



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

on

**the “1st amendment of 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”**

3 April 2023

I. Introduction and legal context

The Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation as amended by Commission implementing regulation (EU) 2021/280 of 22 February 2021 amending Regulations (EU) 2015/1222, (EU) 2016/1719, (EU) 2017/2195 and (EU) 2017/1485 in order to align them with Regulation (EU) 2019/943 (hereafter referred to as “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 3 April 2023 on the Proposal for the **1st amendment of 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 Amendment Proposal”), received by the last Core Regulatory Authority on 11 November 2022.

This agreement of all Core Regulatory Authorities shall provide evidence that a decision on the LTSR Amendment Proposal 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 Amendment Proposal 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 Agency or the competent regulatory authorities within the respective deadlines set out in this Regulation. In exceptional circumstances, notably in cases where a deadline cannot be met due to circumstances external to the sphere of TSOs, the deadlines for terms and conditions or methodologies may be prolonged by the Agency in procedures pursuant to paragraph 6, and jointly by all competent regulatory authorities in procedures pursuant to paragraph 7. 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 the ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of those terms and conditions or methodologies. (...)*
2. (...)
3. (...)
4. (...)
5. *Each regulatory authority or where applicable the Agency, as the case may be, shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7. Before approving the terms and conditions or methodologies, the Agency or the competent regulatory authorities shall revise the proposals where necessary, after consulting the respective TSOs, in order to ensure that they are in line with the purpose of this Regulation and contribute to market integration, non-discrimination, effective competition and the proper functioning of the market.*
6. (...)
7. *The proposals for the following terms and conditions or methodologies and any amendments thereof 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. *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 for terms and conditions or methodologies subject to the approval by several or all regulatory authorities in accordance with paragraph 7 shall be submitted to the Agency within 1 week of their submission to the regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within 3 months on the proposals for terms and conditions or methodologies .*
9. *Where the approval of the terms and conditions or methodologies in accordance with paragraph 7 or the amendment in accordance with paragraph 11 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 to reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities or, where competent, the Agency shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6 and 7, within 6 months following the receipt of the terms and conditions or methodologies by the Agency or, where applicable, by the last regulatory authority concerned. The period shall begin on the day following that on which the proposal was submitted to the Agency in accordance with paragraph 6 or to the last regulatory authority concerned in accordance with paragraph 7*
10. (...)

11. (...)
12. *The Agency or the regulatory authorities jointly, where they are responsible for the adoption of terms and conditions or methodologies in accordance with paragraphs 6 and 7, may respectively request proposals for amendments of those terms and conditions or methodologies and determine a deadline for the submission of those proposals. TSOs responsible for developing a proposal for terms and conditions or methodologies may propose amendments to regulatory authorities and the Agency.*

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 Agency or 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 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 1st amendment of LTSR methodology

All Core TSOs organized, from 21 July 2022 until 20 August 2022, the public consultation of the 1st amendment of 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. No informal shadow opinion was issued by Core NRAs.

Core TSOs attached to the LTSR Amendment Proposal, 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 Amendment Proposal, dated 27 September 2022, was received by the last Core Regulatory Authority on 11 November 2022.

Core TSOs provided the following documents:

- The proposal for amendment of Core LTSR methodology containing only amended text,
- Consolidated version in track-changes of the LTSR Amendment Proposal, and
- Consolidated clean version of the Core LTSR Amendment Proposal
- Consultation report to LTSR Amendment Proposal

This way, each respective NRA can approve the document which is needed at national level.

In July and August 2020 Core NRAs approved Core LTSR Methodology which anticipated that coordinated net transmission capacity (“cNTC”) approach will be implemented in Core Long-Term Capacity Calculation Methodology (hereafter referred to as “LTCC methodology”). On 3 November 2021, ACER issued Decision No 14/2021 to approve the LTCC methodology where flow-based calculation and allocation approach is introduced.

According to the above, Core TSOs’ LTSR methodology approved by Core NRAs on 12 August 2020 needed to be amended to be compliant with Long-Term flow-based calculation and allocation. In the 1st amendment of Core LTSR methodology, Core TSOs proposed to keep the splitting factors already defined for unused cNTC approach.

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 Remaining Available Margin by Critical Network Elements and Contingencies resulting from the yearly capacity calculation in accordance with article 10 of the FCA Regulation 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).

Remaining Available Margin by Critical Network Elements and Contingencies (instead of remaining long-term capacity resulting from the monthly capacity calculations which was anticipated in the cNTC approach) 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 timeframe, will be 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).

Two years after the implementation of the Core TSOs’ LTSR methodology, Core TSOs shall 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.

Some market participants proposed all the capacities calculated in yearly capacity calculation to be also offered to yearly capacity allocation. Core Regulatory Authorities expressed their opinion in the 2019 shadow opinion, highlighting that offering one hundred percent capacity at the year-ahead allocation ("100% approach") would not be 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.

Also, some market participants were concerned by the statement of Core TSOs in the Explanatory Document that the capacity values provided for allocation process can be lower than the minRAM values (20% for yearly and 10% for monthly capacities) foreseen in Core LTCC methodology due to the application of splitting ratio. Market participants are also concerned that the minRAM values will provide lower allocated capacities compared to actual uncoordinated NTC ones and request Core TSOs further visibility on the extraction of the NTC domain.

Core Regulatory Authorities heavily discussed that the combined application of 20% minRAM (in accordance with Article 14(5) Core LTCC methodology) and 80% RAM splitting ratio for yearly capacity (in accordance with Article 3(1) Core LTSR methodology) lead to capacity values allocated to the market sometimes below the LTCC results (16% for Y auction for a minRAM of 20% resulting from LTCC). Moreover, the value of monthly capacities to be offered for monthly timeframe is calculated in a separate process where 10% minRAM is guaranteed for the monthly timeframe in accordance with Article 14(5) Core LTCC methodology.

Considering market participants' feedback and common efforts to maximise long-term capacities, Core Regulatory Authorities proposed to implement adequate capacity calculation mechanisms which shall – for both yearly and monthly products – assure that respective minRAM values will in all cases be provided.

According to previous discussions between Core TSOs and Core NRAs, Core Regulatory Authorities concluded that above requirements regarding minRAM should be dealt within Core LTCC methodology and not Core LTSR methodology. Core Regulatory Authorities also deemed that making the approval of Core LTSR Amendment Proposal conditional to a request for amendment (RfA) for Core LTCC methodology would trigger additional complexity.

IV. Conclusion

All Core Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach the agreement that the LTSR Amendment Proposal 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 11 May 2023. The approval of the LTSR Amendment Proposal 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, both amended proposal and consolidated clean version, in line with Article 4(13) of the FCA Regulation.