

**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  
REGIONAL SPECIFIC ANNEX FOR CCR SOUTH-WEST  
EUROPE TO THE HARMONISED ALLOCATION RULES  
FOR LONG TERM TRANSMISSION RIGHTS**

**26 November 2018**

## I. Introduction and legal context

This document elaborates an agreement of the South-west Europe (SWE) Regulatory Authorities, made at the SWE Energy Regional Regulators' Forum on 26 November 2018, on the SWE TSOs' proposal for a Regional Specific Annex for Capacity Calculation Region (CCR) SWE to the Harmonised Allocation Rules (HAR) for long-term transmission rights (LTTRs), submitted in accordance with Article, 51, 52(3) and 55 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation (Regulation 2016/1719).

This agreement of the SWE Regulatory Authorities constitute the basis on which SWE Regulatory Authorities will each subsequently make national decisions pursuant to Article 4 (paragraphs 5 and 12) of Regulation 2016/1719 to approve the SWE regional annex to the HAR.

The legal provisions relevant to the submission and approval of the SWE regional annex to the HAR, and to this SWE Regulatory Authorities agreement, can be found in Articles 3, 4, 51, 52 and 55 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. (...)*
- 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. (...)*

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. (...).*
10. (...)
11. (...)
12. *TSOs responsible for developing a proposal for terms and conditions or methodologies or regulatory authorities responsible for their adoption in accordance with paragraphs 6 and 7, 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 6 and approved in accordance with the procedure set out in this Article.*
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

##### *Introduction of harmonised allocation rules*

1. (...)  
*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. *Once 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

##### *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. (...)
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.*

#### Article 54 of Regulation 2016/1719

##### *Definition of caps*

1. *The concerned TSOs on a bidding zone border may propose a cap on the total compensation to be paid to all holders of curtailed long-term transmission rights in the relevant calendar year or the relevant calendar month in case of Direct Current interconnectors.*
2. (...)
3. (...)

#### Article 55 of Regulation 2016/1719

### *Compensation rules*

1. *Where TSOs propose to apply a cap referred to in Article 54, they shall jointly propose a set of compensation rules with regard to the applied cap.*

## **II. South-west Europe TSOs' proposal**

The SWE TSOs' proposal for the SWE regional annex to the HAR, dated on 5 November 2018, replaces the SWE regional annex, approved on 17 October 2017 by SWE Regulatory Authorities, adapting it to the migration of the long-term rights of Portuguese – Spanish interconnection to the Single Allocation Platform (SAP) from the beginning of 2019. The proposal sets out specific requirements applicable to the CCR SWE at regional and bidding zone border level pursuant to Article 52(3) of Commission Regulation (EU) 2016/1719.

According to article 6 of Regulation 2016/1719, the TSOs draft proposal for SWE regional annex to the HAR was consulted from 18 September to 18 October 2018. The final version sent to SWE Regulatory Authorities coincides, in its form, with the consulted one: the first title covers general provisions of the proposal; the second title addresses the applicability of a cap on compensations for curtailments in accordance with Article 59(2) of the HAR; and the third title details further regional or bidding zone border specificities applicable to the CCR SWE in accordance with Article 52(3) of the FCA Regulation. Only a slight change has been included in the second paragraph of Article 1, of the final version of the TSOs' proposal, in order to clarify that the SWE annex will be effective for LTTTs with delivery period from 1 January 2019.

The provisions contained in the SWE regional annex are as follows:

- Articles 3 and 4 state that a cap is applied on reduction compensations on the France-Spain border and on the Portugal-Spain border, respectively, in accordance with Article 59(2) of the HAR.
- Articles 5 and 6 state the specificities for the France-Spain border and for the Portugal-Spain border related to return of LTTTs foreseen in Article 38(2) of HAR.

Article 4(12) of Regulation 2016/1719 requires that the proposals for amendment to the terms and conditions or methodologies shall approved in accordance with the procedure set out in this Article.

## **III. South-west Europe Regulatory Authorities' position**

It is the view of SWE Regulatory Authorities that the draft proposal for the SWE regional annex to the HAR is consistent with:

- a) The objectives of the Regulation 2016/1719 defined in Article 3;
- b) The procedure for the adoption of terms and conditions or methodologies established in Article 4 of the Regulation 2016/1719; and,
- c) The specific requirements set out in Article 52(3) of the Regulation 2016/1719.

Based on the proposal provided by SWE TSOs, SWE Regulatory Authorities have reached the agreement that the submitted SWE regional annex to the HAR can be approved.

## **IV. Conclusions**

SWE Regulatory Authorities have assessed the SWE TSOs' proposal for the SWE regional annex to the HAR, and have consulted and closely cooperated and coordinated to reach agreement that they can approve the submitted proposal.

Following national decisions taken by each Regulatory Authority, SWE TSOs will be required to publish the methodology on the internet in line with Article 4(13) of Regulation 2016/1719.