

---

Ireland-UK (IU) TSOs proposal of common capacity calculation methodology in accordance with Article 10 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation

---

**23 January 2019**

## Table of Contents

<b>Whereas</b> .....	3
<b>TITLE 1 General Provisions</b> .....	5
<b>Article 1 Subject matter and scope</b> .....	5
<b>Article 2 Definitions and interpretation</b> .....	5
<b>Article 3 Application of this proposal</b> .....	5
<b>TITLE 2 Long-term cross-zonal capacity calculation</b> .....	5
<b>Article 4 General principles for the calculation of long-term cross-zonal capacities</b> .....	5
<b>Article 5 General principles for planned reductions from long-term cross-zonal capacity</b>	6
<b>Article 6 General principles for compensation for reductions from the LTCZC after the long-term capacity is finalised</b> .....	6
<b>Article 7 Reliability margin methodology</b> .....	6
<b>Article 8 Methodologies for operational security limits</b> .....	6
<b>Article 9 Generation shift keys methodology</b> .....	7
<b>Article 10 Methodology for remedial actions in capacity calculation</b> .....	7
<b>Article 11 Cross-zonal capacity validation methodology</b> .....	7
<b>TITLE 3 Publication and Implementation</b> .....	7
<b>Article 12 Publication and Implementation of the IU CC methodology Proposal</b> .....	7
<b>Article 13 Publication of information</b> .....	7
<b>Article 14 Language</b> .....	7

All TSOs, taking into account the following:

### **Whereas**

- (1) Commission Regulation (EU) 2016/1719 establishes a guideline on forward capacity allocation (hereinafter referred to as the “FCA Regulation”), which entered into force on 17 October 2016.
- (2) This document, including its annexes, is a common proposal developed by all Transmission System Operators (hereafter referred to as “TSOs”) of the Ireland-UK Capacity Calculation Region (hereafter referred to as “IU Region”) regarding the proposal for the common capacity calculation in accordance with Article 10 of the FCA Regulation. This proposal (hereinafter referred to as the “IU CC Methodology Proposal”) is required by Article 10 (1) of the FCA Regulation.
- (3) The IU CC Methodology Proposal takes into account the general principles and goals set in the FCA Regulation.
  - a. According to Article 10 (2) of the FCA Regulation, the approach to use in the common capacity calculation methodology shall be either the coordinated net transmission capacity approach or a flow-based approach;
  - b. In accordance with Article 10 (1) of the FCA Regulation, the IU CC Methodology Proposal shall be submitted within 6 months after the approval of the common coordinated capacity calculation methodology referred to in Article 9(7) of Regulation (EU) 2015/1222;
  - c. The capacity calculation methodology shall be compatible with the capacity calculation methodology established for the day-ahead and intraday time frames pursuant to Article 21(1) of Regulation (EU) 2015/1222. It will further be compatible with the fall-back procedures, and the requirement provided for in Article 21(3) of Regulation (EU) 2015/1222; and
  - d. According to Article 4(8) of the FCA Regulation, the expected impact of the IU CC Methodology Proposal on the objectives of the FCA Regulation has to be described. The impact is presented below (recital 4 of this Whereas Section).
- (4) The IU CC Methodology Proposal contributes to and does not in any way hinder the achievement of the objectives of Article 3 of the FCA Regulation. In particular, this IU CC Methodology Proposal
  - a. Establishes a common and coordinated processes for the capacity calculations by defining a set of harmonised rules for long-term cross-zonal capacity calculation, seeking to minimise planned reductions in cross-zonal capacity and make participants aware of these reductions in good time. As such, this serves the objective of promoting effective 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;
  - b. Contributes to the objective of optimising the calculation of long-term cross-zonal capacity in accordance with Article 3 (b) of the FCA Regulation by standardising and codifying a methodology to calculate this;
  - c. 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 ensuring that the capacity calculation is available to all market participants and is transparent;

- d. 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 reducing long-term uncertainty around cross-zonal capacities;
- e. 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 providing market participants with complete information around planned reductions from long-term cross-zonal capacity to inform bidding behaviour;
- f. 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 requiring information to be published in good time, and providing a financial incentive to TSOs to do this;
- g. Supports to the objective of contributing 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 TSOs with information on cross-border availability in good time to plan for contingencies.

**SUBMIT THE FOLLOWING IU CC METHODOLOGY PROPOSAL TO ALL NATIONAL REGULATORY AUTHORITIES:**

## **TITLE 1**

### **General Provisions**

#### **Article 1**

##### **Subject matter and scope**

The common capacity calculation methodology as determined in this IU CC Methodology Proposal is the common proposal of all the TSOs of the IU Region in accordance with Article 10(1) of the FCA Regulation.

#### **Article 2**

##### **Definitions and interpretation**

1. For the purposes of the IU CC methodology proposal, the terms used shall have the meaning given to them in Article 2 of Regulation (EC) 714/2009, Article 2 of Regulation (EC) 2013/543, Article 2 of Regulation (EC) 2015/1222 and Article 2 of Regulation (EC) 2016/1719.
2. In addition, the following definitions shall apply:
  - a. ‘MPTC’ means, for the relevant market time unit(s), the maximum permanent technical capacity which is the maximum continuous active power which a cross-zonal network element (interconnector/HVDC system) is capable of transmitting (taking into account potential reduced availability due to planned and unplanned outages of the interconnector asset). This parameter is defined by the interconnector’s asset operators, and only considers the interconnector asset availability.
3. In this IU CC Methodology Proposal, unless the context requires otherwise:
  - a) the singular indicates the plural and vice versa;
  - b) headings are inserted for convenience only and do not affect the interpretation of this 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**

##### **Application of this proposal**

This IU CC methodology Proposal applies solely to long-term cross-zonal capacity calculation within the IU Region. Common capacity calculation methodologies within other Capacity Calculation Regions or other timeframes are outside the scope of this proposal.

## **TITLE 2**

### **Long-term cross-zonal capacity calculation**

#### **Article 4**

##### **General principles for the calculation of long-term cross-zonal capacities**

1. The provisional long-term cross-zonal capacity (‘LTCZC’) for an interconnector shall be equal to the MPTC value, unless an alternative lower firm capacity value is stated in a connection agreement between an interconnector owner and a connecting TSO. In this case, the firm capacity value will be the long-term cross-zonal capacity for the interconnector.
2. LTCZC may be increased for shorter timeframes via the day-ahead and intraday cross-zonal capacity calculations outlined in IU TSOs common capacity calculation methodology for the day-

ahead and intraday market timeframe in accordance with Article 21 of Commission Regulation (EU) 2015/1222.

### **Article 5**

#### **General principles for planned reductions from long-term cross-zonal capacity**

1. Each TSO in the IU area will initially individually assess their need for planned reductions from the provisional LTCZC as described in Article 4.
2. All TSOs in the IU area will undertake an annual Planned Outage Coordination exercise whereby the need for planned reductions below the provisional LTCZC outlined in Article 4 will be discussed. Where possible, TSOs will plan their outages to coincide with each other, with the principle of reducing the total amount of LTCZC lost due to planned reductions as far as practical. Only outages on Critical Network Elements determined in line with the regional capacity calculation methodology established for the day-ahead and intraday time frames pursuant to Article 21(1) of Regulation (EU) 2015/1222 shall be considered.
3. As part of the annual Planned Outage Coordination exercise, all the TSOs in the IU area will jointly produce a schedule of the finalised LTCZC values taking into account reductions from the provisional LTCZC for the coming calendar year. This schedule will contain the final LTCZC in each direction on each interconnector in the IU region, at hourly resolution.
4. The LTCZCs laid out in this schedule will be considered the final long-term cross-zonal capacity for the calendar year in question. Additional reductions from the LTCZC after this proposal is finalised may be agreed, but interconnector owners must be compensated for the reduction by the TSO requesting it, in accordance with Article 6.
5. This final schedule resulting from this exercise will be published no later than end of June of the calendar year immediately preceding the calendar year in question.
6. The final schedule will be published by this date each calendar year, and will cover the full period of the following calendar year, from 1<sup>st</sup> January to 31<sup>st</sup> December inclusive.

### **Article 6**

#### **General principles for compensation for reductions from the LTCZC after the long-term capacity is finalised**

1. In the event that a TSO requests the cross-zonal capacity to be reduced below the final agreed LTCZC as described in Article 4(4), that TSO must compensate the impacted interconnector owner for any resultant capacity reduction subject to the “causer pays” principle.
2. The concerned TSO on the bidding zone border where cross-zonal capacity has been reduced shall compensate the interconnector owner for any resultant lost income and/or costs. This will include, but not be limited to, where long-term transmission rights have been curtailed, compensating the interconnector owner with the loss-adjusted Day Ahead market spread multiplied by the reduction in cross-zonal capacity.

### **Article 7**

#### **Reliability margin methodology**

Reliability margins shall not be considered within the IU Region beyond the extent they are considered in determining MPTC.

### **Article 8**

#### **Methodologies for operational security limits**

Operational security limits shall not be considered within the IU Region beyond the extent they have been considered in determining MPTC.

**Article 9**  
**Generation shift keys methodology**

Generation shift keys shall not be considered within the IU region beyond the extent they have been considered in determining MPTC.

**Article 10**  
**Methodology for remedial actions in capacity calculation**

Remedial actions shall not be considered within the IU region beyond the extent they have been considered in determining MPTC.

**Article 11**  
**Cross-zonal capacity validation methodology**

In accordance with Article 15 of the FCA Regulation, there will be a cross-zonal validation methodology which shall meet the requirements set out in Article 26 of Regulation (EU) 2015/1222. This shall be achieved via the joint sign-off of the final long-term cross-zonal capacity as outlined in Article 4(3) by the TSOs of the IU Region.

**TITLE 3**  
**Publication and Implementation**

**Article 12**  
**Publication and Implementation of the IU CC methodology Proposal**

1. The TSOs of the IU Region shall publish the IU CC Methodology Proposal without undue delay after all national regulatory authorities have approved the proposed IU CC Methodology or a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 4 (10) and Article 4(11) of the FCA Regulation.
2. The TSOs of the IU Region shall implement the IU CC Methodology Proposal for the capacity calculation for SEM electricity year 2019-2020 to be undertaken in Q2 2019.

**Article 13**  
**Publication of information**

1. Each TSO of the IU region will publish the final agreed LTCZC schedule for the following year on their website no later than the date at which a final auction specification for SEM annual auctions must be published according to Article 29 of the Harmonised Allocation Rules.
2. The responsible TSO will also publish to the ENTSO-E relevant information on a planned outage within one hour of the decision to take that outage in accordance with their responsibilities under Regulation (EU) 543/2013 on submission and publication of data in electricity markets.

**Article 14**  
**Language**

1. The reference language for this IU CC Methodology Proposal shall be English. For the avoidance of doubt, where TSOs need to translate this IU CC Methodology Proposal into their national language(s), in the event of inconsistencies between the English version published by TSOs and any version in another language, the relevant TSOs shall be obliged to eliminate any inconsistencies by

providing a revised translation of this IU CC Methodology Proposal to their relevant national regulatory authorities.