

**Proposal of the Transmission System Operators of the Baltic
Capacity Calculation Region for the regional design of long-
term transmission rights in accordance with Article 31 of the
Commission Regulation (EU) 2016/1719 of 26 October 2016
establishing a guideline on forward capacity allocation**

The Transmission System Operators of the Baltic Capacity Calculation Region, taking into account the following,

Whereas

- (1) This document is a common proposal developed by the relevant Transmission System Operators (hereafter referred to as “TSOs”) of the Baltic Capacity Calculation region (hereafter referred to as “Baltic CCR”) regarding regional design of long-term transmission rights (hereafter referred to as “LTTR RD”).
- (2) The proposal (hereafter referred to as “LTTR RD Proposal”) takes into account the general principles, goals and other methodologies set out in the Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation (hereafter referred to as 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-zonal exchanges in electricity (hereafter referred to as “Regulation (EC) No 714/2009”). The goal of the FCA Regulation is the coordination and harmonisation of forward capacity calculation and allocation in the long-term capacity markets, and it sets requirements for the TSOs to co-operate on a pan-European level; on the level of CCRs, and across bidding zone borders. The FCA Regulation also sets rules for establishing European Harmonised Allocation Rules and regional/border specific annexes (hereafter referred to as “EU HAR”). The EU HAR established according to the FCA Regulation shall contain at least the description of the allocation process/procedure for LTTRs, including the minimum requirements for participation, financial matters, type of products offered in explicit auctions, nomination rules, curtailment and compensation rules, rules for market participants in case they are transferring their LTTRs, the use-it-or-sell-it principle (hereafter referred to as “UIOSI”), rules as regards to force majeure and liability. The EU HAR should also outline the contractual obligations to be respected by market participants. This LTTR RD Proposal is based on the rules set out in EU HAR.
- (3) This LTTR RD Proposal takes into account the Baltic CCR National Regulatory Authorities (hereafter referred to as “NRAs”) decisions on cross-zonal risk hedging opportunities in accordance with Article 30 of FCA Regulation.
- (4) Article 31 of the FCA Regulation constitutes the legal basis for the LTTR RD Proposal and defines specific requirements that the LTTR RD Proposal should take into account. Article 31 of the FCA Regulation has the following content:

“1. Long-term cross-zonal capacity shall be allocated to market participants by the allocation platform in the form of physical transmission rights pursuant to the UIOSI principle or in the form of FTRs – options or FTRs – obligations.”

“2. All TSOs issuing long-term transmission rights shall offer long-term cross-zonal capacity, through the single allocation platform, to market participants for at least annual and monthly time frames. All TSOs in each capacity calculation region may jointly propose to offer long-term cross-zonal capacity on additional time frames.”

“3. No later than six months after the entry into force of this Regulation, TSOs in each capacity calculation region where long-term transmission rights exist shall jointly develop a proposal for the regional design of long-term transmission rights to be issued on each bidding zone border within the capacity calculation region.

No later than six months after the coordinated decisions of the regulatory authorities of the bidding zone border to introduce long-term transmission rights pursuant Article 30(2), TSOs of the concerned capacity calculation region, shall jointly develop a proposal for the regional design of long-term transmission rights to be issued on each bidding zone border within the concerned capacity calculation region.

Regulatory authorities of Member States in which the current regional design of long-term transmission rights is part of a TSO cross-border re-dispatch arrangement for the purpose of ensuring that operation remains within operational security limits may decide to maintain physical long-term transmission rights on its bidding zone borders.”

“4. The proposals referred to in paragraph 3 shall include a time schedule for implementation and at least the description of the following items specified in the allocation rules:

- (a) type of long-term transmission rights;*
- (b) forward capacity allocation time frames;*
- (c) form of product (base load, peak load, off-peak load);*
- (d) the bidding zone borders covered.”*

“5. The proposals shall be subject to consultation in accordance with Article 6. For the proposed long-term transmission rights to be issued, each TSO shall duly consider the result of the consultation.”

“6. The allocation of physical transmission rights and FTRs - options in parallel at the same bidding zone border is not allowed. The allocation of physical transmission rights and FTRs – obligations in parallel at the same bidding zone border is not allowed.”

- (5) In regards to regulatory approval, Article 4(7) of the FCA Regulation states:
“The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region: [...]
(c) the regional design of long-term transmission rights pursuant to Article 31:[...]”
- (6) According to Article 4(8) of the FCA Regulation, proposed timescale for the implementation and the expected impact of the LTTR RD Proposal on the objectives of the FCA Regulation has to be described and is presented below.
- (7) The LTTR RD Proposal generally contributes to the achievement of the objectives of Article 3 of the FCA Regulation. In particular, the LTTR RD Proposal serves the objective of promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants as the LTTR RD envisage the use of the of the EU HAR and the Single Allocation Platform (hereafter referred to as the “SAP”) established according to the FCA Regulation and a common description of the LTTRs in regards to form, time frames, form of product, borders covered and considers the Baltic CCR market participants needs for different allocation time frames of the long-term products.
- (8) The objective of optimising the allocation of long-term cross-zonal capacity is achieved with this LTTR Proposal, notably because the long-term cross-zonal capacities are offered through the SAP and regional design takes into account the available hedging opportunities in the region on the border of Estonia – Latvia.
- (9) The LTTR RD Proposal ensures the provision of non-discriminatory access to long-term cross-zonal capacity as it does not set any differentiation between market participants by offering the long-term cross-zonal capacities through the SAP subject to the EU HAR.
- (10) Further, the LTTR RD Proposal takes into account the establishment of the SAP and the EU HAR to provide a regime which respects the need for a fair and orderly forward capacity allocation and orderly price formation as EU HAR is envisaged with a single capacity allocation algorithm based on merit order priority in the allocation.

- (11) Regarding the objective of transparency and reliability of information on forward capacity allocation, the LTTR RD Proposal assures a single and centralised source of information related to forward capacity allocation through the SAP.
- (12) Also the LTTR RD Proposal contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union, as it optimises capacity allocation of long-term capacity by offering financial long-term transmission rights in the form of product, timeframe and type and ensures the use of the EU HAR and the SAP. Further, Article 7 of the LTTR RD Proposal provides a time schedule for implementation.
- (13) In conclusion, the LTTR RD Proposal contributes to the general objectives of the FCA Regulation to the benefit of all market participants and electricity end consumers.

SUBMIT THE FOLLOWING LTTR RD PROPOSAL TO THE RELEVANT BALTIC CCR NRAs:

Article 1
Subject matter and scope

The proposal for regional design of long-term transmission rights as determined in this LTTR RD Proposal shall be considered as the common proposal of the relevant Baltic CCR TSOs in accordance with Article 31 of FCA Regulation.

Article 2
Definitions

1. For the purposes of the LTTR RD Proposal, terms used in this document shall have the meaning of the definitions included in Article 2 of the FCA Regulation, Article 2 of the Regulation (EC) No 714/2009, Article 2 of Directive 2009/72/EC¹ and Article 2 of the Commission Regulation (EU) 543/2013².
2. In this LTTR RD Proposal, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) the headings are inserted for convenience only and do not affect the interpretation of the LTTR RD Proposal; and
 - 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
Allocation rules

1. The EU HAR and regional/border specific annexes established according to Article 51 of the FCA Regulation and approved by all NRAs pursuant to Article 4(6) of the FCA Regulation shall set the terms and conditions for the harmonised allocation of LTTRs including regional and bidding zone border specific requirements.
2. Each bidding zone border covered by this LTTR RD Proposal shall follow the applicable requirements set out in the EU HAR.

Article 4

¹ Directive 2009/72/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in electricity and repealing Directive 2003/54/EC (OJ L 211, 14.8.2009, p. 55).

² Commission Regulation (EU) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council ([OJ L 163, 15.6.2013, p. 1](#)).

Allocation platform

1. The SAP established by all TSOs in accordance with Article 48 of the FCA Regulation and approved by all NRAs pursuant to Article 4(6) of the FCA Regulation shall undertake the allocation functions and requirements in accordance with the FCA Regulation.
2. For each bidding zone border covered by this LTTR RD Proposal the SAP shall be used for offering LTTRs to the market participants.

Article 5 LTTR RD in the Baltic CCR

1. In accordance with Article 31(1) and 31(4) of the FCA Regulation the type of LTTRs offered in the Baltic CCR is financial transmission rights — options (hereafter referred to as “FTRs – options”) in the meaning of Article 33 of FCA Regulation.
2. In accordance with Article 31(2) and 31(4) the forward capacity allocation time frames, subject to product availability, are defined as follows:
 - a. yearly timeframe: it starts on the first day and ends on the last day of a calendar year;
 - b. quarterly timeframe: it starts on the first day and ends on the last day of a quarter (three (3) months); and
 - c. monthly timeframe: it starts on the first day and ends on the last day of a calendar month.
3. The form of product is base load. Base load means a fixed amount of MW is allocated throughout the hours 00:00 – 23:59 CET of all relevant days of the period subject to announced reduction periods.

Article 6 Bidding zone borders covered

1. The bidding zone borders covered by this LTTR RD Proposal include all borders between two bidding zones, which are part of the Baltic CCR according to Decision No. 06/2016 of the Agency for the Cooperation of Energy Regulators (hereafter referred to as the “ACER”).
2. The LTTR RD Proposal does not apply to bidding zone borders for which the competent NRAs have adopted coordinated decisions not to issue LTTRs in accordance with Article 30(1) of the FCA Regulation.
3. The bidding zone borders covered by the LTTR RD Proposal are set out in Annex 1 of the LTTR RD Proposal.
4. In case of the introduction of new bidding zone borders or the deletion of bidding zone borders within the Baltic CCR, where LTTRs are to be allocated, this LTTR RD Proposal shall be amended accordingly, as set out in Article 4(12) of the FCA Regulation.
5. In case of the introduction of LTTRs, pursuant to the relevant NRAs decision related to Article 30 of the FCA Regulation, this LTTR RD Proposal shall be amended accordingly, as set out in Article 4(12) of the FCA Regulation.

Article 7 Publication and implementation of the LTTR RD Proposal

1. The relevant TSOs shall publish the LTTR RD Proposal without undue delay after the approval by the relevant NRAs or a decision has been taken by the ACER in accordance with Article 4(10) and Article 4(11) of the FCA Regulation.

2. The implementation of the LTTR RD Proposal shall coincide with the auction calendar as coordinated and published by the SAP.
 - a) The implementation of auctions with a yearly timeframe on all bidding zone borders covered by this LTTR RD Proposal will be completed no later than for the next yearly auction after the approval, in accordance with the auction calendar as coordinated and published by the SAP.
 - b) The implementation of auctions with a quarterly timeframe on all bidding zone borders covered by this LTTR RD Proposal will be completed no later than for the next quarterly auction after the approval, in accordance with the auction calendar as coordinated and published by the SAP.
 - c) The implementation of the auction with monthly timeframe on all bidding zone borders covered by this LTTR RD Proposal will be completed no later than for the next monthly auction following the month after the approval, in accordance with the auction calendar as coordinated and published by the SAP.
3. The LTTR RD Proposal will be implemented following the milestones below:
 - a) The establishment and implementation of the SAP in accordance with Article 48 of the FCA Regulation;
 - b) The implementation of EU HAR in accordance with Article 51 of the FCA Regulation;
 - c) The implementation of methodology for splitting long-term cross-zonal capacity in accordance with Article 16 of the FCA Regulation;
 - d) The implementation of methodology for capacity calculation for long-term timeframes in accordance with Article 10 of the FCA Regulation.

Article 8 **Language**

The reference language for this LTTR RD Proposal shall be English. For the avoidance of doubt, where TSOs need to translate this LTTR RD Proposal into national language(s), in the event of inconsistencies between the English version published by TSOs in the Baltic CCR 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 NRAs with an updated translation of the LTTR RD Proposal.

Annex 1

List of bidding zone borders where regional design of LTTRs apply

Bidding zone borders and responsible TSOs	Type of LTTRs	Time frames	Form of product
Estonia (EE) Elering AS -> Latvia (LV) AS “Augstsprieguma tīkls”	FTRs - options in direction from Estonia to Latvia	Yearly; Quarterly; Monthly	Base load