

**APPROVAL BY ALL CONCERNED CCR HANSA
AUTHORITIES**

OF

**CCR HANSA TSO PROPOSAL FOR
CCR HANSA REGIONAL REQUIREMENTS TO
HARMONISED ALLOCATION RULES IN ACCORDANCE
WITH ARTICLE 52 OF THE COMMISSION REGULATION
(EU) 2016/1719 OF 26 SEPTEMBER 2016
ESTABLISHING A GUIDELINE ON FORWARD
CAPACITY ALLOCATION**

11 October 2017

I. Introduction and legal context

This document elaborates an agreement of All concerned CCR Hansa Regulatory Authorities on 11 October 2017, on the regional requirements of the harmonized allocation rules for CCR Hansa (“regional requirements”) pursuant to Article 52 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation (Regulation 2016/1719).

The proposal for the harmonized allocation rules (“HAR”) pursuant to Article 51 of Regulation 2016/1719 has been referred to ACER for decision. This agreement of All concerned CCR Hansa Regulatory Authorities shall provide evidence that a decision on the regional requirements does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of Regulation 2016/1719. It is intended to constitute the basis on which All concerned CCR Hansa Regulatory Authorities will each subsequently make national decisions pursuant to Article 4(9) to approve the proposal for regional requirements submitted by CCR Hansa TSOs.

The legal provisions relevant to the submission and approval of the regional requirements, and this CCR Hansa Regulatory Authority agreed opinion of the regional requirements, can be found in Articles 3, 4, 51, and 52 of Regulation 2016/1719. They are set out here for reference.

Article 3 of Regulation 2016/1719:

This Regulation aims at:

- a. promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants;*
- b. optimising the calculation and allocation of long-term cross-zonal capacity;*
- c. providing non-discriminatory access to long-term cross-zonal capacity;*
- d. ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants;*
- e. respecting the need for a fair and orderly forward capacity allocation and orderly price formation;*
- f. ensuring and enhancing the transparency and reliability of information on forward capacity allocation;*
- g. contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.*

Article 4 of Regulation 2016/1719:

- 1. TSOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of these terms and conditions or methodologies.*
- 2. (...)*
- 3. (...)*
- 4. (...)*

5. *Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7.*
6. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*
 - (a) (...)
 - (b) (...)
 - (c) (...)
 - (d) *the harmonised allocation rules pursuant to Article 51;*
 - (e) (...)
 - (f) (...)
 - (g) (...)
7. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:*
 - (a) (...)
 - (b) (...)
 - (c) (...)
 - (d) (...)
 - (e) *the regional requirements of the harmonised allocation rules pursuant to Article 52, including the regional compensation rules pursuant to Article 55*
8. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*
9. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6 and 7 within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
10. *Where the regulatory authorities have not been able to reach an agreement within the period referred to in paragraph 9, or upon their joint request, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009.*
11. (...)
12. (...)
13. *TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 7.*

Article 51 of Regulation 2016/1719 about Introduction of harmonised allocation rules:

1. *Within six months after the entry into force of this Regulation, all TSOs shall jointly develop a proposal for harmonised allocation rules for long-term transmission rights pursuant to Article 52(2). The proposal shall be subject to consultation in accordance with Article 6. This proposal shall include regional and bidding zone border specific requirements if developed by the TSOs of each capacity calculation region pursuant to Article 52(3).*
2. *the regional requirements have entered into force, they shall prevail over the general requirements defined in the harmonised allocation rules. In case the general requirements of the harmonised allocation rules are amended and submitted to all regulatory authorities' approval, the regional requirements shall also be submitted to regulatory authorities' approval of the concerned capacity calculation region.*

Article 52 of Regulation 2016/1719 about requirements for the harmonised allocation rules:

1. *The requirements for the harmonised allocation rules for long-term transmission rights shall cover physical transmission rights, FTRs — options and FTRs — obligations. TSOs shall consider and duly take into account specificities related to the different types of products.*
2. *The harmonised allocation rules for long-term transmission rights shall follow the principles of non-discrimination and transparency and at least contain the following general requirements:*
 - a. harmonised definitions and scope of applications;
 - b. a contractual framework between the single allocation platform and the market participants including provisions on the applicable law, the applicable language, confidentiality, dispute resolution, liability and force majeure;
 - c. harmonised UIOSI provisions in case of physical transmission rights pursuant to Article 32;
 - d. a description of the types of long-term transmission rights which are offered, including the remuneration principles pursuant to Article 35;
 - e. principle description of the applicable nomination rules pursuant to Article 36;
 - f. harmonised provisions on eligibility and entitlement, suspension and renewal and costs of participation pursuant to Article 37;
 - g. a description of the forward capacity allocation process including at least provisions on auction specification, submission of bids, publication of auction results, contestation period and fallback procedures pursuant to Articles 37, 38, 39, 42, 43 and 44;
 - h. harmonised provisions on financial requirements and settlement pursuant to Article 41;
 - i. harmonised provisions for the return of long-term transmission rights pursuant to Article 43;
 - j. harmonised provisions for notification of transfer of long-term transmission rights pursuant to Article 44;
 - k. provisions on firmness and compensation rules pursuant to Article 53 and Article 55;
 - l. harmonised provisions concerning netting policies and financial collaterals for FTRs — obligations, where applicable.

3. *The harmonised allocation rules may also contain regional or bidding zone border specific requirements in particular for, but without limitation to:*
- a. the description of the type of long-term transmission rights which are offered on each bidding zone border within the capacity calculation region pursuant to Article 31;
 - b. the type of long-term transmission rights remuneration regime to be applied on each bidding zone border within the capacity calculation region according to the allocation in the day-ahead time frame pursuant to Article 35;
 - c. the implementation of alternative coordinated regional fallback solutions pursuant to Article 42;
 - d. the regional compensation rules defining regional firmness regimes pursuant to Article 55.

II. The concerned CCR Hansa TSO proposal

The CCR Hansa TSO proposal for regional requirements was consulted on together with the HAR proposal by All TSOs through ENTSO-e for one month from 16 January 2017 to 17 February 2017 in line with Article 51(1) and Article 6 of Regulation 2016/1719¹. The proposal for regional requirements by all concerned CCR Hansa TSOs, dated 10 April 2017, was received by the last concerned CCR Hansa Regulatory Authority on 13 April 2017 together with a separate explanatory document for the main HAR. The proposal in conjunction with the proposal for HAR includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2016/1719, in line with Article 4(8) of Regulation 2016/1719.

Article 4(7)(e) of Regulation 2016/1719 requires Regulatory Authorities of the region, in this case CCR Hansa, to consult and closely cooperate and coordinate with each other in order to reach agreement, and make decisions within six months following receipt of submissions of the last Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by 13 October 2017.

The main elements of the regional requirements to HAR are:

- A cap on compensation shall be applicable to the DK1-DE/LU border in accordance with Article 59(2) of the HAR.
- A cap on compensation shall be applicable to the DK2-DE/LU border in accordance with Article 59(3) of the HAR.

Article 59 from the main HAR proposal states the following:

Compensation for curtailments to ensure operation remains within Operational Security Limits before the Day Ahead Firmness Deadline

1. (...)

¹ <https://consultations.entsoe.eu/markets/fca-har/>

2. A cap may be applied to the compensations calculated according to paragraph 1 which occurred within one calendar year subject to the approval of the relevant NRAs. The cap shall be determined as the total amount of Congestion Income collected by the concerned TSOs on the respective Bidding Zone border in the relevant calendar year, deducting all remunerations paid according to Articles 40 and 48 and compensations paid according to Article 60 and where applicable Article 61
3. In case of Direct Current interconnectors, the cap shall be determined as the total amount of Congestion Income collected by the concerned TSOs on the Bidding Zone border in the relevant month, deducting all remunerations paid according to Article 40 and Article 48 and compensations paid according to Articles 60 and where applicable Article 61 for the considered month. The total amount of Congestion Income in one month is defined as the sum of a twelfth of the revenues raised at yearly Auction on the concerned Bidding Zone Border and the revenues generated by the monthly Auction and congestion income from other timeframes which occurred during this month on the concerned Bidding Zone border.
4. (...)

III. All Regulatory Authority position

All concerned CCR Hansa Regulatory Authorities emphasize that the harmonized allocation rules applicable to the yearly and monthly auctions in 2017² already contain a cap on compensation in Article 59 similar to the one proposed as a regional requirement by the CCR Hansa TSOs. The concerned CCR Hansa regulatory authorities therefore consider that the proposed cap on compensation does not introduce stricter requirements than market participants are currently subject to. The concerned CCR Hansa regulatory authorities also emphasize that the regional requirements for CCR Hansa have been consulted on, and with no objections from market participants to maintain the current cap.

Based on the proposals provided by TSOs, all concerned Regulatory Authorities of CCR Hansa have reached the agreement that the proposed regional requirements meets the requirements of Regulation 2016/1719.

Whereas (8) states that *“for the purposes of the approval or the future amendment of bidding zone border specific requirements of this proposal, only the NRAs of the respective bidding zone border will have to state their explicit approval. Non-concerned NRA(s) of the CCR will be duly informed”*. While acknowledging that the Whereas is not legally binding *per se*, the concerned HANSA Regulatory Authorities expect that the TSOs of CCR Hansa develop and submit proposals and that NRAs subsequently approve the submitted proposals in accordance to the procedures foreseen in the FCA Regulation.

IV. Conclusions

All concerned CCR Hansa Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach agreement that the regional requirements for CCR Hansa meet the requirements of Regulation 2016/1719 and as such can be approved by All concerned CCR Hansa Regulatory Authorities.

² <http://www.jao.eu/support/resourcecenter/overview>

All CCR concerned Hansa Regulatory Authorities must therefore make their decisions latest 13 October 2017, on the basis of this agreement in accordance with the six months deadline as set out in the Regulation 2016/1719. Following national decisions taken by each concerned Regulatory Authority, all TSOs will be required to publish the regional requirements on the internet in line with Article 4(13) of Regulation 2016/1719.