

**Approval by Capacity Calculation Region Nordic
Regulatory Authorities**

of

**Capacity Calculation Region Nordic TSO Proposal for
Fallback Procedures in accordance with article 44 of the
Commission Regulation (EU) 2015/1222 of 24 July 2015
establishing a guideline on capacity allocation and
congestion management**

7 March 2018

I. Introduction and legal context

This document elaborates an opinion of the Regulatory Authorities (Danish Energy Regulatory Agency, Finnish Energy Authority and the Swedish Energy Markets Inspectorate) of the Capacity Calculation Region (“CCR”) Nordic and the Norwegian Water Resources and Energy Directorate, agreed on March 7 2018, on the fallback procedures submitted in accordance with Article 44 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (“Regulation 2015/1222”).

This document is intended to constitute the basis on which the CCR Nordic Regulatory Authorities will each subsequently make national decisions pursuant to Regulation 2015/1222 Article 9(7)(e) and Article 9(10) to approve the proposal submitted by the Transmission System Operators (TSOs) of CCR Nordic. The CCR Nordic TSOs are: Fingrid, Svenska Kraftnät, Energinet and Statnett.

The legal provisions relevant to the submission and approval of the proposal, and this CCR Nordic Regulatory Authorities agreed opinion, can be found in Articles 3, 8, 9, 12, and 44 of Regulation 2015/1222. They are set out below for reference:

Article 3 of Regulation 2015/1222:

This Regulation aims at:

- (a) promoting effective competition in the generation, trading and supply of electricity;*
- (b) ensuring optimal use of the transmission infrastructure;*
- (c) ensuring operational security;*
- (d) optimising the calculation and allocation of cross-zonal capacity;*
- (e) ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;*
- (f) ensuring and enhancing the transparency and reliability of information;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;*
- (h) respecting the need for a fair and orderly market and fair and orderly price formation;*
- (i) creating a level playing field for NEMOs;*
- (j) providing non-discriminatory access to cross-zonal capacity.*

Article 8 of Regulation 2015/1222:

- 1. In Member States electrically connected to another Member State all TSOs shall participate in the single day-ahead and intraday coupling.*
- 2. TSOs shall:*
 - (a) (...)*
 - (b) (...)*
 - (c) (...)*
 - (d) (...)*
 - (e) (...)*
 - (f) (...)*
 - (g) (...)*

- (h) (...)
- (i) *establish and operate fallback procedures as appropriate for capacity allocation in accordance with Article 44;*
- (j) (...)
- (k) (...)
- (l) (...)

Article 9 of Regulation 2015/1222:

1. *TSOs and NEMOs 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 or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*
2. (...)
3. (...)
4. *If TSOs or NEMOs fail to submit a proposal for terms and conditions or methodologies to the national regulatory authorities within the deadlines defined in this Regulation, they shall provide the competent regulatory authorities and the Agency with the relevant drafts of the terms and conditions or methodologies, and explain what has prevented an agreement. The Agency shall inform the Commission and shall, in cooperation with the competent regulatory authorities, at the Commission's request, investigate the reasons for the failure and inform the Commission thereof. The Commission shall take the appropriate steps to make possible the adoption of the required terms and conditions or methodologies within four months from the receipt of the Agency's information.*
5. *Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.*
6. (...)
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 fallback procedures in accordance with Article 44;*
 - (f) (...)
 - (g) (...)
 - (h) (...)
8. (...)

9. *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.*
10. *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, 7 and 8, 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.*
11. (...)
12. (...)
13. *TSOs or NEMOs responsible for developing a proposal for terms and conditions or methodologies or regulatory authorities responsible for their adoption in accordance with paragraphs 6, 7 and 8, may request amendments of these terms and conditions or methodologies. The proposals for amendment to the terms and conditions or methodologies shall be submitted to consultation in accordance with the procedure set out in Article 12 and approved in accordance with the procedure set out in this Article.*
14. *TSOs and NEMOs 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 13.*

Article 12 of Regulation 2015/1222:

1. *TSOs and NEMOs responsible for submitting proposals for terms and conditions or methodologies or their amendments in accordance with this Regulation shall consult stakeholders, including the relevant authorities of each Member State, on the draft proposals for terms and conditions or methodologies where explicitly set out in this Regulation. The consultation shall last for a period of not less than one month.*
2. *The proposals for terms and conditions or methodologies submitted by the TSOs and NEMOs at Union level shall be published and submitted to consultation at Union level. Proposals submitted by the TSOs and NEMOs at regional level shall be submitted to consultation at least at regional level. Parties submitting proposals at bilateral or at multilateral level shall consult at least the Member States concerned.*
3. *The entities responsible for the proposal for terms and conditions or methodologies shall duly consider the views of stakeholders resulting from the consultations undertaken in accordance with paragraph 1, prior to its submission for regulatory approval if required in accordance with Article 9 or prior to publication in all other cases. In all cases, a clear and robust justification for including or not the views resulting from the consultation shall be developed in the submission and published in a timely manner before or simultaneously with the publication of the proposal for terms and conditions or methodologies.*

Article 44 of Regulation 2015/1222:

By 16 months after the entry into force of this Regulation, each TSO, in coordination with all the other TSOs in the capacity calculation region, shall develop a proposal for robust and timely fallback procedures to ensure efficient, transparent and non-discriminatory capacity allocation in the event that the single day-ahead coupling process is unable to produce results.

The proposal for the establishment of fallback procedures shall be subject to consultation in accordance with Article 12.

The deadline above says that fallback procedures shall be proposed before 14 December 2016.

The CCR Nordic NRAs acknowledge that this deadline could not be met, since ACER's CCR decision was taken 17 November 2016 and Regulation 2015/1522 prescribes a hearing lasting no less than a month. Already for this reason, the deadline from Regulation 2015/1522 was not possible to meet.

TSOs informed ACER and NRAs about the issue, cf. article 9(4), in a coordination group meeting 28 September 2016, where also the European Commission was attending. In addition to this ENTSO-E, on behalf of all TSOs, also informed the European Commission in a letter dated 30 November 2016 about the deadline issue.

At the FCA/CACM coordination group meeting 28 November 2016, the group agreed that the TSOs in each CCR should inform relevant NRAs about a new deadline, and that EC and ACER would not take further steps regarding the deadline. CCR Nordic TSOs informed the CCR Nordic NRAs that the proposal would be sent no later than 17 May 2017, cf. letter sent from CCR Nordic TSOs to CCR Nordic NRAs dated 12 December 2016.

II. The CCR Nordic TSO proposal

The proposed fallback procedures was consulted on by CCR Nordic TSOs through ENTSO-e for one month from 13 March 2017 to 13 April 2017 in line with Article 44 and Article 12 of Regulation 2015/1222.

The proposed fallback procedures, dated 13 November 2017, was received by the last CCR Nordic Regulatory Authority on 18 May 2017 together with a separate explanatory document. The proposal included proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222.

Article 9(10) of Regulation 2015/1222 requires Regulatory Authorities of the region, in this case CCR Nordic, 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.

The CCR Nordic NRAs launched an consultation on the proposed fallback procedures which ended 9 June 2017.

In November 2017 the CCR Nordic NRAs agreed to request an amendment to the proposed fallback procedures. On this basis each CCR Nordic NRA sent a request for amendment to their respective TSO.

The CCR Nordic NRAs received amended fallback procedures on 17 January 2018, within the deadline under Article 9(12) of the Regulation 2015/1222.

The main elements of the amended fallback procedures are:

- *Nominated Electricity Market Operator ("NEMO") designated or offering SDAC trading services in all bidding zones of the CCR Nordic shall act as Fallback Coordinator.*

- *In case there are more than one NEMO a rotational setup shall be implemented.*
- *To act as a Fallback coordinator the NEMO must meet specific requirements described in the fallback procedures.*
- *Fallback Coordinator shall initiate the fallback procedures in CCR Nordic applying a two-step approach:*

Step 1 – calculation until 20:00 CET

The Fallback Coordinator will calculate net positions and clearing prices for each bidding zone using the SDAC system and deliver the results to all TSOs, all CCCs and all NEMOs in the coupled region. The calculation will contain network data and order data. During calculation, the cross-zonal capacities on interconnectors from/to the coupled region are set to 0 MW.

The CCR Nordic and CCR Baltic can stay coupled when the same NEMO is qualified to be Fallback Coordinator in the CCR Nordic and CCR Baltic

The Fallback Coordinator's deadline for completing the calculation is 20:00 CET and delivering the results of the calculation to the relevant NEMOs, TSOs and CCCs is 20:05 CET.

Step 2 – no-price situation

In the event that the Fallback Coordinator is not able to determine the clearing prices per bidding zone until 20:00 on the day prior to the day of delivery, the clearing prices and net positions a Reference day will be deemed valid for each Market Time Unit (MTU) for the day ahead time frame.

- *The TSO shall implement the fallback procedures for SDAC when the following milestones have been achieved:*
 - o *The implementation of the MCO Function for SDAC by the relevant NEMOs.*
 - o *The implementation of the common detailed fallback procedures by the relevant NEMOs, no later than 4 months after the development of common detailed fallback procedures. This allows a total period for the development and implementation of 7 months after the NRAs have approved the fallback procedures.*

III. All Regulatory Authority position

The CCR Nordic NRAs are of the opinion that the proposed fallback procedures do not hamper but instead enables the achievement of the objectives of Article 3 of Regulation 2015/1222. The very purpose of these procedures is, of course, to ensure operational security.

Besides this, the proposed fallback procedures give the market participants, despite a situation with decoupling, an opportunity to trade cross border within CCR Nordic and possibly also in CCR Baltic. The opportunity to trade between bidding zones is always valuable and important, but especially so in CCR Nordic since the region consists of many small bidding zones. Cross border trade helps promoting effective competition in the generation, trading and supply of electricity. The proposal therefore respects the need for a fair and orderly market as well as a fair and orderly price formation also when CCR Nordic is decoupled from the European market coupling as a whole. Furthermore, the maintained regional market coupling solution ensures the optimal use of transmission infrastructure.

The CCR Nordic NRAs also notes that the proposed procedures are similar to the rules currently in place.

The CCR Nordic NRAs have therefore reached an agreement that the proposed fallback procedures meet the requirements of Regulation 2015/1222.

IV. Conclusions

All CCR Nordic NRAs along with the Norwegian Water Resources and Energy Directorate have assessed, consulted and closely cooperated to reach an agreement that the fallback procedures for CCR Nordic meet the requirements of Regulation 2015/1222 and as such can be approved by All CCR Nordic NRAs.

On the basis of this agreement, each CCR Nordic NRAs will subsequently adopt a decision to approve the amended fallback procedures by 17 March 2018.

Following national decisions taken by each CCR Nordic NRAs, all CCR Nordic TSOs will be required to publish the regional fallback procedures on the internet in line with Article 9(14) of Regulation 2015/1222.