

**ACER Decision on the Congestion Income Distribution methodology
(CID): Annex I**

ACER's preliminary position on the TSOs' proposal
for amendments to:

**Congestion Income Distribution (CID)
methodology**

in accordance with Article 57 of Commission Regulation (EU)
2016/1719 establishing a guideline on forward capacity allocation

22 March 2023

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Whereas

- (1) This document sets out the methodology for the distribution of congestion income from forward capacity allocation ('FCA CID methodology'), developed by all Transmission System Operators ('all TSOs') pursuant to Article 57 of Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation ('FCA Regulation').
- (2) On 15 March 2019, all TSOs submitted to all regulatory authorities their proposal for a methodology for sharing congestion income from forward capacity allocation in accordance with Article 57 of the FCA Regulation. On 22 May 2019, all regulatory authorities approved the TSOs' proposal.
- (3) In a letter dated 12 July 2021, ACER requested all TSOs under Article 4(12) of the FCA Regulation, to submit, as soon as possible, and no later than 1 June 2022, their proposals for amendments of the four methodologies listed in Article 4(6), points (c), (d), (e) and (g) of the FCA Regulation for ACER's approval. Amending the above methodologies, including the FCA CID methodology, was necessary to allow for a timely implementation of the long-term flow-based auctions in the Core and Nordic capacity calculation regions. The European Network of Transmission System Operators for Electricity ('ENTSO-E') asked ACER, on behalf of all TSOs, to postpone the submission date for the relevant proposals, to which ACER agreed in a letter dated 26 January 2022. The new submission date for the proposed amendments to the FCA CID methodology was 1 October 2022.
- (4) On 28 September 2022, ENTSO-E, on behalf of all TSOs, submitted for ACER's approval their proposal for amendment of the FCA CID methodology. This document is based on all TSOs' amendment proposal of 28 September 2022, as amended and approved by ACER.
- (5) This FCA CID methodology applies to all TSOs, with the exception of the following categories of TSOs:
 - a) TSOs active only on the bidding zone borders where regulatory authorities decided that long-term transmission rights shall not be issued by the respective TSOs or that other long-term cross-zonal hedging products shall be made available by the respective TSOs, according to Article 30(7) of FCA Regulation; and,
 - b) TSOs not commercializing their transmission capacity on the single day-ahead market or the long-term market.
- (6) The FCA CID methodology takes into account the objectives and principles of Regulation (EU) 2019/943 on the internal market for electricity ('Regulation (EU) 2019/943'), in particular with the principles for the use of congestion income set out therein.
- (7) The FCA CID methodology is consistent with the methodology for sharing congestion income under Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management ('CACM Regulation'). In particular, both methodologies follow the same principles, specified in Article 73 of the CACM Regulation, and are based on the same congestion income sharing keys.
- (8) The FCA CID methodology takes into account the objectives and principles set out in the FCA Regulation, and is consistent with other methodologies based on the FCA Regulation.
- (9) The FCA Regulation aims to coordinate and harmonise forward capacity calculation and allocation in the long-term capacity markets. It sets requirements for the TSOs to cooperate on a pan-

European level, within capacity calculation regions ('CCRs') and across bidding zone borders. Chapter 5 of the FCA Regulation provides for establishing European harmonised allocation rules for long-term transmission rights, including regional and bidding zone border specific requirements ('HAR'). Minimum content requirements for the HAR are specified in Article 52(2) of the FCA Regulation. In addition, Article 49 and Article 59 of the FCA Regulation provide for the establishment, functioning and cost sharing of the Single Allocation Platform for long-term capacity allocation ('SAP'). The FCA Regulation also sets out rules for establishing capacity calculation methodologies based on either the flow-based approach ('FB approach') or the coordinated net transmission capacity approach ('coordinated NTC approach'). The FCA CID methodology covers congestion income distribution under both approaches.

- (10) Pursuant to Article 61 of the FCA Regulation, within six months after the approval of the FCA CID methodology, the TSOs were required to develop a methodology for sharing costs incurred to ensure firmness and remuneration of long-term transmission rights ('FRC methodology'). The remuneration of long-term transmission rights ('LTTRs') and the cost to ensure firmness of LTTRs are therefore outside the scope of the FCA CID methodology, and covered by the FRC methodology.
- (11) The following recitals provide a description of the expected impact of the FCA CID methodology on the objectives of the FCA Regulation, as required by Article 4(8) of the FCA Regulation. These objectives are listed in Article 3, points (a)-(g), of the FCA Regulation:
- (12) According to Article 3(a) and Article 3(c), the FCA Regulation aims at promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants, and providing non-discriminatory access to long-term cross-zonal capacity. The FCA CID methodology serves these objectives as it lays down objective criteria and solutions for the distribution of congestion income to be applied by all involved TSOs, thus creating a solid basis for congestion income distribution at European level. A single default solution is provided for all bidding zone borders while there is also a possibility to use different sharing keys under specific, limited conditions. This allows to capture the specificities of different interconnectors and national frameworks, such as the congestion management regime for exempted interconnectors.
- (13) According to Article 3(b), the FCA Regulation aims at optimising the allocation of long-term cross-zonal capacity. The FCA CID methodology promotes this objective as it takes into account the results of the long-term capacity calculation methodology in accordance with Article 10 of the FCA Regulation and Article 21 of the CACM Regulation.
- (14) According to Article 3(d), the FCA Regulation aims at ensuring fair and non-discriminatory treatment of TSOs, ACER, regulatory authorities and market participants. The FCA CID methodology ensures fair and non-discriminatory treatment of all affected parties, as it sets rules to be applied by all parties. Furthermore, the methodology takes into account congestion income derived by interconnections on bidding zone borders owned by legal entities other than TSOs, preventing exclusion of such congestion income from the application of the FCA CID methodology provided that these interconnections are operated by certified TSOs and as long as congestion income is generated on those bidding zone borders.
- (15) According to Article 3(e), the FCA Regulation aims at respecting the need for a fair and orderly forward capacity allocation and orderly price formation. The FCA CID methodology does not negatively affect the achievement of this objective as it does not impact the forward capacity price formation nor its allocation.

- (16) According to Article 3(f), the FCA Regulation aims at ensuring and enhancing the transparency and reliability of information on forward capacity allocation. In that respect, the FCA CID methodology provides clear rules and a solid basis for congestion income distribution in a transparent and reliable way. In addition, the FCA CID methodology, as well as the specific sharing keys, will be published by the TSOs, thus increasing transparency and reliability of information. Furthermore, the data used to calculate congestion income is published by the SAP pursuant to Article 47 of the FCA Regulation.
- (17) According to Article 3(g), the FCA Regulation aims at contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union. The FCA CID methodology is consistent with this objective. Congestion income indicates the value that market participants attach to the possibility of cross-border trade and the usage of interconnections and therefore shows where capacity should be increased. With the possibility to consider investment costs, the sharing key is optimal for future investments and thus, promotes long-term operation and development of the electricity transmission system and the EU electricity sector.
- (18) In conclusion, the FCA CID methodology contributes to the objectives of forward capacity allocation listed in Article 3 of the FCA Regulation.

TITLE 1

GENERAL PROVISIONS

Article 1 Subject matter and scope

1. The FCA CID methodology covers the distribution of congestion income from forward capacity allocation for all existing and future bidding zone borders and interconnectors, owned by TSOs or by other legal entities, within and between Member States, to which the FCA Regulation applies and where congestion income from forward capacity allocation is collected, in accordance with Article 57 of the FCA Regulation.
2. This FCA CID methodology shall apply to the TSOs listed in Annex 1 (hereafter referred to as 'TSOs').
3. Where congestion income derives from transmission assets owned by legal entities other than TSOs, these parties shall be treated in a transparent and non-discriminatory way. The TSOs operating these assets shall conclude the necessary agreements compliant with this FCA CID methodology with the relevant transmission asset owners to remunerate them for the congestion income from forward capacity allocation corresponding to the transmission assets they operate on behalf of the owners.

Article 2 Definitions and interpretation

1. For the purpose of the FCA CID methodology, the definitions in Article 2 of the HAR, Article 2 of the SAP methodology, Article 2 of the CACM CID methodology, Article 2 of the FCA Regulation, Article 2 of the CACM Regulation, Article 2 of Regulation (EU) 2019/943, Article 2 of Directive (EU) 2019/944 and Article 2 of Commission Regulation (EU) 543/2013 shall apply.
2. In addition, the following definition shall apply:
 - a) 'long-term congestion income' means the revenue accrued by the allocation of LTTRs.
3. In this FCA CID methodology, unless the context clearly indicates otherwise:
 - a) a bidding zone border may consist of one or more interconnector(s) for the purposes of the congestion income distribution;
 - b) the singular also includes the plural and vice versa;
 - c) the table of contents and headings are inserted for convenience only and do not affect the interpretation of this FCA CID methodology; and
 - d) any reference to legislation, regulation, directive, order, instrument, code or any other enactment shall consider any modification, extension or re-enactment of it then in force.

TITLE 2

CALCULATION OF LONG-TERM CONGESTION INCOME AND DISTRIBUTION TO BIDDING ZONE BORDERS

Article 3 Calculation of long-term congestion income per CCR

1. For each relevant day-ahead market time unit ('MTU') the long-term congestion income generated on an oriented bidding zone border, shall be equal to the LTTR auction's marginal price multiplied by the LTTR auction's sum of long-term transmission rights in MW per relevant MTU, incorporating any reduction period where relevant, according to the formula:

$$LT\ CI_{gen,CCR,MTU,BZBD} = P_LTTR_{MTU,BZBD} * Q_LTTR_{MTU,BZBD}$$

With

$LT\ CI_{gen,CCR,MTU,BZBD}$	congestion income generated per CCR per relevant day-ahead market time unit on an oriented bidding zone border
$P_LTTR_{MTU,BZBD}$	sum of relevant LTTR auction's marginal price per relevant MTU issued on an oriented bidding zone border
$Q_LTTR_{MTU,BZBD}$	sum of long term transmission rights in MW per relevant MTU issued on an oriented bidding zone border

2. For CCRs applying the flow-based approach for LTTR allocation, the sum of the congestion income generated within a CCR shall be calculated for each MTU within the product period as sum of long-term congestion income generated on each oriented bidding zone border within the relevant CCR according to paragraph (1).
3. The long-term congestion income generated within the relevant CCRs according to paragraphs (1) and (2) can be reduced to cover remuneration costs of eligible LTTRs according to the FRC methodology.

Article 4 Distribution of long-term congestion income to bidding zone borders

1. For CCRs applying coordinated NTC approach, congestion income assigned to a bidding zone border shall be equal to the congestion income generated on the bidding zone border according to Article 3(1).
2. For CCRs applying flow-based approach:
 - a) Long-term congestion income assigned to bidding zone borders for each day-ahead MTU shall be calculated by proportionally distributing the sum of the congestion income pursuant to Article 3(2). The long-term congestion income shall be distributed in proportion to the results of the day-ahead congestion income distribution in the CCR for the relevant day-ahead MTU, according to the formula:

$$LT\ CI_{dis,CCR,MTU,BZB} = DASK_{CCR,MTU,BZB} * LT\ CI_{gen,CCR,MTU}$$

With

$LT CI_{dis,CCR,MTU,BZB}$	congestion income distributed on a bidding zone border of a CCR per relevant day-ahead market time unit
$DASK_{CCR,MTU,BZB}$	sharing key defined as the proportional distribution of the results of the day-ahead congestion income for a bidding zone border of a CCR per relevant day-ahead market time unit
$LT CI_{gen,CCR,MTU}$	congestion income generated per CCR per relevant day-ahead market time unit

- b) In CCRs where where national regulatory authorities decided that long-term transmission rights shall not be issued by the respective TSOs for certain bidding zone borders or that other long-term cross-zonal hedging products shall be made available by the respective TSOs according to Article 30(7) of FCA Regulation, only bidding zone borders where LTTRs are issued should be considered in the distribution.
- c) Where LTTRs are issued on all bidding zone borders within a CCR,, all bidding zone borders including external borders for which external flows can re-enter the relevant CCR within the same slack hub, shall be considered in the distribution.
- d) In case that price convergence occurs across the whole CCR, final bidding zone border day-ahead congestion income in a given MTU used as the basis for proportional distribution in paragraph 2)a) should be calculated in accordance with the CACM CID methodology with each market spread in the CCR set to 1.
- e) In case that the single day-ahead coupling process is unable to produce results, i.e. the fallback procedures are triggered, as approved in accordance with Article 44 of the CACM Regulation, long-term congestion income of decoupled bidding zone borders for relevant day-ahead MTUs is not summed up and is assigned according to Article 3(2).

TITLE 3

LONG TERM CONGESTION INCOME DISTRIBUTION ON BIDDING ZONE BORDERS

Article 5 Sharing keys

1. The TSOs on each side of the bidding zone border shall receive their share of long-term congestion income based on a 50% : 50% sharing key.
2. In cases where the ownership shares or the shares of investments costs of TSOs on both sides of specific interconnectors on the concerned bidding zone border are different from a 50% : 50% split, the concerned TSOs may also use a sharing key due to the different ownership shares, different

shares of investments costs, exemption decisions¹ or decisions on cross-border cost allocation² by competent regulatory authorities or ACER. The sharing keys for these specific cases shall be published in a common document by ENTSO-E on its web page for information purposes only. This document shall list all these specific cases with the name of the interconnector, the bidding zone border, the involved TSOs/parties, the specific sharing key applied and the motivation / reasons for the deviation from the 50%-50% sharing key. The document shall be updated and published promptly as soon as any changes occur. Each publication shall be announced in ENTSO-E's newsletter and on the website of the SAP operator.

3. For bidding zone borders consisting of several interconnectors where the capacity is allocated separately for interconnectors, the long-term congestion income associated with each interconnector is directly allocated to the TSO(s) of that interconnector based on relevant auctions.
4. In case a bidding zone border consists of several interconnectors with different sharing keys or which are owned by different TSOs and where the capacity is auctioned jointly, the long-term congestion income shall be assigned first to the respective interconnectors on that bidding zone border based on each interconnector's contribution to the allocated long-term capacity. The interconnector's contribution to capacity allocation is determined according to the agreement between all relevant TSOs on the bidding zone border based on the technical evaluation of the capacity contribution of each interconnector to the capacity allocation or the availability of each interconnector. The principles of the technical evaluation for these specific cases shall be published in a common document by ENTSO-E on its web page for information purposes only. The document shall be updated and published promptly as soon as any changes occur. Each publication shall be announced in ENTSO-E's newsletter and on the website of the SAP operator.
5. In case specific interconnectors are owned by entities other than TSOs, or entities other than TSOs have a share in the investment costs of an interconnector, the reference to TSOs in this Article shall be understood as referring to those entities. Where applicable, the sharing keys are calculated according to the exemption decision granted to these entities by relevant competent regulatory authorities in accordance with Article 63 of Regulation (EU) 2019/943.

TITLE 4

FINAL PROVISIONS

Article 6 Publication and implementation of the FCA CID methodology

1. The TSOs shall publish the FCA CID methodology without undue delay after a decision has been taken by ACER in accordance with Article 5(2)(b) of Regulation (EU) 2019/942.
2. The TSOs of each CCR shall implement the methodology at the date of implementation of the capacity calculation methodology within their respective CCR in accordance with Article 10 of the FCA Regulation.

¹ Decisions on exemptions pursuant to Article 63 of Regulation (EU) 2019/943.

² Decisions on cross-border cost allocation pursuant to Article 12(4) or (6) of Regulation (EU) 347/2013.

Article 7 Language

The reference language for this FCA CID methodology shall be English. For the avoidance of doubt, where TSOs need to translate this FCA CID methodology into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 4 (13) of the FCA Regulation and any version in another language the relevant TSOs shall, in accordance with national legislation, provide the relevant regulatory authorities with an updated translation of the FCA CID methodology.

ANNEX 1

List of TSOs subject to the approved FCA CID methodology:

1. 50Hertz - 50Hertz Transmission GmbH
2. Amprion - Amprion GmbH
3. APG - Austrian Power Grid AG
4. BCAB - Baltic Cable AB
5. ČEPS - ČEPS a.s.
6. EirGrid - EirGrid plc
7. Elering - Elering AS
8. ELES - ELES, d.o.o.
9. Elia - Elia Transmission Belgium S.A.
10. Energinet - Energinet
11. ESO – Electroenergien Sistemen Operator EAD
12. Fingrid - Fingrid OyJ
13. HOPS d.d. - Croatian Transmission System Operator Plc
14. IPTO - Independent Power Transmission Operator S.A.
15. MAVIR ZRt. - MAVIR Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság ZRt.
16. PSE - Polskie Sieci Elektroenergetyczne S.A.
17. REE - Red Eléctrica de España S.A.
18. REN - Rede Eléctrica Nacional, S.A.
19. RTE - Réseau de Transport d'Electricité S.A.
20. SEPS - Slovenská elektrizačná prenosová sústava, a.s.
21. SONI - System Operator for Northern Ireland Ltd
22. TenneT GER - TenneT TSO GmbH
23. TenneT TSO - TenneT TSO B.V.
24. Terna - Terna S.p.A.
25. Transelectrica - Compania Nationala de Transport al Energiei Electrice S.A.
26. TransnetBW - TransnetBW GmbH