

CACM Cost Sharing

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Goals of the presentation

- To clarify how CACM provisions on costs sharing have been implemented by NRAs, NEMOs, and TSOs
- To summarize the content of the CACM Cost Report



CACM provisions on cost sharing

Article 80.3

- *Common costs referred to in paragraph 2(a) shall be shared among the TSOs and NEMOs in the Member States and third countries participating in the single day-ahead and intraday coupling.*
- *To calculate the amount to be paid by the TSOs and NEMOs in each Member State and, if applicable, third countries, one eighth of the common cost shall be divided equally between each Member State and third country, five eighths shall be divided between each Member State and third country proportionally to their consumption, and two eighths shall be divided equally between the participating NEMOs.*
- *To take into account changes in the common costs or changes in the participating TSOs and NEMOs, the calculation of common costs shall be regularly adapted.*



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NRAs' guidance to NEMOs and TSOs

- NEMOs and TSOs requested NRAs' guidance on how to calculate the sharing key for cost-sharing
- NRAs issued informal guidance on how to develop the yearly CACM Cost Report
- The guidance has been applied since the first Cost Report referred to the costs of 2017



How costs have to be determined

- Costs are to be broken down into common, regional or national activities as required by Article 80(2) and shall be clearly and separately identified and auditable as required by Article 80(1).
- DA and ID costs need to be distinguished, but no difference in treatment is allowed.
- Costs have to be defined either as TSO, NEMO or joint TSO + NEMO costs.
- Total common costs have to be itemised.
- NEMO Committee costs have to be divided and assigned to DA and ID.
- Standardized costs per country are allowed subject to assurance processes to ensure the figures proposed by TSOs and NEMOs are reasonable.

How costs have to be shared: general principles

- Passporting NEMOs and designated NEMOs have to be treated equally.
- ACER makes publicly available on the website the official list of passporting NEMOs.
- The sharing key set forth in Art. 80.3 CACM GL needs to be applied to the total sum of common cost (TSO + NEMO + joint TSO/NEMO common costs) in order to calculate the share of common cost of each MS or third country (“the bill”).



How costs have to be shared: formula

- The Costs for each Member State are: $\frac{1}{8} \frac{1}{MS} + \frac{5}{8} \frac{C_x}{TC} + \frac{2}{8} \frac{TV_x}{TTV}$

Where:

- MS= total number of Member States and third countries
- Cx = Consumption in MSx
- TC =Total Consumption in all MS and third countries
- TVx= traded volume in MSx (sum of volume traded by each NEMO participating in MSx)
- TTV=Total traded volume in all MS and third countries

How costs have to be shared: applicability

- Competent Regulatory Authorities within each Member State or third country will decide how to split the bill between TSOs and NEMOs within their jurisdiction.
- As of 14th February 2017, the costs incurred for the methodologies and for the development of the single day-ahead and the single intraday coupling as the pan-European solutions should be reported in accordance with the rules for common cost sharing.



2022 CACM Cost Report

- NEMOs and TSOs submitted to all NRAs the Cost Report for 2022
- NRAs are conducting an internal assessment meant to facilitate their coordination on the cost recovery process that takes place at the national level.
- On the 26th of January, a workshop on the 2022 CACM Cost Report was organized under the umbrella of the JET on Costs and the content of the Report was discussed among NRAs, NEMOs and TSOs.



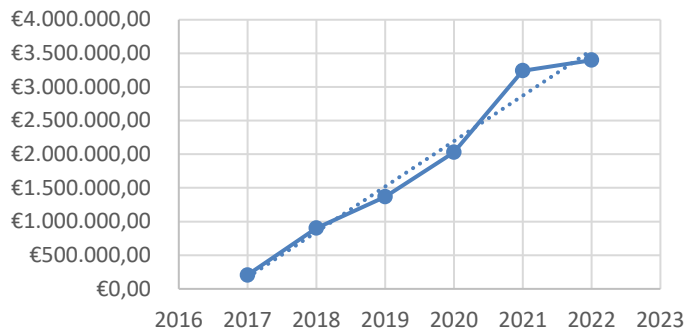
NRAs assessment of 2022 CACM Cost Report

- The structure of the Assessment mirrors the structure of the Cost Report:
- 2 Parts (SDAC and SIDC)
- 6 Chapters for each part (Joint NEMO-TSO costs, only NEMO costs, only TSO costs, with a distinction between costs for establishing and amending and costs for operating) + a dedicated chapter on NEMO Committee costs
- 4 paragraphs for each chapter (intertemporal comparison, description of the dataset, coherence between the dataset and the Report, analysis of the dataset)



Joint NEMO-TSO SDAC costs

Establishing and amending



In the past 5 years, EA joint SDAC costs have increased almost linearly.

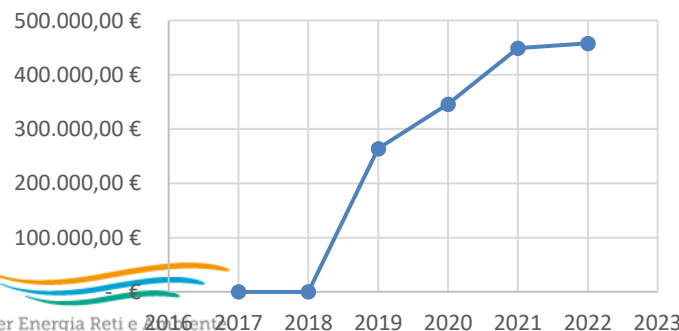
For 2023 EA costs are expected to increase by more than 30%

Operating joint SDAC costs occur as of 2019, therefore the series is shorter and does not exhibit a clear trend.

However, according to NEMO-TSO forecasts, Operating costs are expected to more than double in 2023.

In the Cost Report, no clear explanation is provided for this sharp increase.

Operating



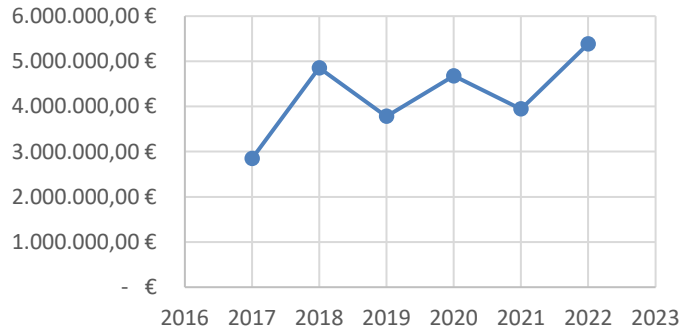
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2016 2017 2018 2019 2020 2021 2022 2023

Joint NEMO-TSO SIDC costs

Establishing and Amending

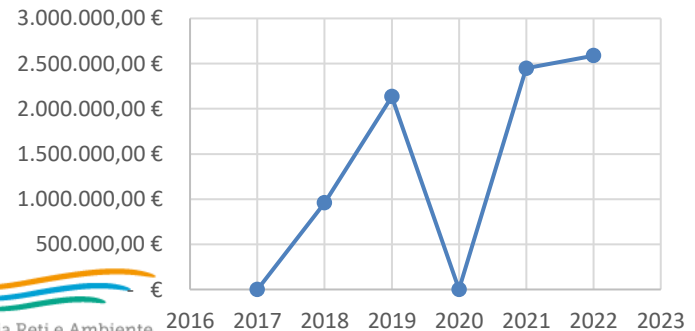


In the past 5 years EA joint SIDC costs have been fluctuating around the average value of about 4,2 mln €.

For 2023 EA costs are expected to increase more than 20%

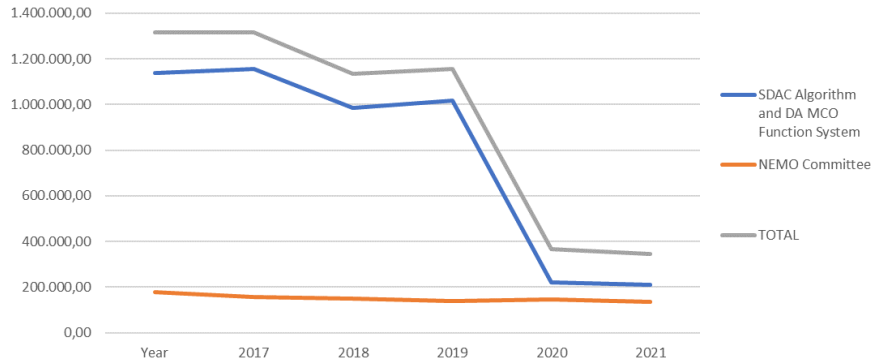
Operating joint SIDC costs occur as of 2018 and do not exhibit a clear trend as well. According to NEMO-TSO forecasts, Operating costs are expected to increase by around 17%.

Operating



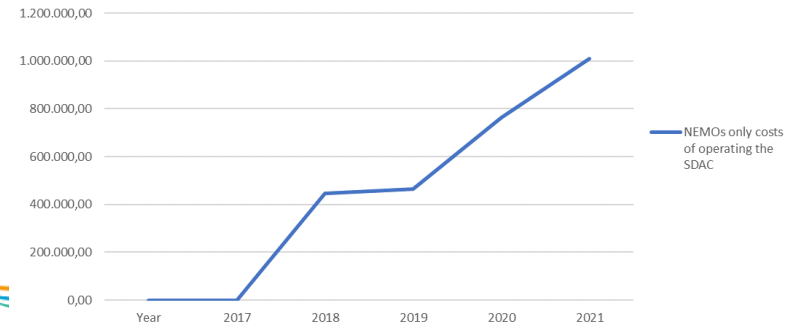
Only NEMO SDAC costs

Evolution of SDAC NEMOs' Costs - Establishing and Amending (€)



In the past 5 years, NEMO Committee costs showed quite stable behavior, while the costs related to DA MCO Function exhibited a decreasing tendency, probably due to shifting some cost items to joint SDAC costs.

Evolution of SDAC NEMOs' Costs - Operating (€)

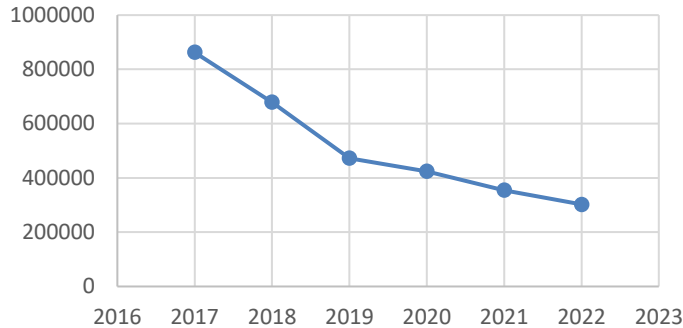


On the contrary, Operating only NEMO SDAC costs showed a clear increasing trend. According to NEMO forecasts, Operating costs are expected to decrease in 2023 by around 30%.



Preliminary results: only NEMO SIDC costs

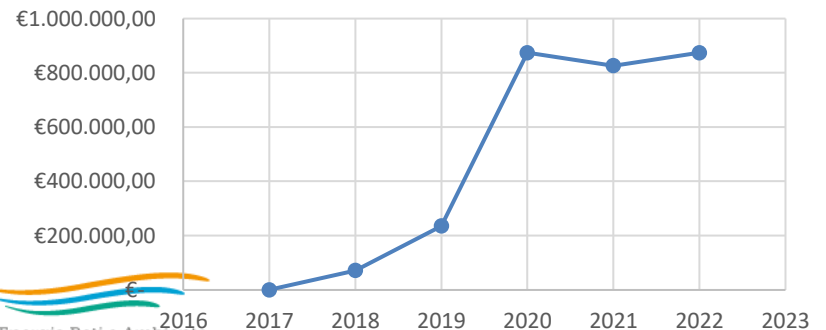
Establishing and Amending



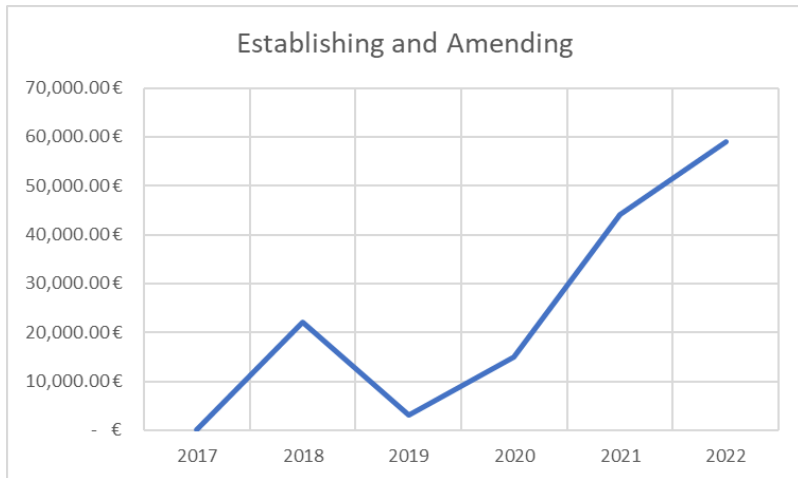
In the past 5 years, EA SIDC costs showed a decreasing trend. However, for 2023 EA SIDC costs are expected to rise more than 50% due to the workload on IDAs.

Operating only NEMO SIDC costs showed initially an increasing trend, similar to Operating SDAC costs, and then an almost stable behavior. According to NEMO forecasts, in 2023 Operating costs are expected to slightly increase by around 3%.

Operating

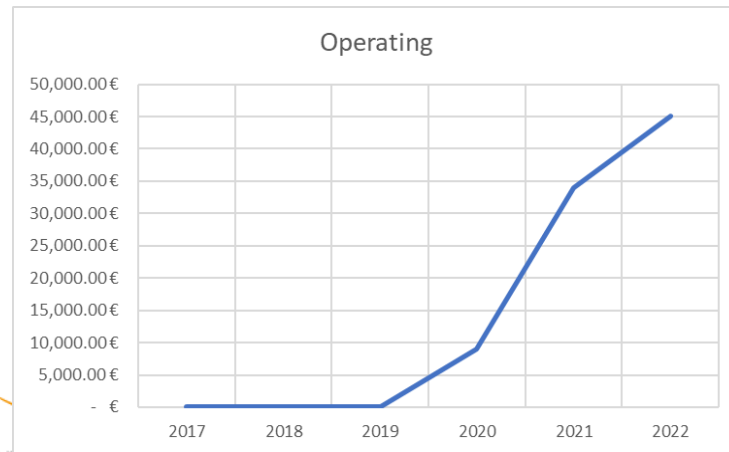


Preliminary results: only TSO SDAC costs



EA SDAC costs show an increasing trend as of 2019. For 2023, EA SDAC costs are expected to rise almost 139% due to governance efforts (MCSC Secretary and TSO chairmanship).

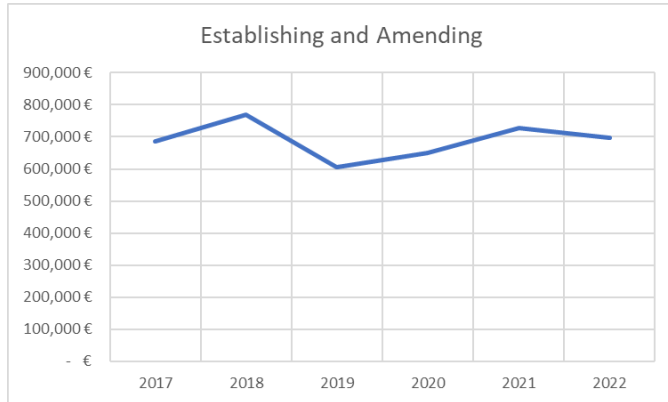
Operating SDAC costs show an increasing trend as well. The expected growth rate for 2023 is around 113%, for the same reasons as for the EA costs.



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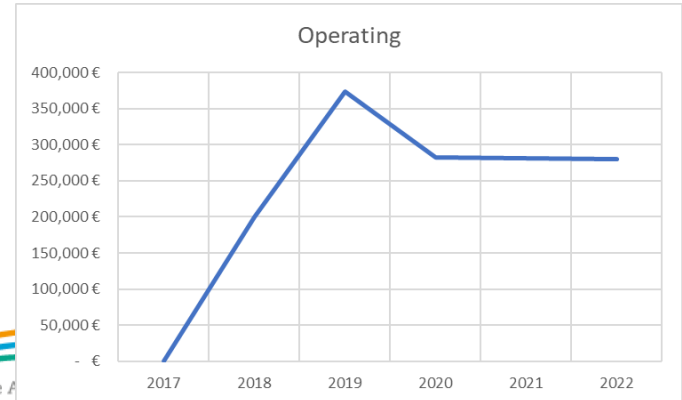
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Preliminary results: only TSO SIDC costs



In the past 5 years, EA SIDC costs have been fluctuating around the average value of about 695 k€. For 2023, EA SDAC costs are expected to slightly rise by 6%.

Operating SIDC costs have been occurring as of 2019. After an initial decrease, operating SIDC costs showed a stable trend. However, they are expected to rise by 20% in 2023, mainly due to the fees of the Central Settlement Entity.



Proposals for improvement

- In several cases, costs show an increasing trend. Many NRAs expressed the need to better understand the cost path in the long run.
- Proper identification of cost drivers is crucial to envisage future developments and to adopt cost containment measures. NEMOs and TSOs support to NRAs for the identification of cost drivers and their evolution would be highly appreciated.
- In general, communication between NRAs, NEMOs, and TSOs on cost dynamics might occur not only once the Cost Report is about to be delivered, but also at an earlier stage, to foster expectation management.

Thank you!

Questions?



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