

# Regulators plan further improvements to FBMC

**Regulators of centralwestern** European countries plan further improvements to the day-ahead flow-based market coupling (FBMC) model. These are likely to make more interconnector capacity available for cross-border power trade in the region and pressure locational price spreads.

The improvements stem from a recent study the regulators had commissioned. The final executive summary of the CWE flow factor competition study was published on the [Joint Allocation Office website](#) in April.

"The study showed clear opportunities to improve the fairness of FBMC, such as using dynamic Fmax-policies and eliminating internal critical branches," said a spokeswoman for Belgian regulator CREG.

The study showed large differences between transmission system operators (TSOs) when it comes to defining several FBMC parameters, such as Fmax (the maximum allowable power flow on critical lines) and FRMs (flow reliability margins). It also showed large differences in load forecasts made two days before delivery.

FRMs describe the extent of uncertainty about power flows. They reduce the transmission capacity TSOs allocate for cross-border trade. Apparently, some TSOs are more risk averse than others, which results in differences between TSOs when it comes to defining FRMs.

"Based on these insights, CWE regulators recently agreed on the harmonisation of the FRM calculation at the CWE level, leading to a significant reduction of the FRM-values for some TSOs," the spokeswoman said. In addition, the regulators have asked for specific measures to improve the quality of the load forecasts. This is expected to result in higher cross-zonal capacities and improved grid security.

## Background

FBMC was introduced in Germany, Austria, Luxembourg, France, the Netherlands and Belgium in 2015 and is likely to be expanded further. Unlike the traditional market coupling methodology, it optimises flows in the region as a whole not on each border separately. Traders have criticised FBMC for being opaque and causing unexpected day-

» Page 2

» Continued from page 1

ahead price outturns. In response, TSOs have already taken several steps to increase the transparency and efficiency of FBMC.

Most recently, they introduced a 20% minimum remaining available margin (RAM) on request of regulators last month. The change should increase the transmission capacity available for cross-border trade.

[Traders held back](#) from pricing the change into forward curves in advance due to the complexity of FBMC and the uncertainty surrounding the split of the German-Austrian bidding zone.

Any planned further FBMC improvements will probably not be reflected in forward price spreads until traders see how they impact day-ahead price outturns in practice. **Laura Raus**