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**Agreement by all Core Regulatory Authorities  
agreed at the Core Energy Regulators' Regional Forum**

**on**

**the “Core CCR TSOs’ proposal for amendment of the current  
regional design of long-term transmission rights based on  
Article 4(12) of Commission Regulation (EU) 2016/1719”**

**9 June 2020**

## I. Introduction and legal context

The Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereafter referred to as “the FCA Regulation”) entered into force on 17 October 2016. The FCA Regulation sets out detailed rules on cross-zonal capacity allocation in the forward markets, on the establishment of a common methodology to determine long-term cross-zonal capacity, on the establishment of a single allocation platform at European level offering long-term transmission rights and on the possibility to return long-term transmission rights for subsequent forward capacity allocation or transfer long-term transmission rights between market participants.

This document elaborates an agreement of all Regulatory Authorities of the Core Capacity Calculation Region (hereafter referred to as “Core CCR”) on 9 June 2020, on the **3rd amendment proposal of the Core CCR TSOs’ regional design of long-term transmission rights based on Article 4(12) of Commission Regulation (EU) 2016/1719** (hereafter referred to as “the LT TR Amendment Proposal”), received by the last Core Regulatory Authority on 19 March 2020.

This agreement of all Core Regulatory Authorities shall provide evidence that a decision on the LT TR Amendment Proposal does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of the FCA Regulation. This agreement is intended to constitute the basis on which all Core Regulatory Authorities will each subsequently adopt a decision on the LT TR Amendment Proposal pursuant Article 4(7)(c) of the FCA Regulation.

The legal provisions relevant to the submission and approval of the LT TR Proposal can be found in Articles 3, 4 and 31 of the FCA Regulation.

**Article 3** of the FCA Regulation:

*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 the FCA Regulation:

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:*  
  
*(...)*  
  
*(c) the regional design of long-term transmission rights pursuant to Article 31;*  
  
*(...)*
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 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.*
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 procedures set out in Article 6 and approved in accordance with the procedure set out in this article.*

13. (...)

**Article 31** of the FCA Regulation:

1. *Long-term cross-zonal capacity shall be allocated to market participants by the allocation platform in the form of physical transmission rights pursuant to the UIOSI principle or in the form of FTRs — options or FTRs — obligations.*
2. *All TSOs issuing long-term transmission rights shall offer long-term cross-zonal capacity, through the single allocation platform, to market participants for at least annual and monthly time frames. All TSOs in each capacity calculation region may jointly propose to offer long-term cross-zonal capacity on additional time frames.*
3. *No later than six months after the entry into force of this Regulation, TSOs in each capacity calculation region where long-term transmission rights exist shall jointly develop a proposal for the regional design of long-term transmission rights to be issued on each bidding zone border within the capacity calculation region.*

*No later than six months after the coordinated decisions of the regulatory authorities of the bidding zone border to introduce long-term transmission rights pursuant Article 30(2), TSOs of the concerned capacity calculation region, shall jointly develop a proposal for the regional design of long-term transmission rights to be issued on each bidding zone border within the concerned capacity calculation region.*

*Regulatory authorities of Member States in which the current regional design of long-term transmission rights is part of a TSO cross-border re-dispatch arrangement for the purpose of ensuring that operation remains within operational security limits may decide to maintain physical long-term transmission rights on its bidding zone borders.*

4. *The proposals referred to in paragraph 3 shall include a time schedule for implementation and at least the description of the following items specified in the allocation rules:*
  - (a) *type of long-term transmission rights;*
  - (b) *forward capacity allocation time frames;*
  - (c) *form of product (base load, peak load, off-peak load);*
  - (d) *the bidding zone borders covered.*
5. *The proposals shall be subject to consultation in accordance with Article 6. For the proposed long-term transmission rights to be issued, each TSO shall duly consider the result of the consultation.*
6. *The allocation of physical transmission rights and FTRs — options in parallel at the same bidding zone border is not allowed. The allocation of physical transmission rights and FTRs — obligations in parallel at the same bidding zone border is not allowed.*

7. *A review of long-term transmission rights offered on a bidding zone border may be launched by:  
(a) all regulatory authorities of the bidding zone border, at their own initiative; or  
(b) all regulatory authorities of the bidding zone border based upon a recommendation from the Agency or joint request by all TSOs of the concerned bidding zone border.*
8. *All TSOs in each capacity calculation region shall be responsible for undertaking the review as provided for in paragraph 9.*
9. *Each TSO involved in the review of long-term transmission rights shall:  
(a) assess the offered long-term transmission rights taking into account the characteristics in paragraph 4;  
(b) if considered necessary, propose alternative long-term transmission rights, taking into account the result of the assessment in subparagraph (a);  
(c) carry out a consultation in accordance with Article 6 regarding:  
(i) the results of the assessment of the offered long-term transmission rights;  
(ii) if applicable, the proposal for alternative long-term transmission rights.*
10. *Following the consultation referred to in paragraph 9(c) and within three months of the issuance of the decision to launch a review, the TSOs of the capacity calculation region concerned shall jointly submit a proposal to the competent regulatory authorities to maintain or amend the type of long-term transmission rights.*

## II. The Core LT TR Amendment Proposal

This third amendment to the Core TSOs' LTR Design introduces the switch from physical transmission rights with use-it-or-sell-it principle (PTRs) to financial transmission rights - options (FTRs-options) on the bidding zone borders AT-SI, CZ-DE/LU, CZ-SK, HU-SK, HU-RO, HR-HU, PL-CZ, PL-DE/LU, PL-SK and SI-HU.

All Core TSOs organized, from 18 December 2019 until 26 January 2020, the public consultation of the LT TR Amendment Proposal in accordance with the requirements in Article 31, Article 4(12) and Article 6 of the FCA Regulation. This public consultation has been organized by ENTSO-E on behalf of all Core TSOs, via the online ENTSO-E Consultation Hub. During the public consultation, Core TSOs received responses from stakeholders as well as an informal shadow opinion agreed on by all Core Regulatory Authorities. Core TSOs attached to the LT TR Amendment Proposal, for the information of all Core Regulatory Authorities, a consultation report note including an assessment of the remarks made by stakeholders and Regulatory Authorities during the public consultation.

Core TSOs state that they respect that due to an interstate agreement between SI and HR there is no introduction of FTRs-options possible at the SI-HR bidding zone border yet. Further on, Core TSOs commit themselves to "monitor the situation on SI-HR border and other Core CCR internal bidding zone borders in the day-ahead market". Hence, –"if necessary for avoidance of distortive effects on the relevant markets, Core TSOs will apply for an amendment to this proposal, and the Croatian and

*Slovenian TSOs shall assess whether the implementation of FTRs on the SI-HR bidding zone border may be performed via a modification or annulation of the interstate agreement.”*

The Core TSOs’ LT TR Amendment Proposal includes, as required by Article 4(8) of the FCA Regulation, a proposed timescale for the implementation and a description of the expected impact of the objectives of the FCA Regulation.

### III. All Core NRAs’ position

All Core Regulatory Authorities consider, following the provisions in Article 31 of the FCA Regulation, that the regional design of long-term transmission rights in its totality should contain – and does contain – a description of the following characteristics of the long-term transmission rights: the type of long-term transmission rights, the applicable timeframes, the product form and the bidding zone borders on which these long-term transmission rights shall be issued.

#### a) On the proposed long-term transmission rights

The LT TR Amendment Proposal identifies one change to the previously approved LT TR Proposal: the introduction of FTR-options on the AT-SI, CZ-DE/LU, CZ-SK, HU-SK, HU-RO, HR-HU, PL-CZ, PL-DE/LU, PL-SK and SI-HU bidding zone borders (Article 1 of the proposal).

The original LT TR Proposal describes the timeframes and the product form, while the LT TR Amendment Proposal describes the (updated) type of long-term transmission rights on all Core bidding zone borders. All Core Regulatory Authorities consider that the original LT TR Proposal and the LT TR Amendment Proposal, taken together, fulfil all the minimum requirements described in Article 31 of FCA Regulation.

#### b) On the implementation timeline

Article 1 of the proposal prescribes that the proposed long-term transmission rights on the mentioned bidding zone borders shall be effective at the date on which the first provisional auction specifications for the long-term transmission rights auction, following the implementation of the Core Flow-Based Day-Ahead Market Coupling Project, are published. The change of the type of the long-term transmission rights shall not apply to already allocated transmission rights.

Article 2 of the proposal prescribes that the above-mentioned Article 1 shall enter into force with the approval by the relevant national regulatory authorities in accordance with the procedure laid down in Article 4 of the FCA Regulation, but earliest for the first auction for the time frame 2021.

All Core Regulatory Authorities consider that these stipulations, taken together, fulfil all the minimum requirements described in Article 31 of the FCA Regulation.

#### c) On the expected impact on the objectives of the Regulation

All Core Regulatory Authorities take note of the description of the expected impact on the objectives of the FCA Regulation. As laid out by Core TSOs in the original proposal, Article 4(8) of the FCA Regulation requires that the expected impact of the proposal on the objectives of the FCA Regulation is described. The Core CCR TSOs’ LTR proposal contributes to and does not in any way hinder the achievement of the objectives of Article 3 of the FCA Regulation. The proposal identifies a clearly defined set of long-term transmission rights that will be offered across Core CCR bidding zone borders

which provides options for cross-zonal hedging opportunities (objective (a) and (f) of Article 3 of the FCA Regulation) that can be on a non-discriminatory basis accessed by market participants (objective (c) of Article 3 of the FCA Regulation). Based on their own assessment, Core Regulatory Authorities do not consider the changes introduced through the LT TR Amendment Proposal to hinder the fulfilment of the Regulation's objectives listed in Article 3 of the FCA Regulation.

## IV. Conclusion

All Core Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach the agreement that the LT TR Amendment Proposal meets the requirements of the FCA Regulation and as such can be approved by all Core Regulatory Authorities.

All Core Regulatory Authorities must therefore make their decisions, based on this agreement, by 19 September 2020. The approval of the LT TR Amendment Proposal will be effective upon the decision of the last Core Regulatory Authority concerned.

Following the national decisions by all Core Regulatory Authorities, all Core TSOs will be required to publish the LT TR Amendment Proposal as approved, in line with Article 4(13) of the FCA Regulation. All Core TSOs must respect the implementation deadlines provided in Article 8 of the original LT TR Proposal and Article 2 of the LT TR Amendment Proposal.