



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

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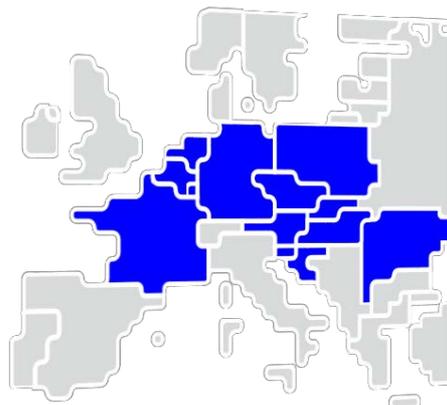


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Transmission System Operators (hereafter referred to as “TSOs”) of the Core Capacity Calculation Region (hereafter referred to as “Core CCR”), taking into account

Whereas

- (1) This document is the methodology for the splitting of long-term cross-zonal capacity in a coordinated manner between different long-term time frames within the Core CCR 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 “FCA Regulation”). This methodology was developed by the TSOs of the Core CCR (hereinafter referred to as “Core TSOs”) as defined in accordance with article 15 of Commission Regulation (EU) 2015/1222 establishing a guideline on Capacity Allocation and Congestion Management (hereafter referred to as the “CACM Regulation”) and is hereinafter referred to as “Core TSOs’ Long-Term Splitting Methodology”.
- (2) The Core TSOs’ Long-Term Splitting Methodology takes into account the general principles and goals set by the FCA Regulation, Commission Regulation (EU) 2017/1485 of 02 August 2017 establishing a guideline on electricity transmission system operation and Regulation (EU) 2019/943 of the European Parliament and of the Council of 05 June 2019 (hereinafter referred to as “Regulation (EU) 2019/943”). 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 in a transparent and non-discriminatory way, offering the possibility to return long-term transmission rights for subsequent forward capacity allocation or transfer long-term transmission rights between market participants.
- (3) The FCA Regulation also sets rules for establishing capacity calculation methodologies based either on the coordinated net transmission capacity (hereinafter “cNTC”) approach or on a flow-based approach. The FCA Regulation also sets rules for establishing a methodology for the splitting of long-term capacity on different time frames. For the Core CCR the coordinated capacity calculation according to article 10(2) of the FCA Regulation was to follow the cNTC approach.
- (4) Article 4(8) of the FCA Regulation requires that the expected impact of the Core TSOs’ Long-Term Splitting Methodology on the objectives of the FCA Regulation is described. The expected impact is assessed in the following points of this ‘Whereas’ section.
- (5) The Core TSOs’ Long-Term Splitting Methodology is a common proposal developed by Core TSOs contributing to the achievement of the conditions of article 16(2) of the FCA Regulation. In particular it contributes to and does not in any way hinder the achievement of the objectives of article 3 of the FCA Regulation.
- (6) The Core TSOs’ Long-Term Splitting Methodology serves the objective of promoting effective and non-discriminatory long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants in accordance with article 3(a) of the FCA Regulation by providing fractions of long-term capacities to all long-term allocation time frames as defined in article 6 of the Core CCR TSOs’ regional design of long-term transmission rights in accordance with article 31 of the FCA Regulation so that market participants are equally granted access to long-term transmission rights at all long-term time frames.
- (7) The Core TSOs’ Long-Term Splitting Methodology contributes to the objective of optimising the calculation and allocation of long-term cross-zonal capacity rights in accordance with article 3(b) of the FCA Regulation by taking into account the results of the long-term capacity calculation

methodology in accordance with article 10 of the FCA Regulation, which takes duly into account the provisions and limitations related to secure system operation by applying a security analysis based on multiple scenarios, as a key technical input to the Core TSOs' Long-Term Splitting Methodology.

- (8) The Core TSOs' Long-Term Splitting Methodology contributes to the objective of providing non-discriminatory access to long-term cross-zonal capacity in accordance with article 3(c) of the FCA Regulation by not applying barriers for access to the auction of long-term transmission rights (hereinafter "LTTRs") via the Single Allocation Platform and consequently it is in full compliance with Harmonised Allocation Rules for long-term transmission rights.
- (9) The Core TSOs' Long-Term Splitting Methodology contributes to the objective of ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants in accordance with article 3(d) of the FCA Regulation by securing full transparency of the Core TSOs' Long-Term Splitting Methodology preparation and adoption process due to consulting with all relevant stakeholders as required by provisions of the article 6 of the FCA Regulation.
- (10) The Core TSOs' Long-Term Splitting Methodology contributes to the objective of respecting the need for a fair and orderly forward capacity allocation and orderly price formation in accordance with article 3(e) of the FCA Regulation by publishing and making available cross-zonal capacity in due time to be released in the long-term time frame for forward markets, where appropriate, taking into account hedging needs of market participants.
- (11) The Core TSOs' Long-Term Splitting Methodology contributes to the objective of ensuring and enhancing the transparency and reliability of information on forward capacity allocation in accordance with article 3(f) of the FCA Regulation by timely publication of all relevant information and inputs to Core TSOs' Long-Term Splitting Methodology i.e. results of the long-term capacity calculation methodologies, applied splitting criteria and inputs to splitting criteria enabling full auditability of the results.
- (12) The Core TSOs' Long-Term Splitting Methodology contributes to the efficient long term operation and development of the electricity transmission system and electricity sector in the Union in accordance with article 3(g) of the FCA Regulation by providing to the long-term markets the maximum possible amount of the long-term capacity supported by market participants' activities on the forward markets and enabling proper long-term price formations on electricity markets.
- (13) Further, the Core TSOs' Long-Term Splitting Methodology complies with the conditions set out as described in article 16(2) of the FCA Regulation, (a) meeting the hedging needs of market participants; (b) being coherent with the capacity calculation methodology and (c) not leading to restrictions in competition, in particular for access to long-term transmission rights.
- (14) The Core TSOs' Long-Term Splitting Methodology was publicly consulted from 10 June 2019 until 10 July 2019 in accordance with article 6 of the FCA Regulation.
- (15) Core TSOs submitted a proposal for the Core TSOs' Long-Term Splitting Methodology 14 May 2020, that was elaborated to be in line with the expected NTC based long term capacity calculation approach.
- (16) ACER Decision No 14/2021 of 3 November 2021 approved the long-term capacity calculation methodology with flow-based calculation and allocation.
- (17) According to the developments on Core Long-Term Capacity Calculation Methodology, Core TSOs' Long-Term Splitting Methodology that was approved by Core NRAs 12 August 2020 need to be amended to be compliant with Long-Term flow-based calculation and allocation.
- (18) The first amendment of Core TSOs' proposal for Long-Term Splitting Methodology was publicly consulted from 20 July 2022 until 21 August 2022 in accordance with article 6 of the FCA Regulation.

developed the following Core TSOs' Long-Term Splitting Methodology:

Article 1

Subject Matter and Scope

1. The Core TSOs' Long-Term Splitting Methodology covers the methodology for splitting long-term cross-zonal capacity in a coordinated manner between long-term timeframes for the Core CCR bidding zone borders in accordance with article 16 of the FCA Regulation.
2. The principles laid down in this Core TSOs' Long-Term Splitting Methodology shall be applied for splitting the long-term capacity between the yearly and monthly long-term time frames as defined in article 6 of the Core CCR TSOs' regional design of long-term transmission rights in accordance with article 31 of the FCA Regulation.

Article 2

Definitions and Interpretation

For the purposes of this Core TSOs' Long-Term Splitting Methodology the terms used shall have the meaning given to them in article 2 of the FCA Regulation, in article 2 of the CACM Regulation, in article 2 of Regulation (EU) 2019/943 and in article 2 of Commission Regulation (EU) 543/2013 of June 2013 on submission and publication of data in electricity markets.

Article 3

Splitting Approach for AC Interconnectors

1. In case of high voltage alternating current interconnectors, eighty percent of the 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.
2. Remaining Available Margin by Critical Network Elements and Contingencies 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 time-frame, will be offered to the subsequent monthly capacity allocation sessions at the Single Allocation Platform.

Article 4

Splitting Approach for DC Interconnectors

1. In case of new high voltage direct current interconnectors for the first three years of operation, sixty five 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.
2. In case of high voltage direct current 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.
3. Long-Term capacities 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 time-frame, are offered to the subsequent monthly capacity allocation sessions at the Single Allocation Platform.

Article 5

Transparency

The Core TSOs' Long-Term Splitting Methodology shall be published without undue delay after the approval by all relevant regulatory authorities or ACER in accordance with article 4(13) of the FCA Regulation.

Article 6

Implementation Plan

The Core TSOs' Long-Term Splitting 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.

Article 7

Reassessment and Efficiency Reporting

1. Six months after the approval of the Core TSOs' common capacity calculation methodology for long-term time frames in accordance with article 10(1) of the FCA Regulation, Core TSOs will submit a review on possible adjustments of this Core TSOs' Long-Term Splitting Methodology resulting from the final methodology in accordance with article 10(1) of the FCA Regulation to all Regulatory Authorities of the Core CCR.
2. Two years after the implementation of this Core TSOs' Long-Term Splitting Methodology, Core TSOs will 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 Regulatory Authorities of the Core CCR.

Article 8

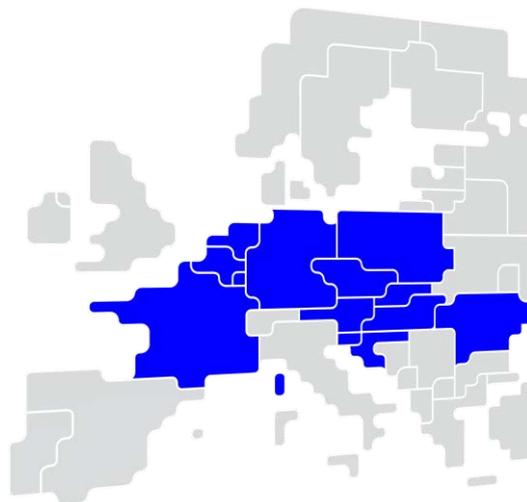
Language

The reference language for this Core TSOs' Long-Term Splitting Methodology shall be English. For the avoidance of doubt, where TSOs need to translate this Core TSOs' Long-Term Splitting Methodology 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, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of this Core TSOs' Long-Term Splitting Methodology.



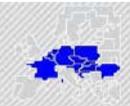
EXPLANATORY DOCUMENT on the Proposal for amendment of methodology for splitting cross-zonal capacity between long-term time frames

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

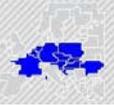


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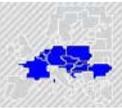
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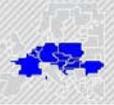
1. DOCUMENT HISTORY AND STATUS

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
31-08-2022	Version after PC, submitted to Core SG for approval	0.3	Core MaWG
23-9-2022	Approved by Core SG	0.4	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.

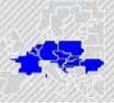
The methodology for splitting long-term cross-zonal capacity shall comply with the following conditions:

- (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.

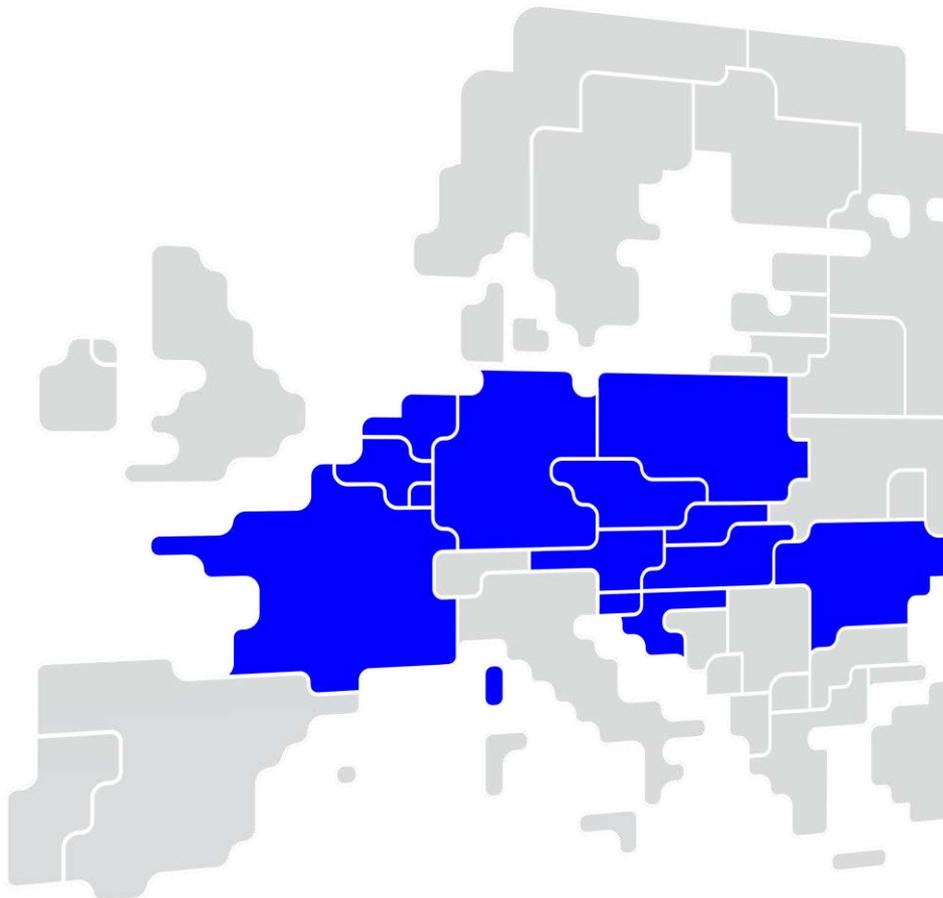
3.3. Ensuring the minRAM values for allocation process

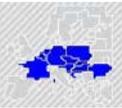
Core TSOs are in opinion that when splitting is applied, it should be applied on the outcome of the long term capacity calculation process, regardless of the volume of this capacity, as the minRAM is part of the CC process and not part of splitting. Thus values provided for allocation process can be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



Consultation Report

1st amendment of the Methodology for splitting long-term cross-zonal capacity in accordance with Article 16 of FCA Regulation





Version, date and status

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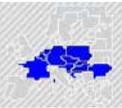
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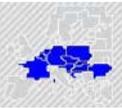
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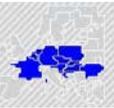
1. DOCUMENT HISTORY AND STATUS

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25-08-2022	TSOs' reaction initial draft for MaWG discussion	0.2	G.KATONA
31-08-2022	MaWG review completed, version to be submitted to Core NRAs	0.3	MaWG
23-09-2022	Version approved by Core SG	0.4	Core SG



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2. INTRODUCTION

This document is the consultation report for the 1st amendment of the 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. Core TSOs have to make adjustment on the currently effective Core Long-Term Splitting Rules in order to be in line with Core Long-Term Flow-based Capacity Calculation approach decide by ACER (Decision No 14/2021 of 3 November 2021).

Core TSOs would like to thank all parties involved in the public consultation for their interest in the 1st amendment of the Methodology for splitting long-term cross-zonal capacity. Core TSOs welcome the feedback received as it is valuable for the further development and detailing of the amendment of the long-term cross-zonal capacity methodology.

Via the ENTSO-E Consultation Platform, the proposal for the 1st amendment of the Methodology and an explanatory note was available to Core stakeholders from the 21st of July 2022 until the 20th of August 2022. In total, two parties provided feedback to the public consultation held by Core TSOs. Please note that the whole response is shared with the Core National Regulatory Authorities (NRAs) for their regulatory assessment.

Core TSOs wish to clarify that the content of this document is intended to summarize the results obtained in the public consultation. The Core TSOs did their best to reply to all comments and concerns.

3. KEY MESSAGES OF RECEIVED FEEDBACK

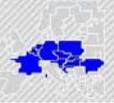
In this chapter, a summary is provided of the responses received via the ENTSO-E Consultation Platform. All contributions can be found in Chapter 5 below.

3.1. General findings

EFET and FEBELIEC, as the only ones who provided feedback to the Core Long-Term Splitting Rules public consultation, have strong objection to the overall approach of long-term capacity splitting approach.

3.2. Maximisation of available long-term rights already at yearly timeframe

Based on the feedback received, market participants are of the opinion that 80% yearly and 20% monthly Core splitting ratio should be further adjusted in a way that the yearly allocation part should be maximised, even up to 100%. Then the capacity monthly horizons in the forward timeframe should be ensured by monthly capacity calculations.



3.3. Splitting rules determination by the demand on yearly and monthly auctions

In other potential approach they proposed to set the design of Core LTSR to allow the market itself to decide on the split between yearly and monthly products, in order to stick as close as possible to the FCA Regulation objective of meeting market participants' hedging needs. Under this approach, the monthly products are proposed to be offered to the market at the same time when the yearly allocation is conducted, meaning that monthly products could be bundled into multi-month or annual blocks.

3.4. LTSR potential impact on MinRAM values

In the feedback provided market participants acknowledged the possible occurrences of such situation that the monthly calculation of capacity may result that the split 20% part for monthly timeframe cannot be released due to grid conditions and other relevant technical and other circumstances. Nevertheless they do not support this condition.

3.5. DC lines - differentiation between pre-existing and new interconnectors

As proposed in LTSM, only 65% of the capacity calculated year ahead should be made available in the yearly auction, while for the former, the same provision as for AC interconnectors applies (80% of the capacity in the yearly auction). This derogations should be properly proved by simulation results where figures show lower reliability rates of DC links in the first years of operation, in the same order of magnitude as the derogation allows.

4. TSOS RESPONSE

In the following sections, the TSO response to the feedback on the public consultation can be found.

4.1. Maximisation of available long-term rights already at yearly timeframe

Core TSOs acknowledge the request to allocate as much as possible already at yearly timeframe and the fact that market participants have strong preference to offer 100% of yearly calculated capacity. Core TSOs investigated this potential option again, on top of the investigation performed in 2019 when the Core LTSR was elaborated for NTC regime. It is reconfirmed that the 100% yearly and 0% monthly splitting ratio is not in line with the FCA regulation. So the NRAs conclusion, provided in their shadow opinion in 2019 for NTC based approach, is evaluated as still being a valid statement, as the design aspect is independent from the capacity calculation approach to be applied at long-term capacity segments.

Moreover, a theoretical 100% yearly and 0% monthly approach does not meet the requirements of FCA article 16(2)(c) i.e. "it shall not lead to restrictions in competition, in particular for access to long-term transmission rights". If Core Long-Term Splitting Rules does not endeavour to ensure available capacity to the monthly capacity allocation it may restrict and decrease by default the possibility of smaller market participants to enter the long-term capacity markets, at least at monthly level, where the opportunity costs are lower.



4.2. Splitting rules determination by the demand on yearly and monthly auctions

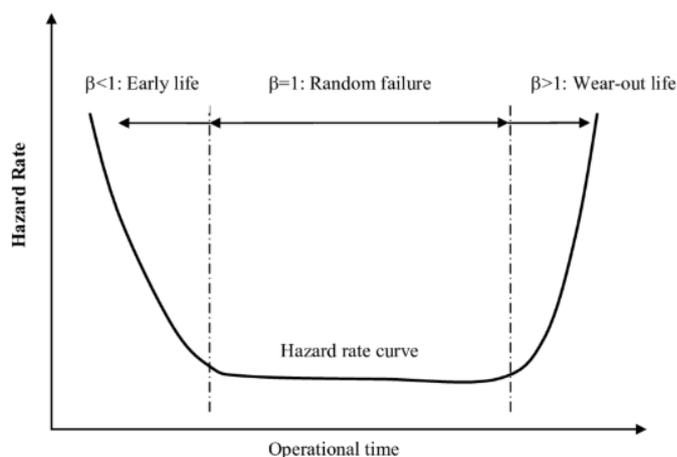
Core TSOs see the potential advantages of the high level design proposal of how the yearly and monthly capacity markets should be further developed. On the other hand, Core TSOs have the opinion that this proposal definitely exceeds the business scope of Core Long-term Splitting Rules. The depicted design would need fundamental change of overall long-term capacity allocations that need EU wide investigation and implementation if supported by all the stakeholders (NRAs, TSOs, Market participants) at the end. Moreover, in the theoretical approach where TSOs have to determine monthly capacities in year ahead timeframe, that would most probably result in significantly decreased available volumes, especially for the months that are far away from the time allocation date, as TSOs have more information and inputs to take into consideration and less uncertainties just before the month of the allocation.

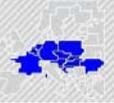
4.3. LTSR potential impact on MinRAM values

According to the Whereas (10) of Core Long-Term Capacity Calculation Methodology decided by ACER, splitting of long-term capacity is subject to a separate methodology for splitting long-term cross-zonal capacity developed pursuant to Article 16 of the FCA Regulation. Splitting of long-term capacity may reduce the yearly capacity calculation outputs in order to provide more capacity at a monthly level. The split part of yearly capacity for monthly timeframe is not an input for monthly capacity calculation, as monthly calculation is a fully separate process to determine the monthly long-term flow-based domain for allocation and only the AAC is taken into account from the yearly allocation process.

4.4. DC lines - differentiation between pre-existing and new interconnectors

The part on the DC cable was not updated compared to the previous version. When a new DC cable is built, the hazard rate is increased. This is called the “bath tub curve” (<https://ieeexplore.ieee.org/abstract/document/7361599>).





Furthermore, compared to AC grid, the full capacity of the DC link is directly linked to the availability of the cable.

These arguments justify offering reduced capacity for the newly operated DC cables.

5. FULL CONSULTATION FEEDBACK

Following contributions have been provided during the public consultation:

EFET - European Federation of Energy Traders

EFET supports maximization of capacity allocation and market-based splitting in response to Core TSOs amendment to the methodology for splitting long-term cross-zonal capacity

Brussels, 18 August 2022 – The European Federation of Energy Traders (EFET) welcomes the opportunity to provide comments to the CORE TSOs' proposal for the 1st amendment of Methodology for splitting long-term cross-zonal capacity in accordance with Article 16 of Commission Regulation (EU) 2016/1719 (FCA Regulation) and ACER Decision No 14/2021 of 3 November 2021.

Key messages

1. Core TSOs should allocate all the cross-zonal capacity calculated as available for the year-ahead auction at this point in time.
2. The splitting methodology can and should allow market participants to decide on their own how they want to purchase capacity (yearly, monthly or bundled products)
3. We are concerned that the minRAM values will not be respected and provide lower allocated capacities when compared to actual uncoordinated NTC allocation

Detailed comments

We understand that most of the changes proposed by the TSOs are required due to the introduction of flow-based long-term capacity calculation for the CORE CCR by 2025. We stress that a change of paradigm towards mandatory flow-based capacity calculation and allocation in the forward timeframe would require a deeper impact analysis and a quantitative study – including of all collateral/side effects – before implementing it.

EFET and the Market Parties Platform (MPP) responded to the CORE TSOs consultations back in July and September 2019 . We welcomed some of the progress that had been made in the version of the TSOs methodology compared to the initial draft methodology. However, we still recommend a more elaborate splitting method than the proposed split of capacity between yearly and monthly capacity of 80%-20%. As in 2019, we propose a solution that would allow the market itself to decide on the split between yearly and monthly products, in order to stick as close as possible to the FCA Regulation objective of meeting market participants' hedging needs.

Splitting ratio & reservation of capacity for the monthly timeframe

Article 3.1 In case of high voltage alternating current interconnectors, eighty percent of the 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.



Back in 2019, we welcomed the fact that the TSOs seem to have heard market participants' call to release more capacity in the yearly auction. This led the TSOs to raise the proposed split of capacity between yearly and monthly capacity from 50%-50% to 80%-20%. However, we call on CORE TSOs and the regulators of the CORE region to go even further.

Indeed, we believe that all the capacity calculated by the capacity calculation process year ahead should be made available to the market (i.e. 100% of the calculated capacity year-ahead), not just 80%. Further release of capacity at shorter time horizons in the forward timeframe (monthly) should be the result of capacity recalculations, or gradual release of the margins and constraints initially applied by the TSOs for year-ahead allocations as uncertainties reduce with real time getting nearer.

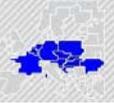
For avoidance of doubt, and bearing in mind that certain market participants may only wish to purchase capacity for specific months and may be reluctant or unable to re-trade purchased yearly forward transmission rights on the secondary market, the TSOs may choose to allocate the 100% of capacity calculated year-ahead not only via yearly products but also via monthly products (but a year in advance). The TSOs could even make sole use of monthly products in the year-ahead and monthly auctions, which could be bundled into multi-month or annual blocks in the yearly auction. This distinction between the timing of the auctions and the granularity of the products offered by the TSOs would allow the market itself, at the time of the yearly auction, to perform the splitting of capacity between yearly and monthly capacity in the most economically efficient manner.

To recall, for market participants hedging is about assessing and covering their positions against a variety of risks: price risk, volume risk, regulatory risk, etc. The further away from real time, the greater the uncertainty and therefore the greater the interest and importance for market participants to cover those risks, including across borders. It is therefore vital that TSOs make available to the market the maximum capacity they can as far in advance of real time as possible. We believe that the solution mentioned in the paragraph above is the best solution to reach the objective of the FCA Regulation in general, and its article 16 in particular, i.e. meeting the hedging needs of market participants. In the manner described above, it will be the market itself adjusting the split of capacity to the hedging needs of its participants at each auction.

We also believe that this approach is in line with article 9 and 16 of the FCA Regulation. Indeed:

- Article 9 states that “All TSOs in each capacity calculation region shall ensure that long-term cross-zonal capacity is calculated for each forward capacity allocation and at least on annual and monthly time frames” – Our proposal still foresees a calculation of capacity year-ahead and each month.
- Article 16 states that “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 article does not mandate TSOs to decide on a split, but to design a methodology for splitting capacity; with our proposal, the market would decide on the split, based on rules and auction design agreed between the TSOs and NRAs.

In their Explanatory Document, the TSOs argue that “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 [...] 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." We disagree with this assertion:

- While the Core LT CCM defines a method for the calculation of cross-zonal capacity in the monthly timeframe, it concerns the calculation of capacity done each month (month-ahead). This has no bearing on how the capacity calculated every year (year-ahead) is split and used as monthly products, yearly products, or bundled products.

- Article 16 FCA Regulation does not foresee an actual obligation that capacity be allocated at any point. The obligation is to calculate capacity and allocate what is available for the yearly and monthly timeframes (i.e. the products), but capacity may not necessarily be available at each auction. TSOs know this perfectly, as instance of zero offered capacity, reduction of capacity or curtailment of capacity are not uncommon. With our proposal, there may indeed be occurrences of monthly auctions without capacity available – though with monthly recalculation and relaxation of TSO constraints, this should happen rather rarely. However, there will not be occurrences of market participants not being proposed monthly or yearly products – and those will be subscribed exactly in the amount and proportion that is most economically efficient.

- Second, the proposal of the TSOs does not guarantee that the 20% of available long-term capacity withheld for monthly auctions will actually be allocated at the monthly auctions. Indeed, there may be occurrences where the monthly recalculation of capacity will result in an assessment by the TSOs that they cannot release the 20% of initial capacity that they withheld. With the TSO proposal, there is actually no guarantee that market participants will always have access to either yearly or monthly hedging products in the proportion they need.

To conclude, while we appreciate the efforts made by the TSOs in trying to find a compromise solution, we still have fundamental objections with their overall approach to capacity splitting. We believe that TSOs go beyond their mandate in trying to impose to the market what they consider market participants' hedging needs are. The practical solution we propose has the added value of maximising capacity allocation as far away from real time as possible while securing capacity for the yearly and monthly timeframes, with a split decided by the market itself. It is also in line with the FCA Regulation's spirit and letter.

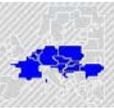
Article 4.1 In case of new high voltage direct current interconnectors for the first three years of operation, sixty five percent of long-term capacity available at the year ahead time frame will be offered to the subsequent yearly capacity allocation session at the Single Allocation Platform.

Article 4.2 In case of high voltage direct current 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.

Our comments to article 3.1 apply equally to articles 4.1 and 4.2 (see above).

In addition, we see that the differentiation between pre-existing and new DC interconnectors (up to three years of operation), introduced in 2019, remains in the methodology. For the latter, only 65% of the capacity calculated year ahead should be made available in the yearly auction, while for the former, the same provision as for AC interconnectors applies (80% of the capacity in the yearly auction).

This derogation for new DC links was justified in 2019 by the "temporary potential issues linked to the operation of new assets" in the TSOs post-consultation report. We believe that derogations of this sort should be thoroughly backed by data showing the lower reliability rates of DC links in the first years of



operation, in the same order of magnitude as the derogation allows. Otherwise, the derogation should be amended to reflect the reality of this data or deleted if not properly justified.

MinRAM values for the allocation process

Article 6 The Core TSOs' Long-Term Splitting 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.

We are concerned that the minRAM values (20% for yearly and 10% for monthly capacities) presented in January 2022 will provide lower allocated capacities when compared to actual uncoordinated NTC ones. The minRAM will be key and having a visibility on it (including derogations) will be essential. We request further visibility on the extraction of the NTC domain because there is no clarification in the explanatory document.

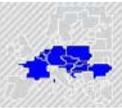
The statement of the TSOs in the Explanatory Document that the values provided for allocation process can be lower than a minRAM value due to splitting rules application is worrying. The accompanying explanation is particularly confusing, and we invite TSOs to develop their considerations on the matter in a public manner before submission to the NRAs.

FEBELIEC - Federation of belgian industrial energy consumers

IFIEC Europe answer to the CORE CCR - Proposal for 1st amendment of the Methodology for splitting long-term cross-zonal capacity in accordance with Article 16 of FCA Regulation

IFIEC Europe would like to thank CORE CCR TSOs for this consultation. IFIEC Europe would like to reiterate its longstanding position that it considers it best from the point of view of market functioning and market integration in the forward timeframe to give as much capacity as possible as early as possible to the market in order to allow for more efficient price formation and better price convergence in the forward timeframes, allowing for more efficient hedging opportunities for a.o. industrial consumers.

As such, IFIEC Europe considers the proposal to allocate only 80% of the long term capacity (the remaining available margin by critical network elements and contingencies) to be insufficient to allow for the abovementioned efficient forward market functioning and price formation. IFIEC Europe insists that 100% of this capacity is offered to the market for the yearly capacity allocation and insists that 100% of this capacity is paid for by grid users. Any withholding of capacity to later timeframes could lead to less efficient outcomes. IFIEC Europe insists that for those timeframes any non-allocated capacity from the yearly auctions should be augmented with additional cross-border capacity resulting from more recent updates of the capacity calculation process as new and better information becomes available in the time period leading to the monthly auctions during the monthly capacity calculations. IFIEC Europe considers any value below 100% as suboptimal, negatively impacting hedging opportunity for a.o. industrial consumers



IFIEC Europe estimates the same 100% allocation should apply for high voltage direct current interconnectors and does not understand why a separate regime of 65% instead of 80% would be to be applied to those during the first three years of operation.