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MEMORANDUM

TO	Authority for Consumers & Markets	**DATE**	October 31, 2026
		REFERENCE	DEN 26-074
		FROM	[redacted]

SUBJECT Advance communication on the use of congestion income TenneT TSO B.V. for the period January 2027 - December 2027

REPORT ■

DECISION □

1. Introduction

TenneT TSO B.V. ("TenneT") provides this report in order to comply with the requirements as defined in the Use of Congestion Income methodology ("UCI methodology") in accordance with Article 19(4) of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity ("Regulation"). This advance communication is due by October 31, 2026 and it shall concern the use of congestion income for the calendar year 2027.

This report contains the following information:

- Forecast congestion revenues and withdrawals for the period January 1, 2026 – December 31, 2026.
- Forecast congestion revenues and withdrawals for the period January 1, 2027 – December 31, 2027.

As the year 2026 is not yet closed at the issuance date of this report, it is necessary to forecast the expected movements for the remaining period as of September 2026 in order to estimate the expected opening balance for the forecast 2027.

In general it should be noted that it is complicated to provide reliable estimates for future developments on congestion income and its usage. Especially the congestion income itself and the redispatch costs related to critical branches as a cost category for the use of congestion income are subject to a high degree of estimation uncertainty. As of 2027 Long-Term Flow-Based Allocation (“LTFBA”) is introduced and this leads to a further increase of the estimation uncertainty for the congestion income. The financial impact of LTFBA on congestion income in 2027 is difficult to predict as the monthly distribution of this income during 2027 among the TSOs depends on the actual day ahead sharing keys that will be calculated after each separate month in 2027. Furthermore the outcome of the 2027 annual auctions (and also the month auctions) is currently not yet known. TenneT also requests specific attention for the information provided in paragraph 2.4.4 of this document regarding the estimation uncertainty for redispatch costs related to critical branches. As in the previous year, TenneT proposes to submit an update of this forecast early December 2026 in order to reduce the estimation uncertainty prior to the decision of the ACM on this advance communication.

The (intended) withdrawals from the auction proceeds comply with the purposes mentioned in the Regulation. TenneT also provides a multi-year estimate in this report for the years after 2027: the remaining amount on the separate internal account balance per year end 2027 is expected to be used for redispatch costs related to critical branches and future tariff reductions if the relevant conditions are met.

2. Forecasted congestion revenues and withdrawals for the period January 1, 2027 – December 31, 2027 (including YE 2026 forecast)

2.1 General information

The Foundation for the Management of Allocated Funds from the National High-Voltage Grid (Stichting Beheer Doelgelden Landelijk Hoogspanningsnet) ("The Foundation") is a foundation established under Dutch law for the management of the “allocated funds” received from TenneT in its capacity as administrator of the national transmission grid. These allocated funds comprise proceeds of imbalance settlements (not within scope of this report) and proceeds from market-based allocation of cross-border electricity transfer capacity (including proceeds from explicit or implicit auctions of interconnector capacity). TenneT is not allowed to use the allocated funds for other objectives than those set forth in the Regulation.

In accordance with article 19.2 of the Regulation, congestion revenues shall be used for the following purposes:

2. The following objectives shall have priority with the respect to the allocation of any revenues resulting from the allocation of cross-zonal capacity:

(a) guaranteeing the actual availability of the allocated capacity including firmness compensation; or

(b) maintaining or increasing cross-zonal capacities through optimisation of the usage of existing interconnectors by means of coordinated remedial actions, where applicable, or covering costs resulting from network investments that are relevant to reduce interconnector congestion.

And as stated in article 19.3 of the Regulation:

3. Where the priority objectives set out in paragraph 2 have been adequately fulfilled, the revenues may be used as income to be taken into account by the regulatory authorities when approving the methodology for calculating network tariffs or fixing network tariffs, or both. The residual revenues shall be placed on a separate internal account line until such a time as it can be spent for the purposes set out in paragraph 2.

The allocated funds are invested within the boundaries of the treasury statute of The Foundation when they are temporarily placed on a separate internal account as prescribed in the Regulation. The treasury statute of TenneT Holding B.V. also applies to The Foundation. The statute contains principles which cover specific areas such as interest rate risk, liquidity risk, the use of derivatives, and the investment of excess liquidity.

The return on these investments is added to the congestion receipts.

2.2 Overview forecasted congestion revenues and withdrawals

The movement schedule for the congestion revenues during the period January 1, 2026 – December 31, 2027 is included in the overview below:

Omschrijving	Eenheid	2019/943 reference	UCI art. 3.1 reference	2026	2027
Opening balance congestion revenues	EUR			(327.835.241)	(361.609.372)
NorNed					
Plus: transmission right revenues NorNed auction	EUR			(22.800.000)	(41.500.000)
Plus: outcome NorNed bonus-penalty scheme relative availability	EUR			(1.974.131)	-
Minus: contribution TenneT towards auction costs	EUR			-	-
Minus: firmness compensation costs	EUR	19.2a	ii.	-	-
Minus: costs network losses	EUR	19.2a	viii. c)	900.000	900.000
Minus: costs for balancing and reserve power	EUR	19.2a	viii. c)	14.400.000	5.600.000
	EUR				
	EUR				
Net addition NorNed	EUR			(9.474.131)	(35.000.000)
Cobra-cable					
Plus: transmission right revenues COBRA auction	EUR			(36.400.000)	(36.400.000)
Minus: contribution TenneT towards auction costs	EUR			-	-
Minus: firmness compensation costs	EUR	19.2a	ii.	400.000	400.000
Minus: remuneration of non-nominated Long-Term Transmission Rights	EUR	19.2a	iv.	8.300.000	8.300.000
Minus: costs network losses	EUR	19.2a	viii. c)	6.500.000	6.500.000
	EUR				
	EUR				
Net addition Cobra-cable	EUR			(21.200.000)	(21.200.000)
Interconnectors NL-DE					
Plus: transmission right revenues interconnectors NL-DE	EUR			(95.350.000)	(95.200.000)
Minus: contribution TenneT towards auction costs	EUR			1.150.000	1.150.000
Minus: firmness compensation costs	EUR	19.2a	ii.	-	-
Minus: remuneration of non-nominated Long-Term Transmission Rights	EUR	19.2a	iv.	33.600.000	33.600.000
Minus: costs of regional security coordinators and regional coordination centers	EUR	19.2a	v.	-	3.800.000
	EUR				
Net addition interconnectors NL-DE	EUR			(60.600.000)	(56.650.000)
Interconnectors NL-BE					
Plus: transmission right revenues interconnectors NL-BE	EUR			(68.950.000)	(68.800.000)
Minus: contribution TenneT towards auction costs	EUR			1.150.000	1.150.000
Minus: firmness compensation costs	EUR	19.2a	ii.	-	-
Minus: remuneration of non-nominated Long-Term Transmission Rights	EUR	19.2a	iv.	18.900.000	18.900.000
	EUR				
	EUR				
Net addition interconnectors NL-BE	EUR			(48.900.000)	(48.750.000)
Other additions / withdrawals					
Plus: net income from participation TenneT GmbH & Co. KG	EUR			(500.000)	-
Plus: net addition interest revenues	EUR			(7.600.000)	(6.100.000)
Minus: Overhead costs Stichting Doelgelden	EUR			200.000	200.000
Minus: redispatch critical branches	EUR	19.2a	i.	114.300.000	94.800.000
	EUR				
	EUR				
Net other additions / withdrawals				106.400.000	88.900.000
Reduction of transmission tariffs					
Minus: congestion revenues used for reduction of allowed revenue for EHS-grid	EUR			-	245.000.000
Part attributed to costs resulting from ongoing investments that are relevant to reduce interconnector congestion	EUR	19.2b	vi.		
Part attributed to costs resulting from past investments that are relevant to reduce interconnector congestion	EUR	19.2b	vii.		
	EUR				
Part used as income taken into account for calculating network tariffs	EUR	19.3		-	245.000.000
Mutation congestion revenues	EUR			(33.774.131)	172.300.000
Closing balance congestion revenues	EUR			(361.609.372)	(189.309.372)

2.3 Disclosures to overview forecasted congestion revenues and withdrawals

2.3.1 Receipts and withdrawals NorNed

Congestion income

In accordance with the ACM decision dated November 14, 2007 (reference: 102746) the capacity of the NorNed cable becomes available for the market through an auction. The congestion revenues are equally divided between TenneT and its counterpart Statnett SF. The TenneT part of these receipts has been added to the congestion revenues since the start of NorNed. The estimated congestion income is based on historical revenues during the period January 2026 to September 2026. After the repair of the outage of the NorNed cable of May 6, 2022 restrictions are applied to sustain the operations. As of October 17, 2022 the NorNed cable has a reduced maximum transmission capacity of 620MW instead of 700MW. In addition, measures are applied to reduce intraday flow direction changes. The expected amount for 2026 is EUR 22.8 million. The estimated congestion income amounts to EUR 41.5 million for 2027. The forecasted increase in congestion income for 2027 is primarily explained by the expected higher availability level of the NorNed interconnector compared to 2026.

Energy & capacity expenses

The estimated withdrawal is based on historical costs until September 2026 and an estimate for the remaining part of 2026 and amounts to EUR 15.3 million for 2026 and 6.5 million for 2027. This corresponds to cost category viii c) of article 3.1 of the UCI methodology. These costs are directly related to the priority objectives included in article 19.2a of the Regulation as these are necessary to provide the cross-zonal capacity.

Availability incentive NorNed

In accordance with ACM decision 101783_2-76 TenneT is subject to an incentive on the availability of the NorNed cable compared to predefined limits. If a higher availability is realised TenneT will withdraw an amount with a maximum of approximately EUR 2.0 million from the auction receipts. If a lower availability is realised TenneT will add an amount to the auction receipt with a maximum of approximately EUR 2.0 million. During the period 2018 to 2025 TenneT incurred the maximum malus due to lower availability of the NorNed cable, in the years prior to 2018 incurred the maximum bonus. Due to the restrictions that are applicable since October 17, 2022 the remaining availability will result in the full malus for 2026. Following onshore cable repairs and installation of DC disconnectors, the NorNed cable is expected to operate at full transmission capacity of 700MW in 2027; however, as a prudent assumption, the availability incentive is forecasted at zero, with neither a bonus nor a malus forecasted for 2027.

2.3.2 Receipts and withdrawals COBRA

Congestion income

In accordance with the ACM decision dated October 17, 2019 (reference: ACM/UIT/519787) the capacity of the COBRA cable becomes available for the market through an auction. The congestion revenues are equally divided between TenneT and its counterpart Energinet. The TenneT part of these receipts has been added to the congestion revenues since the start of COBRA. The estimated congestion income for 2026 and 2027 is based on historical revenues during the period January 2026 to September 2026. The estimated congestion income amounts to EUR 36.4 million per year for 2026 and 2027. In this advance communication the gross revenues are reported. As a result, the costs for firmness compensation (category ii of article 3.1 of the UCI methodology) and for remuneration of Long-Term Transmission Rights (“LTTR”) (category iv of article 3.1 of the UCI methodology) are reported on separate line items in the report. The estimated costs for 2026 and 2027 are based on historical costs during the period January 2026 to September 2026. The estimated total costs amount to EUR 8.7 million per year for 2026 and for 2027.

Energy & capacity expenses

The estimated withdrawal is based on historical costs until September 2026 and an estimate for the remaining part of 2026 and amounts to EUR 6.5 million for 2026 and for 2027. This corresponds to cost category viii c) of article 3.1 of the UCI methodology. These costs are directly related to the priority objectives included in article 19.2a of the Regulation as these are necessary to provide the cross-zonal capacity.

2.3.3 Receipts and withdrawals interconnectors NL-DE and NL-BE

Congestion income

The long term auctions of transmission rights for the interconnectors NL-DE and NL-BE are performed by JAO. The annual and monthly capacity is allocated by means of explicit auctions. At such auctions, the market party acquires long term financial transmission rights. With the introduction of LTFBA, annual and monthly transmission rights as of 2027 are allocated through a coordinated flow-based approach rather than independently on a border-by-border basis, taking into account the impact of cross-border transactions on the interconnected transmission grid.

The daily capacity is allocated to market parties through an implicit allocation mechanism. The power exchanges and the involved TSOs organise this by means of day-ahead market coupling. Per June 8, 2022 day ahead flow based market coupling was introduced in the Core Capacity Calculation Region. As a result, the distribution of the auction proceeds between the involved TSOs, which is performed by JAO, has also been changed. In the methodology used in CWE market coupling the so called “socialisation” of LTTR

remuneration was used. This meant that the day ahead congestion income is first distributed on borders, then on each border this income is reduced by LTTR remuneration for that border. If the result is negative (net negative congestion income) the missing money is taken from other borders with positive net congestion income.

The estimated congestion income for 2026 is based on historical revenues during the period January 2026 to September 2026. The estimated congestion income amounts to EUR 164.3 million. The expected amount of congestion income for 2027 is EUR 164.0 million. In this advance communication the gross revenues are reported. As a result the costs for firmness compensation (category ii of article 3.1 of the UCI methodology) and for remuneration of LTTR (category iv of article 3.1 of the UCI methodology) are reported on separate line items in the report. The estimated costs for 2026 and 2027 are based on historical costs during the period January 2026 to September 2026. The estimated total costs amount to EUR 52.5 million per year for 2026 and for 2027. The financial impact of the implementation of LTFBA remains difficult to predict.

Operational costs for the execution of the auctions for interconnection capacity

The estimated withdrawal is based on historical costs and amounts to EUR 2.3 million for 2026 and 6.1 million for 2027. These costs are necessary to generate the congestion income on these borders and should therefore be netted with the gross congestion income. For the purpose of transparency TenneT separately reports these amounts in the overview. The increase in 2027 is related to the costs for regional security coordinators and regional coordination centres. (category v of article 3.1 of the UCI methodology)

2.4 Other additions / withdrawals

2.4.1 Participation in TenneT Germany

Per February 2020 the funding structure for the participation of The Foundation in TenneT GmbH & Co KG has been restructured. As a result the invested amount has been reduced. As part of this restructuring the existing call and put option agreements are amended in order to protect the allocated funds and to ensure their immediate availability to The Foundation. All proceeds and costs related to the above mentioned structure have been added / withdrawn from the congestion revenues. In 2026 the total net proceeds that are expected to be added to the congestion revenues amount to EUR 0.5 million. For 2027 no proceeds are expected as The Foundation is expected to sell its remaining investment before the end of 2026.

2.4.2 Interest revenues

As described in paragraph 2.1 the allocated funds are invested within the boundaries of the treasury statute of The Foundation when they are temporarily placed on a separate internal account as prescribed in the Regulation. An amount of EUR 7.6 million is expected to be added in 2026 and 6.1 million in 2027 for interest received over the balance congestion revenues.

2.4.3 Operational costs of The Foundation

The estimated withdrawal is based on historical costs and amounts EUR 0.2 million. These costs of The Foundation for the management of the allocated funds are necessary to separately account for the residual congestion income as required in article 19.3 of the Regulation. For the purpose of transparency, TenneT separately reports these amounts in the overview.

2.4.4 Redispatch costs related to critical branches

The Regulation requires TSOs to optimise cross-border capacity of the interconnections and the transmission networks affecting cross-border flows, while complying with safety standards of secure network operation. As a result guaranteeing the actual availability of allocated capacity and maintaining or expanding capacity of the interconnections and of the transmission networks affecting cross-border flows contributes to the purposes laid down in the EU legislation. In accordance with article 19.2a of the Regulation and cost category i) of article 3.1 of the UCI methodology, these activities can be funded from the revenues resulting from the allocation of interconnection capacity (“congestion revenues”). The interconnectors and relevant parts of the transmission network that are affected by cross-border flows are identified as ‘critical branches’ in accordance with the implemented Flow Based Allocation Methodology.
In the following situations TenneT is using congestion revenues to fund the costs of solving congestions on critical branches (both upward and downward adjustment of transported volumes by means of redispatch and/or countertrade):

I. If planned non-availability of a critical branch is required to enable the increase of capacity of the critical branch.
II. If the critical branch is temporarily not available.
III. If there is an unplanned outage of a critical branch.
IV. If the scheduled transport on the critical branch exceeds security limits.

The estimated redispatch costs related to critical branches are expected to increase from EUR 34.0 million in 2025 to EUR 114.3 million in 2026 and subsequently decrease to EUR 94.8 million in 2027. This increase is mainly due to higher costs for safeguarding security limits of the grid. For subsequent years it is still the expectation that long window outage periods are required to execute projects. TenneT expects that the congestion revenues in 2026 and 2027 are sufficient to cover the abovementioned costs for redispatch related to critical branches. TenneT emphasises that the forecasted costs for redispatch related to critical branches are subject to a high estimation uncertainty.

2.4.5 Tariff reduction

Based on this forecast TenneT expects that the remaining annual amount of net auction proceeds (revenue interconnectors -/- costs to be settled with these auction receipts) is positive. This remaining amount should be used to fulfil the priority objectives as included in the Regulation. If these conditions are met, the remaining auction receipts can be made available for tariff reduction. Paragraph 2.4.4 of this document describes how TenneT fulfils these priority objectives by using the auction receipts to fund solving congestions on critical branches. Furthermore, TenneT is investing in increasing the cross zonal capacity by investments in the cross-border relevant assets. These investments are listed in TenneT's Investment Plans 2026[1]. These investments are already reimbursed via the regular regulatory reimbursement, and additional funding from the auction receipts is not required. TenneT thereby fulfils the priority objectives as set out in the Regulation. In the 2027 tariff proposal (reference: DEN 26-044) TenneT proposes to use EUR 245 million for the reduction of the allowed revenue for the EHV grid. In line with this proposal, TenneT expects to withdraw this amount from the congestion revenues in 2027.

[1] https://tennet-drupal.s3.eu-central-1.amazonaws.com/default/2026-04/Investeringsplan%202026%20Net%20op%20land.pdf
https://tennet-drupal.s3.eu-central-1.amazonaws.com/default/2026-04/Investeringsplan%202026%20Net%20op%20zee.pdf