*CWE NEMOs and TSOs announce changes to Flow-based allocation method*

16 September 2020 – The Transmission System Operators and Nominated Electricity Market Operators of Central Western Europe (CWE) will adopt the so-called “Flow-based plain” methodology in the region. It will replace the currently applied “Flow-based intuitive” method.

The change is planned for 3 November 2020. The decision was taken jointly by all project partners and supported by National Regulatory Authorities of the CWE region based on the extensive monitoring and analysis of welfare and price formation data. Following this decision, CWE NEMOs & TSOs decided to end the computation and publication towards stakeholders of the CWE Plain Flow-Based parallel Run, as of June 2020.

In Market Coupling, the Flow-based intuitive methodology applies the constraint that electricity will always, under any circumstances, flow from the lower-priced to the higher-priced market area. In the Flow-based plain methodology, there might be counter-intuitive flows if the optimization of all involved market areas, taken into account simultaneously, results in social welfare improvement.

Furthermore, the Flow-based plain methodology contributes to the scalability of the algorithm of the Single Day-Ahead Coupling, as it will have fewer implicit constraints to manage. This will help offset the anticipated growth in complexity of the Flow-based coupling both within (new interconnectors) and outside (Core and Nordic Flow-based implementation projects) of CWE.

Detailed information on the Flow-based plain method and about its implementation process can be found through the explanatory document published together with this announcement.