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# **Request for amendment by regulatory authorities of the Core capacity calculation region**

**on**

**Core CCR TSOs' proposal for the methodology for  
splitting**

**long-term cross-zonal capacity in  
accordance with Article 16 of the**

**Commission Regulation (EU) 2016/1719 of  
26 September 2016 establishing a guideline  
on forward capacity allocation, dated 21 August  
2019**

**xx March 2020**

## I. Introduction and legal context

This document elaborates an agreement of the regulatory authorities of the Capacity Calculation Region Core (hereafter “CCR Core”) on the Core CCR TSOs’ proposal for the methodology for splitting long-term cross-zonal capacity in accordance with Article 16 of the Commission Regulation 2016/1719<sup>1</sup>, dated 21 August 2019 (hereafter “the SR methodology”), as received by the last regulatory authority by 19<sup>th</sup> September 2019 pursuant to 4(7)(b) respectively of Regulation 2016/1719.

This agreement of all Core Regulatory Authorities (ACM, AGEN-RS, ANRE, BNetzA, CRE, CREG, E-Control, ERU, HEA, HERA, ILR, URE, URSO) shall provide evidence that a decision on the SR methodology does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of the Regulation 2016/1719. It is intended to constitute the basis on which all Regulatory Authorities of the Core CCR will each subsequently request an amendment to the SR methodology, pursuant to Article 4(11) of Regulation 2016/1719.

The legal provisions relevant to the submission and approval of the SR methodology, and this all Regulatory Authorities agreed opinion of the SR methodology, can be found in Articles 3, 4 and 16 of Regulation 2016/1719. They are set out here for reference.

The term ‘capacity calculation methodology’ means the rules for capacity calculation methodology defined in Article 10 of Regulation 2016/1719.

Article 3 of Regulation 2016/1719 states:

*This Regulation aims at:*

- (a) promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants;*
- (b) optimising the calculation and allocation of long-term cross-zonal capacity;*
- (c) providing non-discriminatory access to long-term cross-zonal capacity;*
- (d) ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants;*
- (e) respecting the need for a fair and orderly forward capacity allocation and orderly price formation;*
- (f) ensuring and enhancing the transparency and reliability of information on forward capacity allocation;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.*

Article 4 of Regulation 2016/1719:

- 1. TSOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*

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<sup>1</sup> Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation

2. (...)
3. (...)
4. (...)
5. *Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7.*
6. (...)
7. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:*
  - (a) (...)
  - (b) *the methodology for splitting cross-zonal capacity pursuant to Article 16;*
  - (c) (...)
  - (d) (...)
  - (e) (...).
8. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*
9. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6 and 7, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
10. (...)
11. *In the event that one or several regulatory authorities request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6 and 7, the relevant TSOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authorities. The competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs 6 and 7 within the two-month deadline, or upon their joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009. If the relevant TSOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 shall apply.*

12. TSOs responsible for developing a proposal for terms and conditions or methodologies or regulatory authorities responsible for their adoption in accordance with paragraphs 6 and 7, may request amendments of these terms and conditions or methodologies.

*The proposals for amendment to the terms and conditions or methodologies shall be submitted to consultation in accordance with the procedure set out in Article 6 and approved in accordance with the procedure set out in this Article.*

13. TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 7.

#### Article 16 of Regulation 2016/1719

1. No later than the submission of the capacity calculation methodology referred to in Article 10, the TSOs of each capacity calculation region shall jointly develop a proposal for a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different long-term time frames within the respective region. The proposal shall be subject to consultation in accordance with Article 6.
2. The methodology for splitting long-term cross-zonal capacity shall comply with the following conditions:
  - (a) it shall meet the hedging needs of market participants;
  - (b) it shall be coherent with the capacity calculation methodology;
  - (c) it shall not lead to restrictions in competition, in particular for access to long-term transmission rights.

## II. The SR methodology

The SR methodology was consulted by All TSOs of the Core CCR through ENTSO-E via the online ENTSO-E Consultation Hub for one month from 10<sup>th</sup> of June 2019 until the 10<sup>th</sup> of July 2019 in line with Article 6 of Regulation 2016/1719<sup>2</sup>.

The SR methodology, dated 21 August 2019, was received by the last Regulatory Authority on 19 September 2019. The document is publicly available on the ENTSO-E website<sup>3</sup>.

The SR methodology defines separate splitting ratios between AC and DC interconnectors regarding the capacity offered to yearly and monthly capacity auctions. Both types of auctions will be held by the Single Allocation Platform.

In addition, the SR methodology includes a proposed timescale for its implementation.

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<sup>2</sup> The public consultation held from 10<sup>th</sup> of June 2019 until the 10<sup>th</sup> of July is available on the ENTSO-e website: <https://consultations.entsoe.eu/markets/core-ccr-splitting-ltczc/>

<sup>3</sup> The SR methodology is publicly available on the ENTSO-e website: [https://docstore.entsoe.eu/Documents/nc-tasks/EBGL/FCA\\_A.16\\_Core%20CCR%20TSOs\\_Proposal.pdf?Web=0](https://docstore.entsoe.eu/Documents/nc-tasks/EBGL/FCA_A.16_Core%20CCR%20TSOs_Proposal.pdf?Web=0)

### **III. The position of the regulatory authorities of the Core CCR**

All Regulatory Authorities of the Core CCR cannot approve the SR methodology for the reason detailed below.

#### **Subject matter and scope**

All Regulatory Authorities of the Core CCR ask Core TSOs to include a provision in the SR methodology that 6 months after the approval of the Core TSOs' proposal for the capacity calculation methodology with regard to Article 10 of Regulation 2016/1719 (hereafter Core LTCC methodology), Core TSOs will submit a review which shall investigate whether and how the approved Core LTCC methodology necessitates amendments to the SR methodology.

After submission of this review, Core TSOs will collaborate with Core NRAs to align positions on whether a proposal for amendment of the SR methodology will be necessary.

All Regulatory Authorities of the Core CCR also ask Core TSOs to include a provision in the SR methodology that two years after the implementation of the SR methodology, Core TSOs will submit a report to Regulatory Authorities of the Core CCR where the efficiency of the used approach will be analysed. The main focus is to be on how practical application of the approach fulfils the requirements of Article 16(2) of Regulation 2016/1719.

#### **IV. Conclusions**

Based on the rationale explained above, all Regulatory Authorities of the Core CCR agree to request an amendment of the SR methodology, pursuant to Article 4(11) of the FCA Regulation.

This amendment shall contain the provision in the SR methodology that:

- six months after the approval of the Core LTCC methodology, Core TSOs will submit to all Regulatory Authorities of the Core CCR a review on possible adjustments of the SR methodology (in relation to the approved Core LTCC methodology).
- two years after the implementation of the SR methodology, Core TSOs will submit a report on the efficiency of the used approach and its practical fulfilment of the requirements of Article 16(2) of Regulation 2016/1719 to all Regulatory Authorities of the Core CCR.

According to Regulation 2016/1719, all Regulatory Authorities of the Core CCR should issue their national decisions, on the basis of this agreement, within 6 months after the receipt of the proposal by the last NRA, i.e. by the 19<sup>th</sup> of March 2020.