APPROVAL BY ALL CONCERNED CCR HANSA AUTHORITIES

OF

CCR HANSA TSO PROPOSAL FOR CCR HANSA REGIONAL ANNEX TO HARMONISED ALLOCATION RULES IN ACCORDANCE WITH ARTICLE 52 OF THE COMMISSION REGULATION (EU) 2016/1719 OF 26 SEPTEMBER 2016 ESTABLISHING A GUIDELINE ON FORWARD CAPACITY ALLOCATION

08 November 2019
I. Introduction and legal context


The proposal for the harmonized allocation rules (“HAR”) pursuant to Article 51 of Regulation 2016/1719 was approved by ACER decision 03/2017 of 2 October 2017 and in a new version by ACER decision 14/2019 of 29 October 2019.

The regional annex for CCR Hansa was approved by the relevant national regulators, BNetzA and DERA (DUR’s former name) 11 October 2017. Pursuant to ACER decision no. 04/2019 of 1 April 2019, the new bidding zone border between the bidding zones of Denmark 1 and of the Netherlands (i. e. the DK1-NL bidding zone border) was attributed to CCR Hansa. The regional CCR Hansa annex to HAR draft proposal, as amended upon the Hansa TSOs’ initiative, was consulted through ENTSO-E via the online ENTSO-E Consultation Hub for one month from 20 May 2019 until 20 June 2019 in line with Article 6 of Regulation 2016/1719. On 26 September 2019, the relevant TSOs of CCR Hansa, TenneT NL, TenneTDE, 50 Hertz and Energinet sent an amended proposal for regional annex for CCR Hansa to the relevant regulatory authorities, BNetzA, ACM and DUR. This was received by the last national regulatory authority 2 October 2019.

This agreement of all concerned CCR Hansa Regulatory Authorities shall provide evidence that a decision on the regional annex does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of Regulation 2016/1719. It is intended to constitute the basis on which All concerned CCR Hansa Regulatory Authorities will each subsequently make national decisions pursuant to Article 4(9) to approve the proposal for regional annex submitted by CCR Hansa TSOs.

The legal provisions relevant to the submission and approval of the regional annex, and this CCR Hansa Regulatory Authority agreed opinion of the regional annex, can be found in Articles 3, 4, 51, and 52 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. The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:

   (…)

   (d) the harmonised allocation rules pursuant to Article 51;

7. The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:

   (…)

   (e) the regional requirements of the harmonised allocation rules pursuant to Article 52, including the regional compensation rules pursuant to Article 55

8. 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.

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. 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.

10. Where the regulatory authorities have not been able to reach an agreement within the period referred to in paragraph 9, or upon their joint request, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009.

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 about Introduction of harmonised allocation rules:

1. Within six months after the entry into force of this Regulation, all TSOs shall jointly develop a proposal for harmonised allocation rules for long-term transmission rights pursuant to Article 52(2). The proposal shall be subject to consultation in accordance with Article 6. 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. 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 about 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. The harmonised allocation rules for long-term transmission rights shall follow the principles of non-discrimination and transparency and at least contain the following general requirements:
   a. harmonised definitions and scope of applications;
   b. a contractual framework between the single allocation platform and the market participants including provisions on the applicable law, the applicable language, confidentiality, dispute resolution, liability and force majeure;
   c. harmonised UIOSI provisions in case of physical transmission rights pursuant to Article 32;
   d. a description of the types of long-term transmission rights which are offered, including the remuneration principles pursuant to Article 35;
   e. principle description of the applicable nomination rules pursuant to Article 36;
   f. harmonised provisions on eligibility and entitlement, suspension and renewal and costs of participation pursuant to Article 37;
   g. a description of the forward capacity allocation process including at least provisions on auction specification, submission of bids, publication of auction results, contestation period and fallback procedures pursuant to Articles 37, 38, 39, 42, 43 and 44;
h. harmonised provisions on financial requirements and settlement pursuant to Article 41;
i. harmonised provisions for the return of long-term transmission rights pursuant to Article 43;
j. harmonised provisions for notification of transfer of long-term transmission rights pursuant to Article 44;
k. provisions on firmness and compensation rules pursuant to Article 53 and Article 55;
l. harmonised provisions concerning netting policies and financial collaterals for FTRs — obligations, where applicable.

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.

II. The concerned CCR Hansa TSO proposal

The amended regional annex to HAR implies:

- A cap on compensation shall be applicable to the DK1-NL border in accordance with Article 59(3) of the HAR.

- Whereas (8) is changed (red color is new text, deleted text is marked with strike-through): “TSOs understand that For the purposes of the approval or the future amendment of bidding zone border specific requirements of this proposal, only the NRAs of the respective bidding zone border will have to state their explicit approval. all Hansa NRAs, which have not issued an exemption for LTTRs on CCR Hansa bidding zone borders in accordance with FCA Art. 30(7), have to explicitly approve the changes. Non-concerned NRA(s) of the CCR will be duly informed.”

- Article 2 is changed: “This annex enters into force as of the date of entry into force of the HAR in accordance with the applicable national regulatory regime. This annex may be reviewed based on request of the relevant National Regulatory Authorities. In case this annex needs to be amended based on a decision of the National Regulatory Authorities, Article 68 of the HAR shall apply. This annex, as amended, shall enter into force at the date and time specified in the amendment notice sent to Registered Participants by the Allocation Platform according to the procedure laid down in Article 68(2) of the HAR and subject to prior approval by the relevant National Regulatory Authorities in accordance with the procedure laid down in Article 4 of the FCA Regulation.”

Article 59 from the main HAR decided 29 October 2019 states the following:
Compensation for curtailments to ensure operation remains within Operational Security Limits before the Day Ahead Firmness Deadline

1. (...) 

2. If specified in the relevant annexes to these Allocation Rules, a cap shall be applied to the compensations on specific bidding zone borders. The cap shall be determined as the total amount of Congestion Income collected by the concerned TSOs on the respective Bidding Zone border in the relevant calendar year, deducting all remunerations paid according to Articles 40 and 48 and compensations paid according to Article 60 and where applicable Article 61. The cap is calculated according to the formula:

\[
\text{Cap for compensation for network security} = (\text{Long term income} + \text{Daily income} + \text{Intraday income}) - (\text{UIOSI} + \text{Remuneration of FTRs} + \text{Return} + \text{Compensation for curtailment for emergency situation} + \text{Compensation for curtailment for force majeure})
\]

3. In case of Direct Current interconnectors, the cap shall be determined as the total amount of Congestion Income collected by the concerned TSOs on the Bidding Zone border in the relevant month, deducting all remunerations paid according to Article 40 and Article 48 and compensations paid according to Articles 60 and where applicable Article 61 for the considered month. The total amount of Congestion Income in one month is defined as the sum of a twelfth of the revenues raised at yearly Auction on the concerned Bidding Zone Border and the revenues generated by the monthly Auction and congestion income from other timeframes which occurred during this month on the concerned Bidding Zone border. The cap is calculated according to the formula:

\[
\text{Cap for compensation for network security in case of Direct Current interconnector:} = \left(\frac{\text{Yearly income}}{12} + \frac{\text{Seasonal income}}{12} + \frac{\text{Quarterly income}}{12} + \text{Any other long term income} + \text{Daily income} + \text{Intraday income}\right) - (\text{UIOSI} + \text{Remuneration of FTRs} + \text{Return} + \text{Compensation for curtailment for emergency situation} + \text{Compensation for curtailment for force majeure})
\]

III. All Regulatory Authority position

From the perspective of BNetzA and DUR, the proposal is adding the new bidding zone border (DK1-NL) to the already approved and implemented CCR Hansa regional annex, plus changing Wheras (8) and article 2. For ACM, the DK1-NL bidding zone border was allocated to CCR Hansa by way of ACER decision 04/2019 dated 1 April 2019. By way of this, the bidding zone border DK1-NL became assigned to CCR Hansa and ACM became a CCR Hansa regulator. The CCR Hansa regional annex as a whole therefore has to be approved by ACM for the first time.

All concerned CCR Hansa Regulatory Authorities emphasize that the harmonized allocation rules applicable to the yearly and monthly auctions in 2019\(^1\) for the German-Danish borders already contain a cap on compensation in Article 59 similar to the one proposed as a regional requirement by the CCR Hansa TSOs for DK1-NL. The same holds for the other bidding zone borders of the Netherlands where long-term transmission rights are offered. The concerned CCR Hansa regulatory authorities therefore consider that the proposed cap on compensation does not introduce stricter requirements than market participants are currently accustomed to.

\(^1\) http://www.jao.eu/support/resourcecenter/overview
The change to Whereas (8) implies that it is now clearer who is expected to approve the method. The change to Article 2 implies that the method is applicable when a notice is sent via the Single Allocation Platform. All concerned Regulatory Authorities of CCR Hansa deem these changes to be reasonable.

Based on the proposals provided by TSOs, all concerned Regulatory Authorities of CCR Hansa have reached the agreement that the proposed regional annex meet the requirements of Regulation 2016/1719.

The Cobra Cable opened for commercial power transport 8 September 2019.

IV. Conclusions

All concerned CCR Hansa Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach agreement that the regional annex for CCR Hansa meet the requirements of Regulation 2016/1719 and as such can be approved by All concerned CCR Hansa Regulatory Authorities.

All CCR concerned Hansa Regulatory Authorities must make their national decisions latest 2 April 2020, on the basis of this agreement in accordance with the six months deadline as set out in the Regulation 2016/1719. Following national decisions taken by each concerned Regulatory Authority, all TSOs will be required to publish the regional annex on the internet in line with Article 4(13) of Regulation 2016/1719.