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Explanatory note to the South West Europe TSOs  
proposal for a methodology for splitting long-term cross-  
zonal capacity in accordance with Article 16 of  
Commission Regulation (EU) 2016/1719 of 26  
September 2016 establishing a guideline on forward  
capacity allocation

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**March 2019**

**Disclaimer:** This explanatory document is sent by the TSOs of the South West Europe region for information and clarification purposes only accompanying the TSOs' proposal for a methodology for splitting long-term cross-zonal capacity in accordance with Article 16 of the Regulation 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation.

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## 1. Introduction

This document is the explanatory note to the Long-term cross-zonal capacity splitting methodology for SWE Region in accordance with article 16 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.

The proposed methodology has put together the basic principles currently in use in both interconnections of SWE Region, France-Spain and Portugal-Spain. However, some particularities for each border still remain as total harmonization is not possible in this region.

As detailed bilateral Split Rules exist in each border since some time ago, the three TSOs of the region have decided to include them for information in this explanatory note, with the needed amendments, to do a smooth transition from those rules to the proposed methodology required by FCA Regulation.

## 2. Amendments included in this methodology from current Split Rules

The amendments included in the proposed long-term cross-zonal capacity splitting methodology with regard to the former bilateral Split Rules are detailed here below:

### 2.1. France – Spain Border

References to daily and intraday capacity have been deleted as it is not related to long-term capacity.

### 2.2. Portugal – Spain Border

The sharing percentages of yearly, quarterly and monthly timeframes have been increased from 15% in each timeframe up to 20%.

### **3. Detailed bilateral Split Rules for information**

#### **3.1. France – Spain Split Rules**

##### **1. Introduction and context**

This paper presents the general common criteria for the definition of the cross-border capacity products to be offered at each timeframe (annual, monthly and daily), as a function of the Net Transfer Capacity (NTC).

##### **2. General criteria for distribution of capacity in the different timeframes**

RTE and REE will calculate and agree on the Net Transfer Capacity forecast at different horizons:

- Yearly forecast in late November of the preceding year,
- Monthly forecast around the 20<sup>th</sup> of the preceding month,

Each forecast of the Net Transfer Capacity can be revised at the initiative of one TSO and then coordinated, in case of an unpredicted event or under a significant deviation in some of the parameters with influence in the NTC calculation, with regard to their previous forecast.

In order to offer to market players standard and tradable products, TSOs divide the Net Transfer Capacity value into different products to be offered to market players by the means of auctions. For the France – Spain interconnection, RTE and REE will offer PTR products corresponding to long term horizon (annual and monthly). For the daily horizon, ATC is offered by market coupling mechanism or PTR products by shadow auctions in case of unavailability of market coupling mechanism.

No specific transfer capacity is reserved for intraday auctions, only non-used capacity and capacity freed by netting are offered in intraday horizons.

Thus, Net Transfer Capacity must be shared between three time horizons: annual, monthly and daily. RTE and REE, in application of CRE and CNMC criteria, will divide the Net Transfer Capacity equally between these three timeframes, which means that approximately one-third of the Net Transfer Capacity is offered in each horizon.

##### **3. Annual timeframe**

As a general rule, a constant base-load product will be auctioned for each day of the following year. However, in case of low Net Transfer Capacity during planned outages, RTE and REE would not be able to offer a continuous annual product and may offer a discontinuous one, excluding planned outages periods. In this case, RTE and REE clearly establish the availability periods, by indicating the first and the last dates of each one of these periods with availability of the annual product in the annual auction specifications.

## 4. Monthly timeframe

Following the one-third rule mentioned above, the capacity to be offered in the long-term horizons (annual and monthly auctions) should be approximately two-thirds of the best updated forecast of Net Transfer Capacity commonly calculated for the following month, that represents in a realistic way the most probable situation of both electric systems.

Since the forecasted Net Transfer Capacity calculated for the following month could not be a continuous value, the following objective method is used to calculate monthly product:

TSOs calculate an average Net Transfer Capacity of forecasted values ( $NTC_{average}(A)$ ) for the whole month, by averaging the minimum daily values for each day of the month, and consider two-thirds of this average value ( $0,66 \times NTC_{average}(A)$ ).

**Case 1:** If the minimum forecasted Net Transfer Capacity value in any day of the month is higher or equal to  $0,66 \times NTC_{average}(A)$ , a continuous product can be offered.

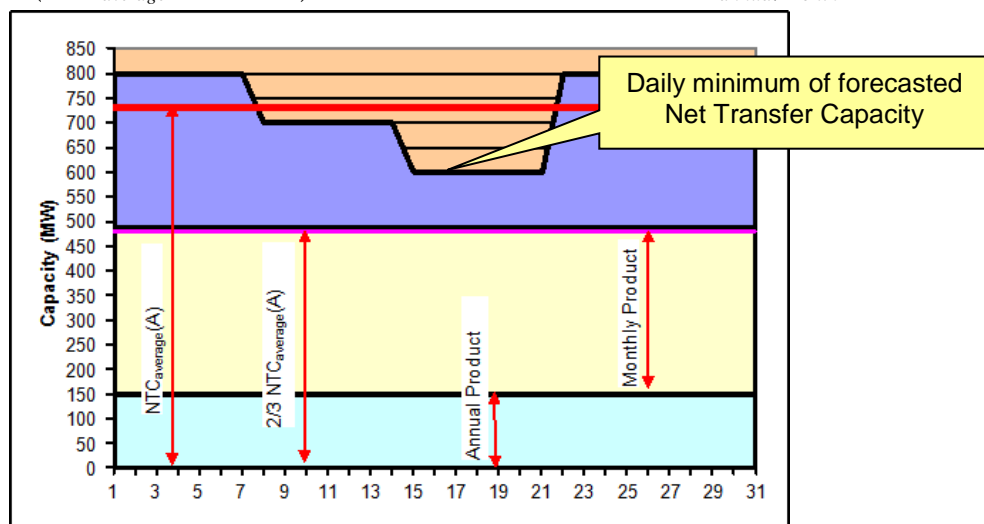
This monthly product is calculated as the difference between  $0,66 \times NTC_{average}(A)$  and the prorated annual capacity already allocated. The resultant value is rounded up to the closest multiple of 10 MW.

Only in case of returns of annual PTR in the monthly auction and if the annual already allocated product is continuous too, the amount of annual products returned is added by the Joint Auction Office to this latter value in order to obtain the final value of the monthly product.

$$NTC_{average}(A) = \frac{\sum NTC_{\text{minimum for each day}}}{\text{Number of days of month } M+1}$$

$$\text{Prorated Allocated Capacity}_{\text{annual/ Month}=M+1} = \frac{\sum \text{Yearly Allocated ATC}_{\text{for each day of the month } M+1}}{\text{Number of days of month } M+1}$$

$$\text{Product}_{\text{month}=M+1} = (NTC_{average}(A) \times 0.66) - \text{Prorated Allocated Capacity}_{\text{annual/ Month}=M+1} + \text{Return}$$



**Case 2:** If the minimum forecasted Net Transfer Capacity value in one or more days of the month is not higher than  $0,66 \times NTC_{average}(A)$ , a continuous product cannot be offered. Then, RTE and REE offer a discontinuous product, set to zero where the aforementioned condition is not met and with the dates of availability published in the monthly auction specifications.

In this case, RTE and REE calculate a new monthly average Net Transfer Capacity (B) ( $NTC_{average}(B)$ ) for the discontinuous product, without taking into account the specific dates which are not included in the product.

$$NTC_{average}(B) = \frac{\sum NTC_{minimum\ for\ each\ day}}{\text{Number of days of Month } M + 1 \text{ with available monthly product}}$$

Prorated Allocated Capacity  $_{annual/ Month=M+1} =$

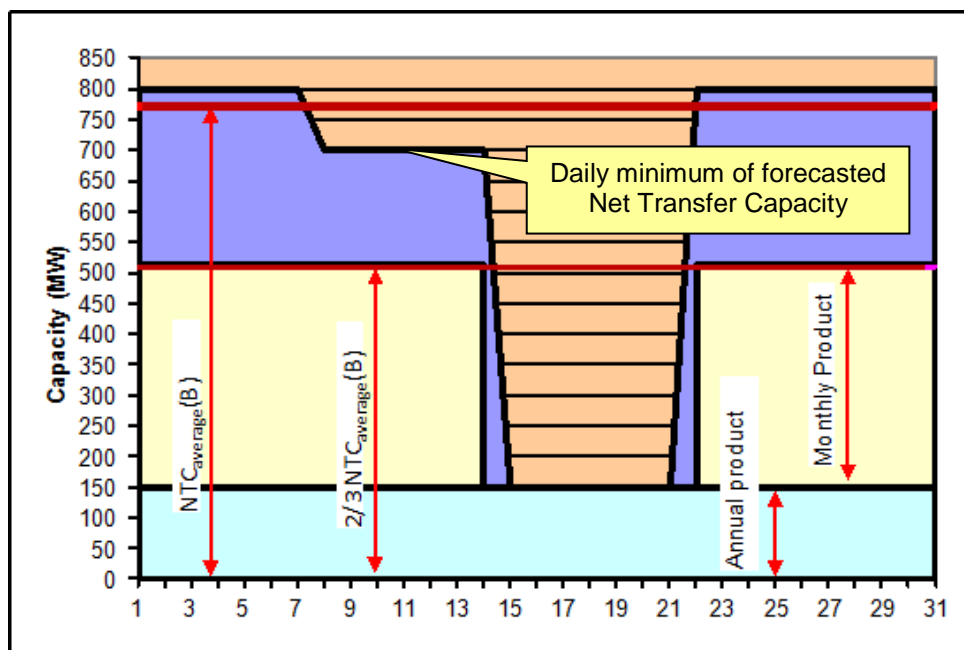
$$\text{MIN}\left(\frac{\sum \text{Yearly Allocated ATC}_{\text{for each day of the month } M+1}}{\text{Number of days of month } M + 1 \text{ with available monthly product}}; \text{Total Allocated Capacity}\right)$$

Product  $_{month=M+1} = (NTC_{average}(B) \times 0.66) - \text{Prorated Allocated Capacity}_{annual/ Month=M+1} + \text{Return}$

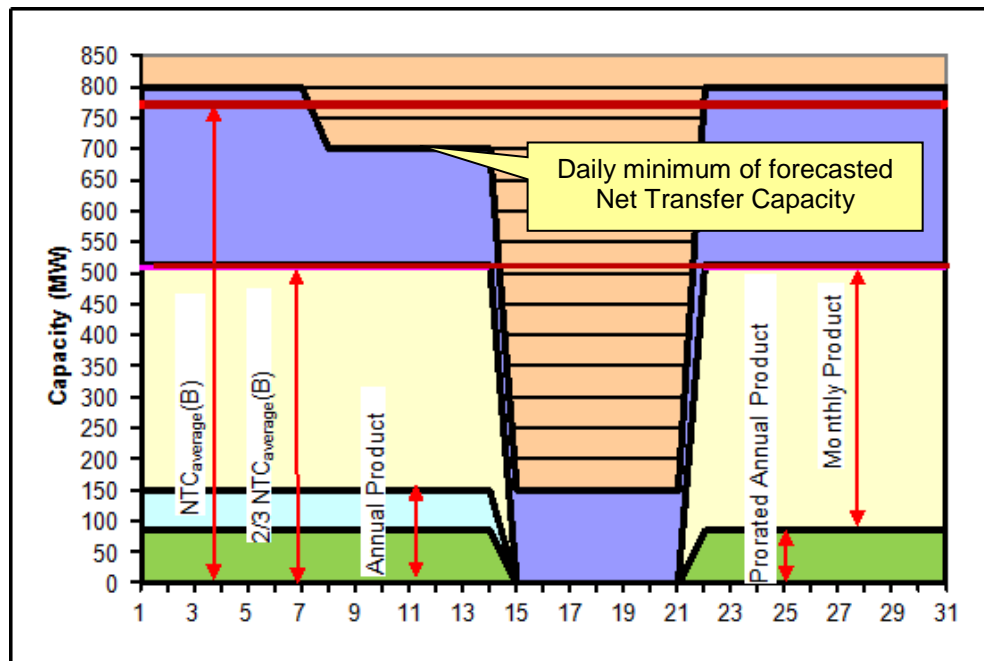
**Case 2.1:** The number of days of yearly allocated product is higher or equal to the number of days of monthly product. The first approximation of value to be offered in the monthly auction is calculated as the difference between two-thirds of the monthly average Net Transfer Capacity calculated ( $0,66 \times NTC_{average}(B)$ ) and the annual capacity already allocated. The resultant value is rounded up to the closest multiple of 10 MW.

Only if annual product for that month and monthly product are unavailable exactly the same days of the month, returns of annual PTR to this monthly auction are allowed and the returns amount is added to this latter value in order to obtain the final value of the monthly product.

**Case 2.2:** The number of days of yearly allocated product is lower than the number of days of monthly product. The first approximation of value to be offered in the monthly auction is calculated as the difference between two-thirds of the monthly average Net Transfer Capacity calculated ( $NTC_{average}(B)$ ) and the prorated annual capacity already allocated. The resultant value is rounded up to the closest multiple of 10 MW.



Example of Case 2.1



Example of Case 2.2

## 3.2. Portugal – Spain Split Rules

### 1. Introduction and context

This document presents the general common criteria for the definition of the cross-border capacity products to be offered at each timeframe (annual, quarter and month) for Portugal-Spain Interconnection (IPE), as a function of the Net Transfer Capacity (NTC).

### 2. General criteria for distribution of capacity in the different timeframes

REN and REE calculate and agree on the Net Transfer Capacity forecast at different horizons which have impact in the capacity that is auctioned:

- Yearly forecast in late November of the preceding year;
- Quarterly forecast around the 5<sup>th</sup> of the last month of the preceding quarter;
- Monthly forecast around the 20<sup>th</sup> of the preceding month.

Each forecast of the Net Transfer Capacity can be revised at the initiative of one TSO, in case of an unpredicted event or under a significant deviation in some of the parameters with influence in the NTC calculation, with regard to their previous forecast.

In order to offer to market players standard and tradable products, TSOs divide the Net Transfer Capacity value into different products to be offered to market players by the means of auctions. For the Portugal – Spain interconnection, REN and REE will offer FTR products corresponding to long term horizon (annual, quarter and month). For the daily horizon, ATC is offered by market coupling mechanism.

No specific transfer capacity is reserved for intraday timeframe. Only non-used capacity is offered in intraday horizon.

Thus, Net Transfer Capacity shall be shared among four time horizons: annual, quarter, month and day. Long term timeframes shall cover 60% of Net Transfer Capacity and REN and REE will divide that long term capacity equally between the three timeframes: 20% for annual, 20% for quarter and 20% for month.



### 3. Annual timeframe

As a general rule, a constant base-load product will be auctioned for each day of the following year. However, in case of low Net Transfer Capacity during planned outages, REN and REE would not be able to offer a continuous annual product and may offer a discontinuous one, excluding planned outages periods. In this case, REN and REE clearly establish the availability periods, by indicating the first and the last dates of each one of these periods with availability of the annual product in the annual auction specifications.

### 4. Quarterly timeframe

Following the sharing rule mentioned above, summing up the annual and quarterly products, a 40% of Net Transfer Capacity should had been offered at annual and quarterly auctions. Therefore, the general calculation of quarterly product is the result of taking 40% of the quarterly NTC forecast minus the allocated annual capacity.

Since the forecasted Net Transfer Capacity calculated for the following quarter could not be a continuous value, the following objective method is used to calculate quarterly product.

TSOs calculate an average Net Transfer Capacity of forecasted values ( $NTC_{average}(A)$ ) for the whole quarter, by averaging the minimum daily values for each day of the quarter, and consider 40% of this average value ( $0,40 \times NTC_{average}(A)$ ).

**Case 1:** If the minimum forecasted Net Transfer Capacity value in any day of the quarter is higher or equal to  $0,40 \times NTC_{average}(A)$ , a continuous product can be offered.

This quarterly product is calculated as the difference between  $0,40 \times NTC_{average}(A)$  and the annual capacity already allocated. The resultant value is rounded up to the closest multiple of 10 MW.

Only in case of returns of annual FTR in the quarterly auction and if the annual already allocated product is continuous too, the amount of annual products returned is added by the SAP to this latter value in order to obtain the final value of the quarterly product.

$$NTC_{average}(A) = \frac{\sum NTC_{minimum\ of\ each\ day}}{Number\ of\ days\ of\ quarter\ Q + 1}$$

$$\begin{aligned} \mathbf{Product}_{quarter\ Q+1} &= (NTC_{average}(A) \times 0,40) - \mathbf{Allocated\ Capacity\ in\ the\ yearly\ auction} \\ &+ \mathbf{Return} \end{aligned}$$

**Case 2:** If the minimum forecasted Net Transfer Capacity value in one or more days of the quarter is lower than  $0,40 \times NTC_{average}(A)$ , a continuous product cannot be offered. Then, REN and REE offer a discontinuous product, set to zero where the aforementioned condition is not met and with the dates of availability published in the quarterly auction specifications.

In this case, REN and REE calculate a new quarterly average Net Transfer Capacity (B) ( $NTC_{average}(B)$ ) for the discontinuous product, without taking into account the specific dates which are not included in the product.

Only in case of accepted returns of annual FTR in the quarterly auction, the amount of annual products returned is added by the SAP to this latter value in order to obtain the final value of the quarterly product.

## 5. Monthly timeframe

Following the sharing rule mentioned above, the capacity to be offered in the long-term horizons (annual, quarterly and monthly auctions) should be 60% of the best updated forecast of Net Transfer Capacity commonly calculated for the following month, that represents in a realistic way the most probable situation of both electric systems.

Since the forecasted Net Transfer Capacity calculated for the following month could not be a continuous value, the following objective method is used to calculate monthly product.

TSOs calculate an average Net Transfer Capacity of forecasted values ( $NTC_{average}(A)$ ) for the whole month, by averaging the minimum daily values for each day of the month, and consider 60% of this average value ( $0,60 \times NTC_{average}(A)$ ).

**Case 1:** If the minimum forecasted Net Transfer Capacity value in any day of the month is higher or equal to  $0,60 \times NTC_{average}(A)$ , a continuous product can be offered.

This monthly product is calculated as the difference between  $0,60 \times NTC_{average}(A)$  and the annual plus quarterly capacity already allocated. The resultant value is rounded up to the closest multiple of 10 MW.

Only in case of returns of annual and/or quarterly FTR in the monthly auction and if the annual and/or quarterly already allocated products are continuous too, the amount of annual and/or quarterly products returned is added by the SAP to this latter value in order to obtain the final value of the monthly product.

$$NTC_{average}(A) = \frac{\sum NTC_{minimum\ of\ each\ day}}{Number\ of\ days\ of\ month\ M + 1}$$

$$\begin{aligned} \mathbf{Product}_{month\ M+1} &= (NTC_{average}(A) \times 0,60) \\ &- \mathbf{Allocated\ Capacity\ in\ the\ yearly\ and\ quartely\ auction} + \mathbf{Return} \end{aligned}$$

**Case 2:** If the minimum forecasted Net Transfer Capacity value in one or more days of the month is lower than  $0,60 \times NTC_{average}(A)$ , a continuous product cannot be offered. Then, REN and REE offer a discontinuous product, set to zero where the aforementioned condition is not met and with the dates of availability published in the monthly auction specifications.

In this case, REN and REE calculate a new monthly average Net Transfer Capacity (B) ( $NTC_{average}(B)$ ) for the discontinuous product, without taking into account the specific dates which are not included in the product.

Only in case of accepted returns of annual and/or quarterly FTR in the monthly auction, the amount of annual and/or quarterly products returned is added by the SAP to this latter value in order to obtain the final value of the monthly product.