedures to:</p> <ol style="list-style-type: none"> determine the alternative capacity calculation outputs for the ex-post market simulation; establish exceptional technical situations during which transmission access guarantees would not apply; assign the task of performing the alternative auction simulation to the MCO; calculate compensation contributions among transmission system operators; establish efficient backup procedures; ensure a compensation payment to a relevant offshore renewable electricity generation plant operator; transparently, regularly and frequently publish the results of the application of the transmission access guarantee mechanism; ensure that ACER and regulatory authorities receive the data and information needed to effectively monitor and oversee the transmission access guarantee mechanism; establish a dispute procedure where a relevant offshore renewable electricity generation plant operator may request the revision of a compensation payment from the MCO. 	▼	<p>Governance process shall not be defined here but be part of the methodology and the procedural rules;</p>

hat gelöscht: The governance process shall establish efficient procedures to: ¶
determine the alternative capacity calculation outputs for the ex-post market simulation; ¶
establish exceptional technical situations during which transmission access guarantees would not apply; ¶
assign the task of performing the alternative auction simulation to the MCO; ¶
calculate compensation contributions among transmission system operators; ¶
establish efficient backup procedures; ¶
ensure a compensation payment to a relevant offshore renewable electricity generation plant operator; ¶
transparently, regularly and frequently publish the results of the application of the transmission access guarantee mechanism; ¶
regulatory authorities receive the data and information needed to effectively monitor and oversee the transmission access guarantee mechanism; ¶
a dispute procedure where a relevant offshore renewable electricity generation plant operator may request the revision of a compensation payment from the MCO. ¶
calculation of the modified capacity calculation outputs pursuant to paragraph (1)(1) and the calculation of transmission access guarantee compensation and its distribution¶

	j. ACER shall regularly monitor the correct calculation of the modified capacity calculation outputs pursuant to paragraph (1)(1) and the calculation of transmission access guarantee compensation and its distribution		
TECHNICAL ANNEX: TAG 7)	The implementation process shall define, if needed, different go-live dates for the application of transmission access guarantees to multiple market timeframes, with a priority for the single day-ahead coupling.	▼	Limited to DA only;

hat gelöscht: The implementation process shall define, if needed, different go-live dates for the application of transmission access guarantees to multiple market timeframes, with a priority for the single day-ahead coupling.

Key questions / concerns:

- **19 (2) - existing legislation for info only**
On an annual basis, that compensation shall not exceed the total congestion income generated on interconnectors between the bidding zones concerned.
 - o Sum of TAG is limited by the amount of CI which originates on the interconnectors between the BZs concerned, therefore it's not necessarily project-specific nor TSO-specific;
 - o Based on majority understanding of Article 19 (c.f. UCI methodology, ACER monitoring report, etc.) we propose to align on the definition of CI here as referring to net CI (i.e. after LTTR)
- **54 (1)**
 - o TSOs are probably not the right actors to execute calculation tasks under the methodology which includes NEMO data and processes
 - o Feasibility of NEMOs agreeing to devolve tasks to JAO under question...
- **54(2)**
 - o Incorrect ("technically available capability"), the market access for the OWF can be lower than the technically available capacity because the IC is optimized by market mechanisms and therefore can be not fully available without any TSO activity; -> should be changed to "generation capability" in case the term technically available capacity needs to somehow be referenced in the methodology itself to refer only to capacity excl. outage and maintenance
 - o TAG is only applicable if TSOs trigger a deviation from the market outcome;
 - o If the optimizer does not select the IC, there is also no CI generated;
- **54(2a)**
 - o Reference to the connection agreement is cumbersome as the connection agreement is usually firm; we need to have a standardized connection agreement for hybrid projects!
 - o Shifting the discussion towards bilateral contractual arrangements is not recommended!
 - o *DE is working on standardized contracts which include the liability scheme, therefore the DE scheme might seem most attractive and create cherry picking;*
- **54(2b)**
 - o Deviations should be considered as otherwise they become irrelevant on hybrid projects
 - o For DE probably not too relevant as hybrids will only be commissioned when derogations are not allowed any longer
- **54(3)/(4)**
 - o Polluter principle shall be applied;
 - o Polluting CNECs can sit in BZs not directly connected by the hybrid projects, e.g. Austria
 - o Possibly these polluting TSOs do not gain any CI from the project or from ICs of the hosting BZs, therefore the contribution is limited;
 - o Flow-based decomposition of each and every capacity reduction is fully overengineered
- **54 (6)**
 - o Timely critical as MCOs do not even exist, therefore definition of their processes is difficult in the short term; NEMOs are right counterpart here;
 - o Assessment of potential counterfactuals incl. outlier and strategic bidding must be performed by MCO or JAO or delegated entity;
- **54(7)**
 - o The technically available generation capacity is the installed capacity available which is not relevant for the compensation but the potential production capability;
 - o Market unit time needs to be defined and compensation can only be paid once; otherwise we reimburse the same MWh in different markets; this should be clarified to avoid optimization between different markets timeframes;
 - o Only allow TAG in DA (coupled with volume limitation by bidding)
 - o Connection agreement is firm and needs to be changed accordingly;
 - o CfD should not cover the same volume risk; TBD how to distinguish;
- **54(8)**
 - o 3 years is a long test!

Annex - thoughts

- Each market time unit: DA, ID; assumption: not relevant for continuous trading ID;
- Publication of auction results; process:
 - o MCO performs alternative market coupling auctions results with alternative RAM and zonal PTTF (without TSO-based ex ante reductions);
 - o The TSO reductions are performed before the market if the RD potential is not sufficient to allow the capacity allocation accordingly
- Minor reduction can lead to significantly deviating market results! Therefore, in the shadow calculation there could be disadvantages for other parties, which are ignored;
- Process:
 - o TSO give data on capacity limitations to RCC
 - o RCC calculate flow-based parameters (capacity calculation output)
 - o NEMOs give data on market results to MCO
 - o RCC recalculates capacity calculation without TSO capacity reduction
 - o MCO reruns market results
 - o difference between both is lost revenue of OWF
- TAG = actual market revenue – simulated revenue --> only if positive, otherwise delete;
- Proportional distribution of TAG payment based on polluter principle; BUT:
 - o proportionality not assessable: flow-based decomposition for each occurrence highly disproportionate
 - o non-hosting TSOs might not receive CI from the project or projects of the BZ border;
- Include outages to reasons for TAG

Priorities TAG over CfD

CfD First		TAG first	
PRO	CON	PRO	CON
- Amount of CI shifted to OWFs is limited	Not optimal from a MS perspective since the MS could potentially cover the specific volume risk via its CfD while someone else i.e. “the polluter” TSO is responsible for OWF’s lost revenues	- Amount of state support (CfD) is limited - Market-based approach as TAG is based on pseudo market outcome	- Amount of CI for TSO use cases is lowered