

Practical aspects of the Inter-TSO Compensation (ITC) mechanism implementation – a TSO perspective

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A summary of the process from a participating TSO perspective

MAIN INPUTS

- Step 1 of overall ITC process: Yearly collection of data on vertical load and cost of losses (Entso-E ↔ TSOs)
- Step 2 of overall ITC process: Monthly data collection (Data admins ↔ TSOs)
 - Metered and scheduled flows, transits, net import flows, net export flows, scheduled import flows, scheduled export flows
 - Snapshots (Third Wednesday of the month and the Sunday preceding for 3:30 AM CET, 11:30 AM CET and 7:30 PM CET)

(Processing and calculation by data admins)

MAIN OUTPUTS

- Step 6 of overall ITC process: Monthly preliminary settlement (Data admins → Entso-E → TSOs → data admins)
- Step 7 of overall ITC process: Monthly final settlement (Data admins → Entso-E → TSOs → data admins)

ITC implementation at Elia (Belgium)

A **smooth internal process is required** in order not to delay the execution of the process at European level

- Multiple departments within a TSO have to be involved (Financial/Account department(s) as well as Operational department(s))
- Support by IT tools for semi-automated communication with data admins, but in general strong human involvement remains!
- Often actions have to be taken within only few number of Business Days (e.g. 3 or 10) is, requiring clear roles and responsibilities and back-up plans/substitutes
- TSO internal Approval needs to be obtained and delivered to data admins for payments can be settled at in the framework of STEP 6 & 7

Practical aspects to be kept in mind when running an ITC-like mechanism

> 40 TSOs → Not evident to have a smooth process

- Strong need for a coordinating party (ENTSO-E secretariat, supported by data admin)
- Ensuring timely execution of all steps
 - E.g. Providing (correct and complete) data
 - Need for a functioning peer-to-peer audit process of (main) input data.
 - Lacking or incorrect data require a recalculation of the settlement
 - E.g. Signing notifications (and thereby accepting the results and financial settlements)
 - If one party is late or disagrees, the settlement cannot proceed for all parties
- Regulatory monitoring
 - Large amounts of money are transferred, which triggers regulatory monitoring
 - Improve credibility by a peer-to-peer audit process
- Everything should be well rooted in a (detailed) contract to ensure the smooth process

Conclusion

- Do not underestimate the implementation aspect which is behind the principles
 - At European/central level
 - At individual TSO level
- A coordinating entity at TSO level as well as at Inter-TSO Compensation mechanism level is strongly needed
- Strong contractual arrangements are needed to enforce a smooth process