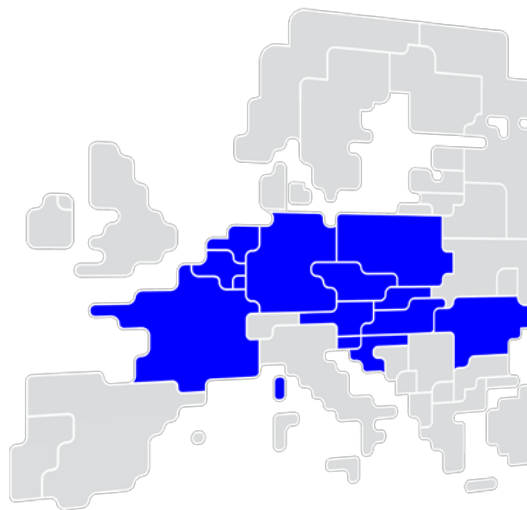




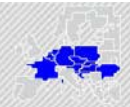
EXPLANATORY DOCUMENT on the Proposal for amendment of methodology for splitting cross-zonal capacity between long-term time frames

in accordance with Article 16 Commission Regulation (EU) 2016/1719 establishing a
Guideline on Forward Capacity Allocation



Disclaimer

This explanatory document is submitted by Core TSOs to the Core NRAs for information and clarification purposes only accompanying the Core TSOs' proposal for amendment of methodology for splitting long-term cross-zonal capacity in a coordinated manner between different long-term time frames in accordance with Article 16 of Commission Regulation (EU) 2016/1719 establishing a Guideline on Forward Capacity Allocation



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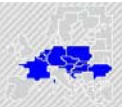
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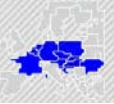
1. DOCUMENT HISTORY AND STATUS

Date	Summary of Changes	Version	By
06-07-2022	Original draft of document	0.1	Core MaWG
13-07-2022	Version after Core SG 13/07	0.2	Core SG



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2. INTRODUCTION

Article 16 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereinafter referred to as “FCA Regulation”) required that no later than the submission of the capacity calculation methodology, 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.

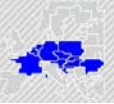
The methodology for splitting long-term cross-zonal capacity shall comply with the following conditions:

- (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.

In current effective version of the methodology for splitting cross-zonal capacity between long-term time frames it is assumed that for Core CCR the coordinated capacity calculation according to article 10(2) of the FCA Regulation will follow the cNTC approach.

The Agency for the Cooperation of Energy Regulators in Decision No 14/2021 of 3 November 2021 adopted the long-term capacity calculation methodology of the Core capacity calculation region pursuant to Article 10 of Regulation (EU) 2016/1719 (hereinafter LT CCM) where the capacity calculation and allocation are based on a flow-based approach.

The revision of the Methodology for splitting cross-zonal capacity between long-term time frames (hereinafter LT SRM) associated to this explanatory document is driven by the changes required due to the introduction of the flow-based long-term capacity calculation principle introduced for Core CCR.



3. MAIN CONSIDERATIONS

3.1. Splitting ratio

The Core splitting rules shall be performed on the calculated capacity resulted by the yearly capacity calculation process. Yearly part of capacity resulting from that processes (LTCCM and LTSR) is then allocated to the respective timeframe and Core TSOs concluded that 100% yearly and 0% monthly split ratio shall not fulfil the FCA 16 (2) a and c points therefore Core TSOs propose a split that is less extreme. Core TSOs concluded that the 80/20 splitting rule is in line with the FCA requirement in Article 16 (2) . i.e. Core TSOs ensure significant part of the available cross-zonal capacities already at yearly timeframe to fulfil the hedging needs of market participants as much as possible. Moreover, as the spitting rules endeavours to increase the probability to have appropriate cross zonal capacities level for monthly by reserved 20% of yearly RAM that serves as much as possible the requirement to ensure that restrictions in competition is minimised as access to long-term transmission rights more ensured for smaller market participants as well. Al these together is evaluated as a properly balanced splitting rules among 16 (2) a and c points.

Nevertheless 80/20 ratio is treated as a starting point and is still a subject for further investigation especially having in consideration the upcoming results of long term capacity calculation experimentations.

3.2. To guarantee the reserved capacity in the monthly timeframe

The very purpose of splitting is to reserve a certain value of yearly cross zonal capacities (after splitting) for monthly timeframe with the aim to increase the probability to make optimal capacity available to the market. Nevertheless the value of monthly capacities to be offered for monthly time frame is calculated in a separate process within parameters in accordance with the Core LT CCM decided by ACER. Core LT CCM clearly defines how the monthly cross zonal capacities be calculated and what has to be guaranteed for monthly time-frame, this is not done by splitting rules applied on the long term capacity between the yearly and monthly long-term timeframes of the splitting methodology.

3.3. Ensuring the minRAM values for allocation process

Core TSOs are in opinion that when splitting is applied, it should be applied on the outcome of the long term capacity calculation process, regardless of the volume of this capacity, as the minRAM is part of the CC process and not part of splitting. Thus values provided for allocation process can be lower than a minRAM values due to splitting rules application and in this way, it is ensured that all the network elements treated equally.