



South East Europe (SEE) 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

July 2019

Transmission System Operators (hereafter referred to as “TSOs”) of the South East Europe Capacity Calculation Region (hereafter referred to as “SEE CCR”), taking into account the following:

Whereas

- (1) The Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereafter referred to as “the FCA Regulation”) lays down 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.
- (2) This document (hereafter referred to as “SEE CCR methodology for splitting long-term cross-zonal capacity”) is a common proposal developed by all TSOs within the SEE Capacity Calculation Region (hereafter referred to as “SEE CCR”) regarding the proposal for a methodology for splitting long-term cross-zonal capacity. This proposal is required by Article 16 of the FCA Regulation.
- (3) This document (hereafter referred to as the “LT CZC Splitting Proposal”) takes into account the general principles and goals set in the FCA Regulation as well as Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity (hereafter referred to as “Regulation (EC) No 714/2009”).
- (4) Articles 51 and 52 of the FCA Regulation require all TSOs to develop a proposal for Harmonized Allocation Rules for long-term transmission rights (“HAR”). These rules have been approved by ACER on 2nd of October 2017. HAR contain the terms and conditions for the allocation of Long Term Transmission Rights on Bidding Zone borders in the European Union.
- (5) Article 31 of the FCA Regulation requires SEE TSOs to develop a proposal for the SEE regional design of long-term transmission rights on each SEE border. All SEE Regulatory Authorities have approved this proposal on 18th of April 2018.
- (6) LT CZC Splitting Proposal takes into account the results of the Long Term Capacity Calculation methodology, as per article 10 of the FCA Regulation, as input for splitting the capacity between different long-term time frames.
- (7) Article 16 (1) of the FCA Regulation requires SEE TSOs to develop a regional LT CZC Splitting Proposal and defines the deadline to submit the LT CZC Splitting Methodology Proposal as no later than the submission of the capacity calculation methodology referred to in Article 10.
- (8) Article 16 (2) of the FCA Regulation requires the LT CZC Splitting Proposal to 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.
- (9) The LT CZC Splitting Proposal contributes to and does not in any way hinder the achievement of the objectives set out in Article 3 of the FCA Regulation:

Article 3 (a) of the FCA Regulation aims at *promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants.*

The LT CZC Splitting Proposal serves the objective of promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants by defining an appropriate share of long-term cross-zonal capacity between different time frames adapted to market needs. This methodology aims to provide a balance between yearly and monthly capacity to be offered to the market, promoting in this manner effective long-term cross zonal trade for market participants.

Article 3 (b) of the FCA Regulation aims at *optimising the calculation and allocation of long-term cross-zonal capacity*.

By taking into account the calculated long-term cross-zonal capacity in each time frame and offering to the market the optimized share in each time frame, the LT CZC Splitting Proposal contributes to the objective of optimizing the calculation and allocation of cross-zonal capacity.

Article 3 (c) of the FCA Regulation aims at *providing non-discriminatory access to long-term cross-zonal capacity*.

The LT CZC Splitting Proposal does not discriminate the access to the long-term cross-zonal capacity by treating each timeframe in equal conditions to be able to offer enough capacity in each timeframe. This methodology, subject to capacity availability, guarantees at least one yearly and one monthly product, giving the market participant the possibility to access the long-term capacity in both time frames. This contributes to creating the same level playing field for all market participants willing to access forward markets.

Article 3 (d) of the FCA Regulation aims at *ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants*.

This methodology relies on transparent and auditable data and it is approved by the relevant national regulatory authorities after the consultation period.

Article 3 (e) of the FCA Regulation aims at *respecting the need for a fair and orderly forward capacity allocation and orderly price formation*.

The LT CZC Splitting Proposal contributes to fair and orderly forward capacity allocation and price formation by offering enough liquidity in each time frame allocation.

Article 3 (f) of the FCA Regulation aims at *ensuring and enhancing the transparency and reliability of information on forward capacity allocation*.

The LT CZC Splitting Proposal looks forward to set an objective and public methodology of splitting the allocated capacity.

Article 3 (g) of the FCA Regulation aims at *contributing to the efficient long term operation and development of the electricity transmission system and electricity sector in the Union*.

By setting valuable long-term cross-zonal capacity products to the market, the LT CZC Splitting Proposal contributes to the efficient operation and development of the electricity transmission system and electricity sector in the Union.

- (10) According to the regional design of the long-term transmission rights, the long term capacity shall be offered on yearly and monthly timeframes in form of base load products that may include reduction periods.

SUBMIT THE FOLLOWING PROPOSAL FOR A METHODOLOGY FOR SPLITTING LONG TERM CROSS-ZONAL CAPACITY TO NATIONAL REGULATORY AUTHORITIES OF THE SEE CCR:

Article 1

Subject matter and scope

The SEE methodology for splitting long-term cross-zonal capacity as determined in this LT CZC Splitting Proposal is the common proposal of all SEE CCR TSOs in accordance with Article 16 of the FCA Regulation.

The splitting methodology, as determined in this Proposal, shall be considered as the common proposal of Greece-Bulgaria-Romania TSOs for splitting long-term transmission cross-zonal capacity in a coordinated manner between different time frames within the respective region. The proposal shall cover the Bulgaria-Greece and Bulgaria-Romania borders.

Article 2

Definitions and interpretation

- (1) For the purposes of the LT CZC Splitting Proposal, the terms used shall have the meaning given to them in Article 2 of Regulation (EC) 714/2009, Article 2 of Regulation (EC) 2013/543, Article 2 of Regulation (EC) 2015/1222 and Article 2 of Regulation (EC) 2016/1719.
- (2) In addition, the following definitions, abbreviations and notations shall apply:
 - a. 'LT' means Long Term;
 - b. 'CZC' means Cross Zonal Capacity;
 - c. 'Split Rules' means the former methodologies agreed bilaterally between the TSOs;
 - d. '-GR-BG border' means the bidding zone border between Greece and Bulgaria bidding zones;
 - e. 'RO-BG border' means the bidding zone border between Romania and Bulgaria bidding zones;
 - f. 'Yearly Capacity' means the capacity calculated for the yearly time frame according to the methodology based on Article 10 of the FCA Regulation;
 - g. 'Monthly Capacity' means the capacity calculated for the monthly time frame according to the methodology based on Article 10 of the FCA Regulation.
- (3) In this LT CZC Splitting Proposal, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) headings are inserted for convenience only and do not affect the interpretation of this methodology;
 - c) any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it when in force.

Article 3

Regional principles

For the SEE CCR the following principles are provided:

- (1) Each Bidding Zone Border in the region shall respect its percentage of long term offered capacity with respect to the calculated capacity, in order to allocate that percentage of capacity after all long term allocations have been performed;
- (2) The sharing of calculated long term capacity may be revised at the initiative of any of the SEE CCR TSOs upon agreement of all SEE CCR TSOs to fit better the market needs or derived from adaptations of any Regulation. This would result in a new public consultation and a new request for approval towards the SEE regulatory authorities.

Article 4

Splitting approach

- (1) For each long term time frame, after the calculation capacity process has provided its results, a value per border and direction is obtained.
- (2) For the yearly time frame, the offered capacity is the result of the application of the yearly percentage to the capacity, rounded up to the closest multiple of 10 MW. 40% of the Calculated Yearly Capacity will be offered to the yearly capacity allocation.
- (3) For the monthly time frame, the offered capacity is the result of the application of the monthly percentage to the capacity reduced by the already allocated capacity in the yearly time frame, rounded up to the closest multiple of 10 MW. 90% of the Calculated Monthly Capacity, reduced by the already allocated yearly capacity will be offered to the subsequent monthly capacity allocations.
- (4) The calculation of the split long-term capacities shall be executed by the responsible Coordinated Capacity Calculator in accordance with article 23 (3) of the FCA Regulation.
- (5) The responsible Coordinated Capacity Calculator and the SEE TSOs shall apply the provisions of article 24 of the FCA Regulation for the validation of the calculated split long-term capacity.

Article 5

Methodology requirements

The forward capacity allocation timeframes for Greece – Bulgaria and Romania – Bulgaria bidding zone borders are yearly and monthly.

According to art. 16.2 of the FCA Regulation, the methodology for splitting long-term cross-zonal capacity shall comply with the following conditions:

- 1) it shall meet the hedging needs of market participants;

The risk of capacity reduction affects the hedging opportunity of Market Participants.

The percentage of long term offered capacity with respect to the calculated long term capacity for Greece – Bulgaria and Romania-Bulgaria bidding zone borders is set at 90% from the calculated capacity.

The level of firmness of the Yearly Capacity is based on a percentile of NTC. In order to guarantee an appropriate level of firmness of the yearly product, for capacity allocation purposes 40% from the yearly calculated NTC will be considered.

2) it shall not lead to restriction in competition, in particular for access to long-term transmission rights.

In order to allow market participants to cover their hedging needs on both yearly and monthly time frames, the Yearly Capacity shall not be offered for the entire volume in the yearly auction.

Based on the above, 90% of the monthly calculated NTC has to be considered. The sharing of calculated long term capacity among the two different timeframes is established 40 % for yearly and 50 % for monthly. The rest 10% will be left for the daily allocation.

Article 6

Steps for implementation

The capacity to be allocated on the yearly timeframe (Y_p) is calculated by applying the following formula:

$$Y_p = 40\% * Y_{cc}$$

Where:

Y_{cc} : is the Calculated Yearly Capacity;

The yearly product is not valid on the days in which the interconnection tie-line/lines on a given bidding zone border is/are in a planned outage.

The capacity to be allocated on the monthly timeframe (M_p) is calculated in accordance with the calculated Monthly Capacity taking into account the capacity already allocated in the yearly timeframe:

$$M_p = 90\% * M_{cc} - Y_p$$

Where:

M_{cc} : is the Calculated Monthly Capacity. The Calculated Monthly Capacity can have different values inside of the monthly timeframe.

The monthly product is not valid on the days in which the interconnection tie-line/lines on a given bidding zone border is/are in a planned outage.

Article 7

Publication and Implementation

- (1) The TSOs of SEE CCR shall publish the LT CZC Splitting Methodology without undue delay after all national regulatory authorities have approved the proposed methodology or a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 4 (9), Article 4 (10) and 4 (11) of the FCA Regulation.
- (2) The TSOs of SEE CCR shall implement the LT CZC Splitting Proposal immediately after the implementation of the SEE CCR Capacity Calculation Methodology developed in accordance with Article 10 of the FCA Regulation.

Article 8

Language

- (1) The reference language for this LT CZC Splitting Proposal shall be English.
- (2) For the avoidance of doubt, where TSOs need to translate this LT CZC Splitting Proposal into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 4(13) of the FCA Regulation and any version in another language, the relevant TSOs shall be obliged to dispel any inconsistencies by providing a revised translation of this LT CZC Splitting Proposal to their relevant national regulatory authorities.