

**Explanatory document concerning the Hansa TSOs’  
request for amendment in accordance with article 9(13) of  
the Commission Regulation (EU) 2015/1222 of 24 July  
2015 establishing a Guideline on Capacity Allocation and  
Congestion Management on fallback procedures for  
Capacity Calculation Region Hansa  
in accordance with Article 44**

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14.05.2025

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## **1. Introduction**

Pursuant to Article 44 of the CACM Regulation, all TSOs in the CCR Hansa established a fallback procedure in 2017 followed by an amendment in 2022. Both were approved by the relevant regulatory authorities (hereinafter “**NRAs**”) within the CCR Hansa.

According to the CACM Regulation Art 9 (13), TSOs responsible for developing proposals for terms and conditions or methodologies may request amendments. The proposal for amendment shall be submitted for consultation.

Decoupling incidents have shown that shadow auction, the current fallback procedure for five of the CCR Hansa bidding zone borders, is not an efficient and robust solution. For two bidding zone borders, another procedure has been approved, where the cross-border capacities to be allocated in the day-ahead market timeframe shall be set to zero and the available capacities shall be released for the intraday market timeframe. This is also the back-up procedure in case shadow auction fails.

All TSOs in the CCR Hansa, have therefore drafted a proposal for amending the fallback procedures in CCR Hansa with the purpose of removing shadow auction as fallback procedure and instead apply the already agreed other procedure for all bidding zone borders. The amendment proposal will be consulted for a month before being submitted for approval to all NRAs.

This document is a joint explanatory document concerning the amendment proposal to the approved Fallback procedure as requested by All TSOs of the CCR Hansa.

## **2. Geographical application of this amendment proposal**

The amendment proposal of the Fallback procedures mainly concerns the following bidding zone borders within the CCR Hansa: DK1-DE/LU, DK1-NL, DK2-DE/LU, NO2-DE/LU and NO2-NL.

No changes are proposed to the current fallback procedure applicable for the SE4-DE/LU and the SE4-PL bidding zone borders.

## **3. Current Fallback procedures**

### **3.1 Current procedures on the different bidding zone borders in CCR Hansa**

In case a SDAC decoupling incident impacts the CCR Hansa bidding zone borders, the current Hansa Fallback procedures will be activated.

For the SE4-DE/LU and the SE4-PL bidding zone borders, the capacity is set to zero in the day-ahead market. Capacity is given back to the owners of SE4-DE/LU and for SE4-PL the available capacity is subsequently given to the intraday market.

For the bidding zone borders DK1-DE/LU, DK1-NL, DK2-DE/LU, NO2-DE/LU and NO2-NL, Shadow Auction is to be activated. The Shadow Auction is handled by the Joint Allocation Office (JAO) and is an explicit allocation of physical transmission rights (PTRs) in the day-ahead market timeframe.

If the Shadow Auction is unable to produce results, the cross-border capacities to be allocated in the day-ahead timeframe shall be set to zero, and the available capacity shall be released for the intraday market.

Please note that temporarily is not possible to organize Shadow auction for the DK1-DE/LU, DK1-NL, DK2-DE/LU borders due to Energinet not being able to carry out this process. Therefore, the backup procedure (intraday) is currently already in place for these borders.

#### 4. Reasoning for the Fallback procedure amendment proposal

SDAC partial decoupling incidents have on more occasions shown that Shadow auction is not an efficient and robust fallback procedure for the Hansa bidding zone borders.

##### 4.1 Outcome of the shadow action organized on 25th June 2024

Due to the partial decoupling incident of 25<sup>th</sup> June 2024, Shadow auctions had to be applied for the DK1-NL, DK1-DE/LU, DK2-DE/LU, NO2-NL and NO2-DE/LU bidding zone borders.

On several of these bidding zone borders, market participants requested less capacity than was offered in the shadow auction and only a small part of the allocated capacity was in the end nominated to the relevant TSOs. Instead, market participants traded in the intraday market.

Border	Number of hours where market participants nominated to the TSOs
DK1-DE/LU	4
DK2-DE/LU	3
DK1-NL	0
NO2-DE/LU	17
NO2-NL	0

Table 1: Market participant nominations to the TSOs

The full report of the incident, including a detailed hourly overview of the requested, offered, allocated and nominated capacity, can be found here: [single-day-ahead-market-coupling-\(sdac\)-report-on-the-partial-decoupling-incident-of-june-25-2024.pdf](#).

The incident report also includes the below evaluation of the monetary impact for the affected TSOs (amount per each TSO per border direction).

Border / Interconnector	Congestion income and compensation to the Market Participants in EUR		
	Long-Term Auction Revenue for 26/06/2024	Shadow Auction Revenue	Long-Term Transmission Rights Compensation to MPs
NO2-NL (NorNed)	0	4,498.20	0
NL-NO2 (NorNed)	0	0	0
DE/LUNO2 (NordLink)	0	0	0
NO2-DE/LU (NordLink)	0	78,150.00	0
DK1-NL (COBRA Cable)	48,600.00	0	322,314.00
NL-DK1 (COBRA Cable)	32,354.16	0	0
DK1-DE/LU	79,440.00	0	524,670.00
DE/LU-DK1	33,110.40	0	0
DK2-DE/LU	42,758.40	0	142,842.16
DE/LU-DK2	4,164.00	0	0
Sum	240,426.96	82,648.20	989,826.16

*Source: Single Day-Ahead Market Coupling (SDAC) report on the partial decoupling incident of June 25, 2024, 26/07/2024, Version: 1.0*

*Data based on CRDS (Congestion Revenue Distribution System), Shadow Auction Allocated Quantities, and Shadow Auction prices provided by JAO*

## **4.2 Impact on market participants**

Fortunately, decoupling incidents are rare. Therefore, a fallback procedure must be easy to implement and easy to carry out for all parties should a decoupling occur.

Decoupling incidents, such as the 25<sup>th</sup> of June 2024 incident described in chapter 4.1, as well as the yearly SDAC decoupling training sessions have revealed that despite the training sessions, market participants have difficulties with the nomination process and deadlines towards TSOs following shadow auctions.

## **4.3 European discussions on fallback**

Currently European discussions are ongoing with TSOs, NEMOs and ACER on measures to reduce risk of decoupling/ reduce the consequences of a decoupling. As part of this work, the discontinuation of shadow auctions has been identified as a possible measure.

# **6 Proposed amended fallback procedures**

All TSOs of CCR Hansa propose to remove Shadow Auctions as a fallback procedure and only apply the already agreed procedure for SE4-PL and SE4-DE/LU on all the Hansa bidding zone borders.

In case a decoupling incident occurs, the cross-border capacities to be allocated in the day-ahead market timeframe shall be set to zero and the available capacities shall be released for the intraday market timeframe.

## **6.1 Impact on market participants**

The proposed amendment ensures a clearer procedure for market participants compared to the current situation. The same fallback procedure will now be applicable for all bidding zone borders and is at the same time a known process for market participants.

There is no new implementation needed by the market participants, as trading in the intraday timeframe is already applicable today as backup in case shadow auctions would fail.

# **7 Objectives of the CACM Regulation**

This chapter contains a description of how the amendment proposal meets the aims of the CACM Regulation as stated in Article 3. The main purpose is to achieve an efficient market coupling also in the situation when the normal market coupling process fails. This must be organized to ensure market flows as close to the normal situation as possible. In this amendment proposal, achieving operational security is paramount.

The CACM Regulation has the objective to ensure optimal use of the transmission infrastructure, operational security and optimizing the calculation and allocation of cross-zonal capacity. In this respect, the amendment for Fallback procedure ensures a transparent and efficient use of transmission capacity in critical situations. A market-based utilization of transmission capacity is beneficial for connected bidding zones, contributing positively to operational security.

In regard to the aim of the CACM Regulation to promote effective competition in the generation, trading and supply of electricity, this amendment proposal has taken into account the importance of creating a level playing field for market parties active on cross-zonal markets.

By having this proposal, the objective of fair and non-discriminatory treatment of the market parties is ensured. It will also represent a fair and orderly organization of the market, as this guarantees equal access to cross-zonal capacity.

## **8 Timeline for implementation**

According to Article 9 (9) of the CACM Regulation, proposals for terms and conditions shall include a proposed timescale for their implementation.

The amendment of the Fallback procedures shall be binding for the bidding zone borders DK1-DE/LU, DK2-DE/LU and DK1-NL at the same time as the amended procedures have been approved by the relevant NRAs, whereas the amended Fallback procedures shall be binding for bidding zone borders NO2-DE/LU and NO2-NL no later than 3 months after the amended procedures have been approved by the relevant NRAs.

The fallback procedure for the bidding zone border SE4 – DE/LU shall be implemented simultaneously with the implementation of the single intraday coupling for this bidding zone border in accordance with the CACM Regulation.