
Energinets Arrangements to ensure cross-zonal risk hedging opportunities in accordance with Article 30 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation

The relevant Transmission System Operators Energinet, taking into account the following:

Whereas

- (1) This document is Energinets arrangements developed together with the relevant Transmission System Operator (hereafter referred to as “TSOs”), Affärsverket svenska kraftnät, to ensure cross-zonal risk hedging opportunities on the relevant borders between Denmark and Sweden.
- (2) The arrangements to ensure cross-zonal risk hedging opportunities (Hereafter referred to as “**Arrangements to ensure hedging opportunities**”) takes into account the general principles and goals set in Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation (hereafter referred to as the “**FCA Regulation**”) as well as Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-zonal exchanges in electricity (hereafter referred to as “**Regulation (EC) No 714/2009**”). The goal of the FCA Regulation is the coordination and harmonisation of forward capacity calculation and allocation in the long-term capacity markets, and it sets requirements for the TSOs to co-operate on a pan-European level, and across bidding-zone borders.
- (3) Article 30 of the FCA Regulation together with the decision by the competent regulatory authorities constitutes the legal basis for the Arrangements to ensure hedging opportunities:

Article 30

Decision on cross-zonal hedging opportunities

“1. TSOs on a bidding zone border shall issue long-term transmission rights unless the competent regulatory authorities of the bidding zone border have adopted coordinated decisions not to issue long-term transmission rights on the bidding zone border. When adopting their decisions, the competent regulatory authorities of the bidding zone border shall consult the regulatory authorities of the relevant capacity calculation region and take due account of their opinions.

2. Where long-term transmission rights do not exist on a bidding zone border at the entry into force of this Regulation, the competent regulatory authorities of the bidding zone border shall adopt coordinated decisions on the introduction of long-term transmission rights no later than six months after the entry into force of this Regulation.

3. The decisions pursuant to paragraphs 1 and 2 shall be based on an assessment, which shall identify whether the electricity forward market provides sufficient hedging opportunities in the concerned bidding zones. The assessment shall be carried out in a coordinated manner by the competent regulatory authorities of the bidding zone border and shall include at least:

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- (a) a consultation with market participants about their needs for cross-zonal risk hedging opportunities on the concerned bidding zone borders;*
- (b) an evaluation.*

5. In case the assessment referred to in paragraph 3 shows that there are insufficient hedging opportunities in one or more bidding zones, the competent regulatory authorities shall request the relevant TSOs:

- (a) to issue long-term transmission rights; or*
- (b) to make sure that other long-term cross-zonal hedging products are made available to support the functioning of wholesale electricity markets.*

6. In case the competent regulatory authorities choose to issue a request as referred to in paragraph 5(b), the relevant TSOs shall develop the necessary arrangements and submit them to the competent regulatory authorities' approval no later than six months after the request by the competent regulatory authorities. Those necessary arrangements shall be implemented no later than six months after approval by the competent regulatory authorities. The competent regulatory authorities may extend the implementation time upon request from the relevant TSOs by a period of no more than 6 months."

SEKRETARIATSAFGØRELSE

SEKRETARIATSAFGØRELSE OM MULIGHEDER
FOR OMRÅDEOVERSKRIDENDE RISIKOAFDÆKNING
I ELMARKEDET

17. maj 2017

"AFGØRELSE

18. Sekretariatet for Energitilsynet træffer på baggrund af vedlagte sagsfremstilling og begrundelse afgørelse om:

- *At der ikke indføres langsigtede transmissionsrettigheder på overføringsforbindelserne DK1-SE3 og DK2-SE4 i henhold til intentionsdokument aftalt mellem Energimarknadsinspektionen og Sekretariatet for Energitilsynet (Bilag 2) samt Artikel 30, stk. 1 i Kommissionens forordning (EU) 2016/1719 af 26. september 2016 om fastsættelse af retningslinjer for langsigtet kapacitetstildeling.*
- *Sekretariatet for Energitilsynet anmoder samtidig Energinet.dk om at sikre, i samarbejde med den systemansvarlige i Sverige, Affärsverket Svenska Kraftnät, at der er andre langsigtede afdækningsprodukter vedrørende overførselskapacitet på overføringsforbindelserne DK1-SE3 og DK2-SE4 til rådighed til at understøtte engros-elektricitetsmarkedernes funktion i henhold til Artikel 30, stk. 5, litra b i Kommissionens forordning (EU) 2016/1719 af 26. september 2016 om fastsættelse af retningslinjer for langsigtet kapacitetstildeling."*

- (4) According to Article 4(8) of the FCA Regulation the expected impact of the Arrangements to ensure hedging opportunities on the objectives of the FCA Regulation has to be described and is presented below.
- (5) The Arrangements to ensure hedging opportunities generally contributes to and does not in any way hamper the achievement of the objectives of Article 3 of the FCA Regulation. In particular, the serves the objectives of promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants as the Arrangements to ensure hedging opportunities ensures sufficient risk hedging opportunities are present.
- (6) The objective of optimising the allocation of long-term cross-zonal capacity is achieved with the Arrangements to ensure hedging opportunities, notably because the Arrangements to ensure hedging opportunities follows the requirements given in the CCR Nordics' Regional design of long-term transmission rights (Hereinafter "**Regional design of LTTRs**") established by all TSOs in accordance with the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(6) of the FCA Regulation.
- (7) Throughout the Arrangements to ensure hedging opportunities, the TSOs ensure the provision of non-discriminatory access to long-term cross-zonal capacity by offering the long-term cross-zonal capacities through the Single Allocation Platform subject to the EU HAR as requirements in accordance with the Regional design of LTTRs established by all TSOs in accordance with the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(6) of the FCA Regulation.
- (8) Furthermore, the Arrangements to ensure hedging opportunities ensures fair and non-discriminatory treatment of all affected parties.
- (9) Further, the Arrangements to ensure hedging opportunities provides for a regime which respects the need for a fair and orderly forward capacity allocation and orderly price formation as EU HAR is envisaged with a single capacity allocation algorithm based on merit order priority in the allocation as requirements in accordance with the Regional design of LTTRs established by all TSOs in accordance with the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(6) of the FCA Regulation.
- (10) Regarding the objective of transparency and reliability of information on forward capacity allocation, the Arrangements to ensure hedging opportunities assures a single and centralised source of information related to forward capacity allocation through the Single Allocation Platform as requirements in accordance with the Regional design of LTTRs established by all TSOs in accordance with the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(6) of the FCA Regulation.
- (11) Also the Arrangements to ensure hedging opportunities contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union, as the Arrangements to ensure hedging opportunities ensures sufficient risk hedging opportunities are present.
- (12) In conclusion, the Arrangements to ensure hedging opportunities contributes to the general objectives of the FCA Regulation to the benefit of all market participants and electricity end consumers.

Energinet's Arrangements to ensure cross-zonal risk hedging opportunities in accordance with Article 30 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation

SUBMIT THE FOLLOWING ARRANGEMENTS TO ENSURE CROSS-ZONAL RISK HEDGING OPPORTUNITIES TO THE DANISH NATIONAL REGULATORY AUTHORITY (DERA) AS THE NATIONAL REGULATORY AUTHORITY IN DENMARK:

Article 1 - Subject matter and scope

Provisions described in the Arrangements to ensure hedging opportunities are in accordance with Article 30 of the FCA Regulation.

Article 2 - Definitions and interpretation

1. For the purposes of the, the terms used shall have the meaning of the definitions included in Article 2 of the FCA Regulation and Regulation (EC) No 714/2009 and Regulation (EC) No 543/2013.
2. In the Arrangements to ensure hedging opportunities, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) the headings are inserted for convenience only and do not affect the interpretation of the Arrangements to ensure hedging opportunities; and
 - c) any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it when in force.

Article 3 - Language

The reference language for these Arrangements to ensure hedging opportunities shall be English.

Article 4 – General principles

1. The Arrangements to ensure hedging opportunities, aims at ensuring sufficient hedging opportunities in order to promote the objectives set out in Article 3 of the FCA Regulation.
2. The Arrangements to ensure hedging opportunities ensures a harmonized and simple design in accordance with the Regional design of LTTRs established by all TSOs in accordance with the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(6) of the FCA Regulation.
3. The amount of cross-zonal capacity to be offered on each bidding-zone border shall be determined in accordance with the methodology for calculating long-term capacity required by Article 10 of the FCA Regulation and the methodology for splitting long-term cross-zonal capacity required by Article 16 of the FCA Regulation from such a time these methodologies have been approved and implemented.
4. The nomination rules for exchange schedules between bidding-zones for physical transmission rights holders shall be as set out in the proposal for nomination rules in accordance with Article 36 of the FCA Regulation from such a time this proposal have been approved and implemented.

Article 5 – Bidding-zone borders covered

1. The bidding-zone borders covered by the Arrangements to ensure hedging opportunities include all borders between the bidding-zones;
 - a) Denmark 1 (DK1) – Sweden 3 (SE3)
 - b) Denmark 2 (DK2) – Sweden 4 (SE4)

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2. In case of a new decision is taken by DERA, pursuant to the relevant DERAs assessment related to Article 30(8) of the FCA Regulation, the Arrangements to ensure hedging opportunities shall be amended accordingly, as set out in Article 4(12) of the FCA Regulation.

Article 6 – Product

The hedging product to be made available to ensure cross-zonal risk hedging opportunities on the bidding zones defined in Article 5 are;

- c) Long-term transmission rights on Denmark 1 (DK1) – Germany (DE) bidding zone;
- d) Long-term transmission rights on Denmark 2 (DK2) – Germany (DE) bidding zone and
- e) Long-term transmission rights on Denmark 1 (DK1) – Denmark 2 (DK2) bidding zone

Article 7 – Design

The Regional design of LTTRs established according to the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(6) of the FCA Regulation shall set the terms and conditions for the product defined under Article 6.

Article 8 – Publication and implementation

1. The relevant TSOs shall publish the Arrangements to ensure hedging opportunities without undue delay after the approval by DERA.
2. The implementation of the Arrangements to ensure hedging opportunities will be done no later than six months after the approval of the Arrangements to ensure hedging opportunities by DERA.