



**APPROVAL BY THE SOUTH-WEST EUROPE
REGULATORY AUTHORITIES AGREED AT THE
SOUTH- WEST EUROPE ENERGY
REGULATORS' REGIONAL FORUM**

OF

**THE SOUTH-WEST EUROPE TSOs' PROPOSAL
FOR A METHODOLOGY FOR COMMON LONG-
TERM CAPACITY CALCULATION IN
ACCORDANCE WITH ARTICLE 10 OF
COMMISSION REGULATION (EU) 2016/1719 OF
26 SEPTEMBER 2016 ESTABLISHING A
GUIDELINE ON FORWARD CAPACITY
ALLOCATION**

28 Feb 2020

I. Introduction and legal context

This document elaborates an agreement of the South West Europe (SWE) Regulatory Authorities on the SWE transmission system operators' (TSOs) proposal of common capacity calculation methodology for the long-term timeframe in accordance with Article 10 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereinafter referred to as "FCA Regulation").

Article 10 of FCA Regulation requires that no later than six months after the approval of the common coordinated capacity calculation methodology referred to in Article 9(7) of Regulation (EU) 2015/1222, all TSOs in each capacity calculation region shall submit a proposal for a common capacity calculation methodology for long-term time frames within the respective region (hereinafter referred to as "SWE LTCC methodology").

This capacity calculation methodology shall be compatible with the capacity calculation methodology established for the day-ahead and intraday timeframes pursuant to Article 21(1) of Regulation (EU) 2015/1222.

This agreement is intended to constitute the basis on which SWE Regulatory Authorities will each subsequently make national decisions to approve the common capacity calculation methodology for the long-term timeframe in accordance with Article 4(7) a of FCA Regulation. Article 4(1) requires that *"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"*.

In accordance with article 4 (5), *"Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7"*. As stated in article 4(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 to 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."*

As stated in Article 4(11) *"in the event that one or several regulatory authorities request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6 and 7, the relevant TSOs shall submit*

a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authorities. The competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs 6 and 7 within the two-month deadline, or upon their joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009. If the relevant TSOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 shall apply.”

FCA Regulation also requires to implement an input data and validation process similarly to the day ahead capacity calculation methodology, therefore elements as reliability margin, operational security limits, contingencies, generation shift keys and remedial actions must be incorporated also in this methodology.

In accordance with article 4(8) of FCA Regulation 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.

After approval by the competent regulatory authorities, the TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet as requested by Article 4(13) of FCA Regulation.

II. The SWE TSOs' Proposal

In line with Article 6 of FCA Regulation, the SWE LTCC Methodology was subject to a consultation process performed from 15 March 2019 until 15 April 2019 on ENTSO-E consultation hub.

A first proposal of the LTCC methodology was received by the last SWE Regularity Authority on 15 May 2019, respecting the above mentioned deadline of 6 months after D-2 Capacity calculation methodology approved in November 2018.

After a thorough analysis, SWE Regulatory Authorities jointly agreed on 14 November 2019 to issue a request for amendment on the proposed methodology.

The requested amendments were the following:

- All the key information related to processes, calculation formulas, levels of thresholds for parameters or amounts of capacity allocated to different timeframes should be included in the main body of the methodology.
- A specific reliability margin to be calculated for the long-term time frame, with the possibility of review after a one-year study.
- The conditions of selection and consideration of critical network elements,

and their associated threshold levels should be specified and detailed in the methodology.

- The generation load shift keys methodology should be specified in the methodology and justified in a technical annex submitted for approval to the NRAs.
- A public version of the three-month report on reductions should be made available for market players in order to enhance transparency.
- The integration of outage planning in capacity calculation should be clarified in the methodology.

SWE TSOs submitted an amended version of the SWE LTCC methodology proposal two months after the amendments were required. This amended version was received by the last SWE Regularity Authority on 14 January 2020.

The SWE TSOs proposal package received on 14 January 2020 contains three documents:

- a) South West Europe TSOs proposal for a common long-term 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, including an annex describing the transmission reliability margin and the methodology for the definition the generation load shift keys.*
- b) An explanatory note to the South West Europe TSOs proposal for a common long-term capacity calculation, which incorporates further and more in-depth explanations of the calculation methodology.*
- c) SWE TSOs assessment of public consultation responses on SWE long-term capacity calculation methodology proposal.*

Only the SWE TSOs methodology proposal for a common long-term capacity calculation was formally submitted to SWE NRAs for approval, the other documents were sent to SWE NRAs for information.

III. SWE Regulatory Authorities' position on SWE LTCC Methodology

After the assessment of this amended version, the SWE Regulatory Authorities acknowledge that the final proposal submitted by SWE TSOs has been significantly improved.

In particular, SWE Regulatory Authorities note positively that:

- a methodology has been added to calculate a specific reliability margin for the long term timeframe;
- more details have been provided on the criteria of selection of critical elements,
- the methodology for setting generation shift key has been defined

- precisely;
- the publication of a three-month reports on reductions is now included in the methodology;
 - the outage planning is clearly described in the methodology.

SWE Regulatory Authorities therefore consider that the SWE LTCC methodology meets the requirements of FCA Regulation.

IV. Actions / conclusion

SWE Regulatory Authorities welcome the submitted SWE LTCC methodology and the significant improvements adopted by SWE TSOs.

All Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach an agreement before 14 March 2020, about the LTCC methodology, which meets the requirements of Article 10 of FCA Regulation and, as such can be approved by SWE Regulatory Authorities

SWE Regulatory Authorities will therefore issue their national decisions on the basis of this agreement.

Following national decisions by SWE Regulatory Authorities, SWE TSOs will be required to publish the SWE LTCC Methodology on the internet in line with Article 4(13) of FCA Regulation, and must meet the implementation deadlines required by Article 12(2) of the SWE LTCC methodology proposal.