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**Agreement by all Core Regulatory Authorities  
agreed at the Core Energy Regulators' Regional Forum**

**on**

**the “Core CCR TSOs’ 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”**

**14 July 2020**

## I. Introduction and legal context

The Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereafter referred to as “the FCA Regulation”) entered into force on 17 October 2016. The FCA Regulation sets out detailed rules on cross-zonal capacity allocation in the forward markets, on the establishment of a common methodology to determine long-term cross-zonal capacity, on the establishment of a single allocation platform at European level offering long-term transmission rights and on the possibility to return long-term transmission rights for subsequent forward capacity allocation or transfer long-term transmission rights between market participants.

This document elaborates an agreement of all Regulatory Authorities of the Core Capacity Calculation Region (hereafter referred to as “Core CCR”) on 14 July 2020 on the **Core CCR TSOs’ 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** (hereafter referred to as “LTSR methodology”), received by the last Core Regulatory Authority on 1 June 2020.

This agreement of all Core Regulatory Authorities shall provide evidence that a decision on the LTSR methodology does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of the FCA Regulation. This agreement is intended to constitute the basis on which all Core Regulatory Authorities will each subsequently adopt a decision on the LTSR methodology pursuant to Article 4(7)(b) of the FCA Regulation.

The legal provisions relevant to the submission and approval of the LTSR methodology can be found in Articles 3, 4 and 16 of the FCA Regulation.

### **Article 3** of the FCA Regulation:

*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 the FCA Regulation:

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.*
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:*  
  
*(...)*  
  
*(b) the methodology for splitting cross-zonal capacity pursuant to Article 16;*  
  
*(...)*
8. (...)
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. *Where the regulatory authorities have not been able to reach an agreement within the period referred to in paragraph 9, or upon their joint request, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009.*
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. (...)

**Article 16** of the FCA Regulation:

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 LTSR methodology

All Core TSOs organized, from 10 June 2019 until 10 July 2019, the public consultation of the LTSR methodology in accordance with the requirements in Article 16, Article 4(12) and Article 6 of the FCA Regulation. This public consultation has been organized by ENTSO-E on behalf of all Core TSOs, via the online ENTSO-E Consultation Hub. During the public consultation, Core TSOs received responses from stakeholders as well as an informal shadow opinion agreed on by all Core Regulatory Authorities. Core TSOs attached to the LTSR methodology, for the information of all Core Regulatory Authorities, an explanatory document to the LTSR methodology including a report with an assessment of the remarks made by stakeholders during the public consultation.

The LTSR methodology, dated 21 August 2019, was received by the last Core Regulatory Authority on 19 September 2019.

All Core Regulatory Authorities, as agreed by the Core Energy Regulators' Regional Forum (CERRF) on 5 March 2020, decided to request an amendment to the Core TSOs' LTSR methodology. Since the implementation of the LTSR methodology is fundamentally linked to the implementation of the long-term capacity calculation in Core CCR, Core Regulatory Authorities requested that the LTSR methodology contains explicit provisions for possible future amendments.

Following the request for amendment, Core TSOs sent an amended version of the LTSR methodology dated 14 May 2020. This amended LTSR methodology was received by the last Core Regulatory Authority on 1 June 2020.

The LTSR methodology defines how cross-zonal capacities calculated during the capacity calculation for the yearly timeframe are split among different timeframes. In accordance with Article 31 of the FCA Regulation and in line with Article 6 of the Regional Core design of long-term transmission rights, long-term transmission rights shall be issued for the forward capacity timeframes month and year.

The LTSR methodology defines separate splitting ratios on alternating current (AC) and direct current (DC) interconnectors regarding the capacity offered to yearly and monthly capacity auctions. The Single Allocation Platform will organize yearly and monthly auctions for both AC and DC interconnectors.

In case of high voltage AC interconnectors, eighty percent of the long-term capacity available at the year ahead timeframe will be offered to the subsequent yearly capacity allocation session at the Single Allocation Platform (see Article 3(1) of the LTSR methodology).

In case of new high voltage DC interconnectors for the first three years of operation, sixty-five percent of long-term capacity available at the year ahead timeframe will be offered to the subsequent yearly capacity allocation session at the Single Allocation Platform (see Article 4(1) of the LTSR methodology). In addition, in case of high voltage DC interconnectors with more than three years of operation, eighty percent of long-term capacity available at the year ahead time frame will be offered to the subsequent yearly capacity allocation session at the Single Allocation Platform (see Article 4(2) of the LTSR methodology).

Long-term capacities resulting from the monthly capacity calculations in accordance with Article 10 of the FCA Regulation, reduced by those capacities already allocated to the yearly timeframe and increased by returned capacity from the yearly time-frame, are offered to the subsequent monthly capacity allocation sessions at the Single Allocation Platform (see Article 4(3) of the LTSR methodology).

As already stated before, the implementation of the LTSR methodology is closely connected to the long-term calculation process. Therefore, the LTSR methodology shall be implemented at the latest once the results of the first capacity calculation for the yearly time frame, based on the approved Core TSOs' common capacity calculation methodology for long-term time frames elaborated in accordance with Article 10(1) of the FCA Regulation, are available (see Article 6 of the LTSR methodology).

In addition, six months after the approval of the Core TSOs' common capacity calculation methodology for long-term time frames in accordance with Article 10(1) of the FCA Regulation, Core TSOs will submit a review on possible adjustments of the Core TSOs' LTSR methodology resulting from the final methodology in accordance with Article 10(1) of the FCA Regulation to all Core Regulatory Authorities (see Article 7(1) of the LTSR methodology).

Two years after the implementation of the Core TSOs' LTSR 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 the FCA Regulation to all Core Regulatory Authorities (see Article 7(2) of the LTSR methodology).

### III. All Core NRAs' position

All Core Regulatory Authorities agree that the LTSR methodology contains all the relevant aspects for the process of capacity splitting among different long-term timeframes.

It contributes to and does not in any way hinder the achievement of the objectives of Article 3 of the FCA Regulation.

#### a. On the hedging needs

All Core Regulatory Authorities acknowledge the efforts of Core TSOs to accommodate hedging needs for all market participants. Core TSOs collected market participants' views during formal and informal consultations on how their hedging needs can be accommodated at the best possible way.

Since market participants that reacted during the public consultation discarded all splitting ratios calculated on the basis of some market indicators and formulas Core TSOs were considering, Core TSOs' proposed splitting ratios for AC and DC interconnectors which could accommodate most of the remarks received via several public consultations.

Some market participants proposed all the capacities calculated in yearly capacity calculation to be also explicitly offered to yearly capacity allocation. Core Regulatory Authorities expressed their opinion in the shadow opinion that the offering of one hundred percent capacity at the year-ahead allocation ("100% approach ") is not in line with the spirit of the FCA Regulation as Article 31(2) of the FCA Regulation states that all TSOs issuing long-term transmission rights shall offer long-term cross-zonal capacity, through the Single Allocation Platform, to market participants for at least annual and monthly time frames.

#### b. On the future amendments

After a request for amendment by Core Regulatory Authorities, TSOs inserted Article 7(1) and 7(2) in the LTSR methodology. These provisions contain future review and reporting obligations. All Core Regulatory Authorities conclude that these amendments fulfil their request.

## IV. Conclusion

All Core Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach the agreement that the LTSR methodology meets the requirements of the FCA Regulation and as such can be approved by all Core Regulatory Authorities.

All Core Regulatory Authorities must therefore make their decisions, based on this agreement, by 1 August 2020. The approval of the LTSR methodology will be effective upon the decision of the last Core Regulatory Authority concerned.

Following the national decisions by all Core Regulatory Authorities, all Core TSOs will be required to publish the LTSR methodology as approved, in line with Article 4(13) of the FCA Regulation.