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CROATIAN ENERGY REGULATORY AGENCY (HERA)
Ulica grada Vukovara 14
10000 Zagreb

OUR NUMBER: YOUR NUMBER: DATE: **02 October 2020**

RE: Derogation from the provisions stipulated under Article 16, paragraph 8, in accordance with Article 16, paragraph 9, of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity
- Submission of the request

Dear Sir/Madam,

In Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (hereinafter: Regulation), Article 16, paragraph 8 prescribes:

> *Transmission system operators shall not limit the volume of interconnection capacity to be made available to market participants as a means of solving congestion inside their own bidding zone or as a means of managing flows resulting from transactions internal to bidding zones. Without prejudice to the application of the derogations under paragraphs 3 and 9 of this Article and to the application of Article 15(2), this paragraph shall be considered to be complied with where the following minimum levels of available capacity for cross-zonal trade are reached:*
>
> *(a) for borders using a coordinated net transmission capacity approach, the minimum capacity shall be 70% of the transmission capacity respecting operational security limits after deduction of contingencies, as determined in accordance with the capacity allocation and congestion management guideline adopted on the basis of Article 18(5) of Regulation (EC) No 714/2009;*
>
> *(b) for borders using a flow-based approach, the minimum capacity shall be a margin set in the capacity calculation process as available for flows induced by cross-zonal exchange. The margin shall be 70 % of the capacity respecting operational security limits of internal and cross-zonal critical network elements, taking into account contingencies, as determined in accordance with the capacity allocation and congestion management guideline adopted on the basis of Article 18(5) of Regulation (EC) No 714/2009.*
>
> *The total amount of 30 % can be used for the reliability margins, loop flows and internal flows on each critical network element.*

Hereinafter, compliance with Article 16, paragraph 8 shall be referred to as compliance with the 70% target.

The said Regulation came into effect on 1 January 2020, and as of that date, compliance with the 70% target is required at Croatian borders with its neighbouring EU Member States (HR-SI and HR-HU), i.e. at bidding zone borders that fall within the area of application of the Regulation.

Based on the available data, the Croatian System Transmission Operator Ltd. (hereinafter: HOPS), has assessed that the **70% target is not met** at either of the above borders, and pursuant to Article 16, paragraph 9 of the Regulation, which stipulates:

> *At the request of the transmission system operators in a capacity calculation region, the relevant regulatory authorities may grant a derogation from paragraph 8 on foreseeable grounds where necessary for maintaining operational security. Such derogations, which shall not relate to the curtailment of capacities already allocated pursuant to paragraph 2, shall be granted for no more than one-year at a time, or, provided that the extent of the derogation decreases significantly after the first year, up to a maximum of two years. The extent of such derogations shall be strictly limited to what is necessary to maintain operational security and they shall avoid discrimination between internal and cross-zonal exchanges.*
>
> *Before granting a derogation, the relevant regulatory authority shall consult the regulatory authorities of other Member States forming part of the affected capacity calculation regions. Where a regulatory authority disagrees with the proposed derogation, ACER shall decide whether it should be granted pursuant to point (a) of Article 6(10) of Regulation (EU) 2019/942. The justification and reasons for the derogation shall be published. Where a derogation is granted, the relevant transmission system operators shall develop and publish a methodology and projects that shall provide a long-term solution to the issue that the derogation seeks to address. The derogation shall expire when the time limit for the derogation is reached or when the solution is applied, whichever is earlier,*

on 28 October 2019, submitted to the Croatian Energy Regulatory Agency (hereinafter: HERA) the request for derogation from the requirements prescribed under Article 16(8) of the Regulation, in the sense of application to the borders between Croatia and Slovenia, and between Croatian and Hungary, to all critical the transmission network elements, for a period of one year, beginning on 1 January 2020 to 31 December 2020, or until the start of application of the methodology prescribed under Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline for capacity allocation and congestion management (hereinafter: CACM Regulation) in the Core region for capacity calculation (hereinafter: Core CCR), with regard to the regional day-ahead capacity calculation, and the manner of activation and of cost- sharing for redispatching and countertrading.

Following consultations with other regulators within the ARAWG Working Group, on 17 December 2019, HERA approved the HOPS request for derogation from the requirements prescribed under Article 16(8) of the Regulation for the period from 1 January to 31 December 2020. In the *Decision approving the request of the Croatian System Transmission Operator Ltd for derogation from the requirements prescribed under Article 16(8) of the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity,* HOPS was ordered to adopt a methodology and projects that would provide a long-term solution to the causes of the derogations from the requirements prescribed in Article 16(8) of the Regulation by 31 March 2020, as envisaged in Article 16(9) of the Regulation.

On 23 March 2020, HOPS adopted the document entitled *Methodology and projects providing long-term solution for the causes of derogation from the requirements prescribed in Article 16(8) of Regulation (EU) 2019/943* (hereinafter: Methodology).

In the said Methodology, HOPS analysed the following reasons for approval of the derogations from the requirements prescribed in Article 16(8) of Regulation (EU) 2019/943, which it is attempting to remove independently, or in cooperation with other transmission system operators:

a. **uncertainty in the calculation for determining the 70% target** of transmission capacities while abiding by the operational security limits, after deductions of Margin Available for Cross Zonal Trade (hereinafter: MACZT),
b. **limited redispatching activation potential**,
c. **planning long-term network element disconnections**.

At the time of submission of this request, it is assessed that it will not be possible to comply with the 70% target during 2021.

Therefore, HOPS is submitting this request for derogation from the requirements prescribed under Article 16(8) in accordance with Article 16(9) of the Regulation, in the sense of application to the borders between Croatia and Slovenia, and between Croatian and Hungary, to all critical transmission network elements, for the period beginning on 1 January 2021 to 31 December 2021 (hereinafter: Request for derogation).

The main reasons for derogations from the 70% criteria are:

1. Time necessary to build the required tools to adequately take into account power flows within and outside the Core CCR;
2. Limited redispatching activation potential;
3. Long-term planned network element disconnections.

1. Time necessary to build the required tools to adequately take into account for the power flows within and outside the Core CCR

Currently at all borders (HR-SI, HR-HU, HR-BA, HR-RS), HOPS determines the amount of available cross-zonal capacities **at the annual and monthly level** using the **net transmission capacity** approach (hereinafter: bilateral NTC calculation).

The monthly NTC is still determined on the basis of the MLA Operation Handbook, Policy 4: Coordinated Operational Planning, chapter Capacity Calculation. Even though the Operation Handbook has been formally not in force anymoresince 14 April 2019 (since the entry into effect of the Synchronous Area Framework Agreement (SAFA) for Regional Group Continental Europe), considering that the application of the target method of a flow-based approach to capacity calculation (hereinafter: Core DA FB CC) has not yet begun in the Core CCR as prescribed under the CACM Regulation, the method prescribed in the Operation Handbook is applied, as stipulated under the bilateral operational agreements between HOPS and ELES (for the HR-SI border) and between HOPS and MAVIR (for the HR-HU border).

The above **uncoordinated** manner of capacity calculation enables an individual transmission system operator (hereinafter: TSO) to take into account all elements of the transmission network during the NTC calculation (including internal network elements), including those that are not directly associated with cross-zonal trading. The only coordination that exists between two TSOs, in the sense of determining cross-zonal capacities, is that after the independent NTC calculations, the lower value is taken as the joint NTC offered at auction.

An important shortcoming of the bilateral NTC calculation is that it does not necessary adequately consider the simultaneous loads on individual CNECs resulting from the bilateral NTC calculation separately for each border. In the event that the same CNEC is limiting for the allocation of capacity at two borders, then it is clear that in that case, a coordinated multilateral NTC calculation should be made, at least for those two borders. For that reason, it can be noted that compliance with the 70% target is much better in the trial calculations in Core CCR of day-ahead flow-based cross-border capacities, than in the bilateral NTC calculations.

The NTC value **for the day-ahead (DA) market is not calculated** as there is no referent (D-2) model to use for this calculation. The values of capacities offered on the day-ahead market are determined on the basis of the monthly NTC values, in which the monthly values determine the manner in which the security criteria are met for each market unit in that month.

HOPS, like any other individual TSO, cannot independently accomplish a coordinated day-ahead capacity calculation. Establishing a day-ahead capacity calculation process requires coordination with neighbouring TSOs. In a situation when the final decision on the date of the start of application of the flow-based direct approach in Core CCR is expected soon, it would not be effective to establish a fully coordinated NTC calculation, what the TSOs in Core CCR have recognised, and have since ceased any activities in that direction.

Developing and using a common grid model for (all) TSOs in the European Union (hereinafter: EU) is stipulated in the following documents (methodologies):

a. All TSO proposals for a common grid model methodology in accordance with Article 17 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management,
b. All TSO proposals for a common grid model methodology in accordance with Article 18 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation,
c. All TSO proposals for a common grid model methodology in accordance with Articles 67(1) and 70(1) of Commission Regulation (EU) 2017/1485 of 02 August 2017 establishing a guideline on electricity transmission system operation.

Of the above methodologies, only the first (a) is representative for a correct assessment of possible day-ahead cross-border trading. The referent models under (b) and (c) cannot be used as representative models, since they pertain to the long-term allocation of capacities (b) and the process of ensuring operational security (c), whose quality is not at a satisfactory level for the assessment.

All TSOs within the Core CCR will ensure the operational procedure of creating a common model, in accordance with methodology (a) as defined in Article 2(2) of the CACM Regulation. This procedure will simultaneously be in effect with the start of the operational process for flow-based calculation of day-ahead cross-border capacities in Core CCR.

In the meantime, until the start of the operational process, HOPS uses models that are insufficiently representative to assess the status of the network in every market unit. Such models are just, more or less, good estimations of the state in the neighbouring LFC areas, since there is no systematic data exchange on network topology, production dispositon, generation shift keys (GSKs) or cross-border exchanges, which are required to independently develop such a model. Their use can result in:

– an underestimation of the transmission capability of the network, and then not all cross-border capacities that could be offered with satisfactory operational security are offered, or

– an overestimation of the transmission capability of the network, allocating cross-border capacities in amounts that jeopardise operational security.

As a responsible TSO, HOPS cannot permit the overestimation of capacities of the transmission network, as this could lead to threats to system security.

Since HOPS actively participates in all phases of preparing the operational process for flow-based day-ahead cross-border capacity calculations in Core CCR, at the time of submission of this request, it is participating in internal run phase, a trial merger of representative models for increasing numbers of market units in one week. Given the satisfactory initial assessments of the quality of the obtained models, in the case of accessibility of a common model for each market unit, and even before the official launch of operational procedure for creation of the common model, HOPS will apply such a model for the purposes of calculating the day-ahead cross-border capacities currently in use with the procedures based on network transmission capacities (bilateral NTC calculation).

Pursuant to its internal calculations, HOPS deems that upon implementation of the Core DA FB project, it will be able to offer greater values of capacities for cross-zonal trading, even though the results of the internal run should be taken with a dose of reserve, as these pertain to a limited number of market units, with continued further investments in their quality.

However, these operational processes will come into effect during 2021 at the earliest (or perhaps in early 2022), and HOPS will not have access to even the trial coordinated common model for assessment of cross-border trading during the assessment of meeting the requirement stipulated in Article 16(8) of the Regulation for at least part of the period that pertains to this Request for derogation.

HOPS is currently in the process of revising the bilateral agreements with ELES and MAVIR, whereby the bilateral NTC calculation will no longer have to be made in full compliance with the method prescribed in the Operation Handbook. Until the commencement of application of the regional day-ahead flow-based capacity calculation, it will only be obliged to take the lower value of those calculated by each TSO, while the individual calculations of TSO will not be stipulated in detail.

In connection with this, HOPS is investing in the procurement of the appropriate software, in order to better assess compliance with the 70% target. This software consists of tools based on day-ahead capacity calculation methods in Core CCR. The tool will enable analysis of different situations and states in the transmission network when meeting the minimum transmission capacity while respecting the operational security limits. Based on the output results, it will be possible to safely achieve the requirement for minimum transmission capacities, aimed at 70%, i.e. more accurate calculation of the MACZT. This will enable HOPS to offer higher NTC values if, following, the flow-based capacity calculation, it concludes that the operational security is preserved. The first version of the tool became available in late August 2020, and is currently in the testing phase. The tool enables HOPS to more objectively compare the calculations obtained based on the bilateral NTC approach with those obtained from the flow-based approach.

Though, in principle, the bilateral NTC calculation and trial regional day-ahead flow-based capacity calculations both indicate the same transmission network elements where congestion occurs, HOPS believes that it will achieve greater compliance with the requirement from Article 16(8) by applying the flow-based calculation than the currently applied bilateral NTC calculation. It does not deem it justified to invest in network development that would be necessary to meet the 70% target using the NTC calculation, but would not be necessary with flow-based calculations.

It could be said that there is a strong risk of over-investment in development of the transmission network. When the cross-border day-ahead flow-based capacity calculation in Core CCR is established, HOPS will have a more accurate overview of the situation concerning compliance with the 70% target, i.e. an overview of the justification of such investments into network development.

In the letter of the European Commission to ACER and ENTSO-E of 16 July 2019 concerning capacity calculations and third (non-EU) countries, it expressed concerns regarding how third country flows are taken into account in the capacity calculation process pursuant to the CACM Regulation. Namely, there is the possibility that flows that are the result of trading with and between third countries could have privileged access to the interconnected network of the EU Member States, as they are not required to apply the relevant EU regulations (including the CACM Regulation) that do not permit privileged access. Therefore, the position of the European Commission is that the results of trading with and between third countries can only be considered if an agreement has been concluded between all the TSOs of the CCR with the TSO of the third country. Such an agreement would have to encompass at least the following:

a. consideration of internal third country constraints for intra-EU capacity calculation,
b. consideration of EU internal constraints for capacity calculation on the border with third country, and
c. cost-sharing of remedial actions.

In line with that request, ENTSO-E with its member TSOs from the EU and TSOs from non-EU countries created a working group tasked with preparing such agreements. HOPS, like TSO of EU Member State bordering with two third countries, will be significantly affected by flows with and between third countries, and therefore joined this working group to help in resolving these uncertainties in determining the MACZT as soon as possible. Negotiations are in advanced stage with the Swiss TSO (Swissgrid). However, considering the dynamics of negotiations, it is certain that agreement between the Core CCR and TSOs of thirds countries whose flows impact HOPS (EMS, NOSBiH and CGES) will not be reached by the start of the period requested for derogation through this Request for derogation (i.e. 1 January 2021), and it is uncertain whether such an agreement will be concluded by the end of the requested derogation period (31 December 2021).

Of the four cross-zonal borders, Croatia has two borders with non-EU countries (Serbia and Bosnia and Herzegovina), and their influence on the internal cross-zonal trading within the Core CCR is significant.

The zone-to-hub PTDFs for individual bidding zones in the Core CCR on the cross-zonal high voltage transmission line between Croatia and Serbia, OHL 400 kV Ernestinovo – Mitrovica [OPP] is taken as an example. This CNEC proposed by HOPS is included on the list of all CNECs used for internal testing of day-ahead calculations for Core CCR.

PTDF_AT	PTDF_BE	PTDF_CZ	PTDF_DE	PTDF_FR	PTDF_HR	PTDF_HU	PTDF_NL	PTDF_PL	PTDF_RO	PTDF_SI	PTDF_SK
-0.3207	-0.31351	-0.31053	-0.31274	-0.3147	-0.28686	-0.31177	-0.31302	-0.29599	-0.05639	-0.33272	-0.29874

The above zone-to-slack PTDFs can be expressed as zone-to-zone PTDFs. The zone-to-slack $PTDF_{A,l}$ represents the effect of net position variations in bidding zone A on the CNEC I, and indicates the commercial exchange between the zone to slack, clearly showing the significance and influence of the OHL 400 kV Ernestinovo – Mitrovica [OPP] on the Core CCR. The zone-to-zone $PTDF_{A\rightarrow B,l}$ represents the influence of change of commercial exchanges from bidding zone A to bidding zone B on the CNEC I. The zone-to-zone $PTDF_{A\rightarrow B,l}$ can be calculated from the zone-to-slack PTDFs using the following equation:

$$PTDF_{A\rightarrow B,l} = PTDF_{A,l} - PTDF_{B,l}$$

Accordingly, it is possible to calculate the influence of the changes of commercial exchanges from Romania to Croatia on the DV 400 kV Ernestinovo – Mitrovica (CNEC l):

$$PTDF_{RO\rightarrow HR,l} = PTDF_{RO,l} - PTDF_{HR,l} = -0.05639 - (-0.28686) = 0.23047$$

The result shows the significant influence (23%) on the commercial exchange coming from Eastern and Southeast Europe (Romania, Serbia, Bosnia and Herzegovina). Also, a significant non-Core influence on the DV 400 kV Ernestinovo – Mitrovica [OPP] can also be seen according to the following formula:

F_0core	F_0all
-226	20

$$\vec{F}_{uaf} = \vec{F}_{0,Core} - \vec{F}_{0,all} = -226 - 20 = -246MW$$

where:
- $\vec{F}_{uaf}$ is the flow on the said CNEC that is the result of commercial exchange outside the Core CCR
- $\vec{F}_{0,Core}$ is the flow on the said CNEC in a situation where there is no commercial exchange within the Core CCR (using a zero-balanced Core),
- $\vec{F}_{0,all}$ is the flow on the said CNEC in a situation where there is no commercial exchange at any cross-zonal border in continental Europe, or at other cross-zonal borders in other synchronous areas (using the zero-balanced model for continental Europe (RG CE)).

A similar situation to this, with the influence of third countries, is seen in the influence of other regions for the capacity calculation (CCR), i.e. the HVDC submarine cable between Montenegro and Italy (MONITA), which is part of the Italian LFC region.

The MONITA cable has a transmission capacity of 600 MW and it commenced commercial operation in late 2019. The planned day-ahead flow values are published on the ENTSO-E Transparency platform, facilitating day-ahead planning. However, there are still issues with the uncoordinated flow changes on the cable on transmission day, i.e. the allocation of intra-day transmission capacities, which significantly alter the flow in the cable, and accordingly influence the HOPS network. A coordination procedure is currently under development between the Italian TSO TERNA, the Montenegrin TSO CGES and HOPS on flow adjustments on the cable, with the aim of at least partially resolving the recognised and/or resulting threats. However, a permanent solution implies the need for coordinated work, not only between the TSOs, but also between the competent regional security coordinators to remove threats in the interconnected system. This can only be expected following the implementation of methodology for a coordinated analysis of operational security.

For that reason, HOPS have to retain substantial security margins in the allocation of cross-border capacities, with the aim of preserving operational security. That means the 70% target is not met, and the submission of this Request for derogation is deemed justifiable for the above reasons.

System security will be threatened if HOPS commits to offering the required minimal capacity for cross-zonal trading every hour, and is not able to properly taking flows outside the Core CCR into

account, particularly given the lack of an adequate network model for the capacity calculations for the day-ahead market at its EU borders with Slovenia and Hungary.

With the development of IT tools, HOPS will be able to more precisely asses the influence of trading outside the Core CCR on the loading of its network elements that are important for trading within the Core CCR.

2. Limited redispatching activation potential

HOPS deems that it does not dispose of sufficient redispatching resources within Croatia to comply with the 70% target within every market unit.

Since HOPS has successfully prevented the appearance of congestion in real time under the existing circumstances of bilateral NTC agreements with neighbouring TSOs, there was previously no need to conclude agreements with other TSOs concerning the use of cross-border redispatching.

However, given the quantity of cross-border capacity required for allocation with the aim of compliance with the 70% target, it can be concluded that under the lack of the announced multilateral coordinated redispatching system, the only reliable method to remove short-term congestion would be bilateral cross-border redispatching.

HOPS has already undertaken activities to conclude agreements on bilateral cross-border redispatching with other TSOs. An agreement has already been concluded with Austria's APG (and ELES as the transit TSO), an agreement is currently under preparation with Slovenia's ELES and Hungary's MAVIR. With this, the reason for the limited redispatching activation potential would be resolved.

In addition to such agreements, it should also be stated that there is a need to have representative models for assessing redispatching potentials sufficiently in advance, i.e. prior to the allocation of cross-border capacities at the D-1 level. Though redispatching can be applied in near real time conditions, if cross-border capacities are allocated in quantities that could imply redispatching activation in the case of nomination of greater capacity quantities, then it is necessary to reliably know the redispatching potenial, which is contained only in the D-2 common network models.

HOPS is of the opinion that if, due to the lack of a representative network model, it is currently not possible to determine the redispatching potential for the needs of the D-1 capacity allocations, then redispatching can only be used at the intra-day level to increase intra-day capacities. HOPS believes that this should be taken into account in assessing compliance with the 70% target.

In conclusion, since it is not certain that these agreements will be concluded and signed by the end of the year, HOPS believes that the operational security could be jeopardised without the existence of such a tool, and therefore has preventatively submitted this Request for derogation. In the case of the signing of these agreements with ELES and MAVIR, HOPS deems that this reason for approval of the derogation will no longer be valid.

It should be stated that HOPS is currently participating in the voluntary multilateral redispatching initiative of TSCNET, though only to the restricted total financial limit approved by HERA. Since TSO participation is voluntary, multilateral redispatching cannot be considered a reliable method, as some TSOs, whose active participation would facilitate the resolution of congestion in the

HOPS LFC region, either are not participating in the initiative or, like HOPS, are participating to their financial limit. Should this initiative remain in such a form in the future, this reason for the limited redispatching activation potential will continue to remain in effect.

For this reason, HOPS considered that the lack of bilateral agreements with other TSOs, in the sense of the use of cross-border redispatching, is a justified reason for this Request for derogation, as there are currently no significant corrective measures available to influence the excessivly allocated cross-border capacities. HOPS is not able to use the topological measures at the 220 kV and 400 V charge levels due to the configurations of the Croatian transmission network. Among other corrective measures, HOPS is currently using the phase shifting transformer at the Žerjavinec substation. However, it does not have a significant influence on the redistribution of flows in the transmission network.

Though HOPS does not deem this a valid reasons for derogation from the 70% target, ensuring adequate resources for dispatching has been hindered due to the lack of adequate national and regional regulations in this field.

Under the Act on Amendments to the Electricity Market Act (OG 68/18), HOPS is required to draft and publish the document Rules for managing congestion within the Croatian electrical energy system, including tie lines (hereinafter: Rules for congestion management), with the prior consent of HERA. When this document is published, the use of redispatching will be regulated in detail, and network users will be entitled to adequate financial compensation if they are redispatched at the request of HOPS.

Furthermore, regional rules for coordinated redispatching activation and countertrading pursuant to Article 35 of the CACM Regional have not yet been adopted by Core CCR. The adoption and implementation of these rules would permit HOPS to have access to additional redispatching potential outside the borders of its LFC region. These rules have been submitted to ACER for a decision, which is pending. Also pending is the ACER decision on the rules for the distribution of costs pursuant to Article 74 of the CACM Regulation. Due to the complexity of the process itself, and needed ICT infrastructure, the implementation of the processes resulting from the above regional rules is not expected to be completed within the forthcoming 24 months.

3. Planning long-term network element disconnections

Following adoption of the Regulation, the assessment of fulfilment the requirements prescribed by the Regulation is based on the ACER document “Recommendation No 01/2019 of the European Union Agency for the Cooperation of Energy Regulators of 08 August 2019 on the implementation of the minimum margin available for cross-zonal trade pursuant to Article 16(8) of Regulation (EU) 2019/943” (hereinafter: ACER Recommendation), which is aimed at achieving a uniform approach to implementation of the Regulation.

HOPS deems that the ACER recommendation does not clearly stipulate whether the assessment of compliance with the 70% target will adequately take into account the circumstances of the planned network disconnections, which will have a real reduction of network transmission capacities, which in turn negatively impacts system security, if the transmission capacities are allocated at a level as though there are no such disconnections.

Since the process of regional coordination of disconnections for 2021 will continue until 1 December 2020, the period of the disconnections that will result a reduction in cross-border

capacities cannot be determined with any certainty at the time of submission of this Request for derogation.

However, HOPS is planning, with a high degree of certainty, a disconnection due to the revitalisation of the OHL 220 kV Konjsko – Zakučac power line in the period from 1 January 2021 until 31 May 2021. This high-voltage transmission line was also listed in the HOPS request for derogation from application of the 70% target for 2020. Due to the extraordinary circumstances caused by the Covid-19 pandemic, this investment was postponed for the first half of 2021.

HOPS will pay particular attention to planning and shortening the duration of works on all grid elements whose unavailability causes or may cause reductions in transmission capacity.

Pursuant to the above, HOPS is preventatively submitting this Request for derogation for the year 2021, such that the derogation for this reason would not be considered justified were there to be no disconnections of elements the transmission network that significantly impact the capacities available for cross-zone trading.

HOPS believes that the above planned long-term disconnections would influence the cross-zonal capacities to be offered to market participants. This disconnection is aimed at increasing grid reliability, which will positively influence both internal trading and cross-zonal trading. Revitalisation of this transmission line will increase its transmission capacity, which will directly increase the cross-zonal capacity. Furthermore, HOPS believes that due to the long-term disconnection, this reason for derogation is justified, since ensuring the minimum capacity prescribed by the Regulation, while simultaneously having this network element unavailable, would negatively impact system security.

HOPS will consider all other short-term and unplanned disconnections during the process of capacity validation at the time of offering cross-zonal capacities at monthly and/or daily auctions, and in intra-day capacity allocations.

4. Securing the minimum capacity and monitoring the compliance with the 70% target

With the aim of more objective monitoring progress, HOPS is commited to submit the necessary data to HERA for monitoring its compliance with the 70% target for the entire period of the requested derogation. This will include at least the following information, and other data as requested by HERA or ACER for each border and direction for which the derogation is requested under this Request:

- allocated capacity for each market unit in the period from 2018 to 2020,
- allocated capacity on daily auctions for each market unit during 2021,
- capacity that should be allocated on daily auctions in order to comply with the 70% target on all critical grid elements in 2021,
- nominated capacity for each market unit in 2021,
- activated redispatching, and other corrective measures in each market unit in 2021,
- duration of all planned long-term grid element disconnections, as listed in this Request for derogation,
- monitoring the minimum cross-zonal capacity on relevant CNECs at which the 70% target was not met, regardless of the capacity calculation method.

For the duration of the approval derogation, HOPS is committed to allocating capacities no less than the minimum capacity allocated for each market unit in the period 2018 to 2020, and no less than the capacity that corresponds to 20% of the load for each CNEC.

Furthermore, HOPS is committed to publishing the Methodology and projects offering long-term solution for the causes of the derogations for 2021 from the requirements stipulated in Article 16(8) of Regulation (EU) 2019/943 no later than 30 April 2021.

Conclusions

Following the above, HOPS is hereby submitting the Request for derogation from the requirements prescribed in Article 16, paragraph 8, in accordance with Article 16, paragraph 9, of Regulation (EU) 2019/943 for a period of one (1) year, beginning on 1 January 2021.

We are available to provide any additional documentation or explanation as required.

Sincerely,

President of the Management Board:

Tomislav Plavšić, PhD

Co:
- System Operation Department
- Executive office
- Archive