

2020-10-08

## Answers consultation questions on the draft methodology of parameters calculation for Lithuanian Capacity Mechanism

Please find Svenska kraftnät's answer to the consultation questions below.

### Part 1

- a. Do respondents agree with the proposed general approach to marginal de-rating of physical units?  
**Yes. De-rating of the capacity is warranted.**
- b. Do respondents agree with the use of a marginal de-rating approach for Lithuanian capacity and interconnectors?  
**No. De-rating should be done only on capacity units. Transmission system operators shall set the Maximum Entry Capacity available for the participation of foreign capacity based on the recommendation of the regional coordination centre on an annual basis. If also a de-rating is done on the interconnector this imposes a double restriction and does not provide the opportunity for foreign capacity to participate in the same competitive process as domestic capacity.**
- c. Do respondents agree with the use of marginal de-rating factors calculated for Lithuania to Foreign Capacity?  
**Yes. De-rating of the capacity is warranted and using Adequacy Assessment developed according to ENTSO-E methodology for doing so is ok.**
- d. Do respondents agree with the scenarios considered in the de-rating calculation for the 2025 delivery auction? and e. Do respondents agree with the categories of technologies for marginal de-rating calculation?  
**Using scenarios is ok. How the scenarios are derived is unclear. Preferably, the scenarios used should be derived according to common methodology.**



## Part 2

- a. Do respondents agree with the general approach to Maximum Entry Capacity and simultaneous scarcity assessment?

The regional coordination centre (RCC) according to Reg 2019/943 article 26 should derive the Maximum Entry Capacity (7). The methodology should recognise this and it should be stated. If the RCC is not able to perform this calculation, another third party should perform it. Using European Resource Adequacy Assessment (ERAA) as described is good as it is a common method.

- b. Do respondents agree with the use of two-step transitory methodology of Maximum Entry Capacity calculation for the 2025 delivery auction?

No. The marginal de-rating of the interconnector step of the transitory solution is not in line with regulation 2019/943 art 26(7). The calculations should be performed by the RCC. The operators of the interconnector should commonly define the value used for expected unavailability of the interconnector. This not clear in the description of the transitory methodology. Using price difference during the predicted period with stress in Lithuania is an approximation but only if there is no export to the adjacent biddings zones to other biddings zones at these times. PSE uses MAF (they will switch to ERAA) for defining Maximum Entry Capacity why not use MAF?

## Part 3

- a. Do respondents agree with the proposed calculation of the Target Capacity across considered scenarios based on the social welfare analysis?

Seems ok. How scenarios are derived is unclear.

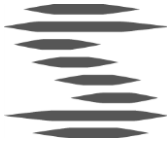
- b. Do respondents agree with the proposed calculation of Auction Target Capacity and demand curve parameters for the 2025 delivery auction, such as X% and Y%?

Seems ok.

## Part 4

- a. Do respondents agree with the application of the Congestion Rent allocated by border?

No. In cases where the neighbouring country do not apply a capacity mechanism or apply a capacity mechanism that is not open to direct cross-border participation the foreign TSO still must get the costs for their commitments according to EU 2019/943 article 26 (10) covered. Svenska kraftnät propose that LitGrid use the same principles as applied in the



Polish capacity mechanism, i.e. congestion rent is shared equally in all cases.

- b. Do respondents agree with the proposed approach to account for coincident stress probability in the Congestion Rent allocation?  
Seems ok for target solution.

Not ok for transitory solution. The RCC or another third party should perform the calculations resulting in the likelihood for coincidence stress event. Using European Resource Adequacy Assessment (ERAA) as described is good as it is a common method.

- c. Do respondents agree with the two options for dealing with situations when Maximum Entry Capacity has not been fully allocated to the eligible foreign capacity?  
Option 2 is preferred. TSOs must get the costs for their commitments related to the units that have been accepted in the main auction covered.