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# Report on the public consultation on Core CCR TSOs' proposal for the amendment of the current regional design of long-term transmission rights based on Article 4(12) of Commission Regulation (EU) 2016/1719

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24 November 2017

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## 1. Introduction

Article 31(3) of the Regulation (EU) 2016/17191 (hereinafter “FCA Regulation”) requires that no later than six months after the entry into force of the FCA Regulation, all TSOs in each Capacity Calculation Region (hereinafter “CCR”) shall jointly develop and submit for approval to the relevant NRAs a proposal for the regional design of long-term transmission rights.

All Core TSOs submitted, by 14 April 2017, the “Core CCR TSOs’ proposal for the regional design of long-term transmission rights in accordance with article 31 of Commission Regulation (EU) 2016/1719 (FCA Regulation)” (hereafter: “Core TSOs’ LTR Design”). All Core NRAs agreed unanimously, via the Core Energy Regulators’ Regional Forum (hereafter: “CERRF”), to approve the Core TSOs’ LTR Design.

Following the decisions<sup>1</sup> by the concerned NRAs, long-term transmission rights will be introduced on the Czech – Slovak (CZ-SK) and the Austrian-Germany/Luxembourg (AT-DE/LU) bidding zone borders (BZB), as foreseen in Articles 30(2) and 30(5) of the Core TSOs’ LTR Design. Article 31(3) of the FCA Regulation foresees that six months after the coordinated decisions to introduce long-term transmission rights, TSOs are required to amend accordingly the proposal for the regional design of long-term transmission rights. The amendment of the Core TSOs’ LTR Design is subject to a public consultation. Therefore Core TSOs held a public consultation from 20 October 2017 until 20 November 2017.

This report provides an overview of the comments received during the public consultation, the TSO's assessment on these comments and whether or how the relevant parts of the Core TSOs’ LTR Amendment were amended based on these comments. The full list of comments received is also attached to this document.

## 2. Assessment of stakeholders’ comments

### General comments

One general comment was raised proposing to have separate amendments for the respective BZBs. The Core CCR TSOs also discussed this issue before drafting the amendment proposal. It was decided to submit a common amendment proposal for both CZ-SK and AT-DE/LU BZB. Both proposed amendments shall be implemented in a timely manner. Since there is only one amendment process valid at a time instead of several amendments in parallel, the submission of the amendment for one BZB would have to be postponed until the other amendment proposal is approved, assuming two separate documents. This would result in a delay of at least nine months for the changes on one BZB. For that reason, a common amendment proposal was drafted.

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<sup>1</sup> Decision No. 0001/2017/E-EU (26 May 2017) from URSO, Decision No. 04811-7/2017-ERU (17 May 2017) from ERU, and the relevant decisions (15 May 2017) from BNetzA and E-Control.

## **Article 5**

One respondent asked for an impact assessment for AT-DE/LU BZB. Due to short timing set by the FCA Regulation it is not possible for Core TSOs to perform an impact assessment prior to the submission of the proposal to the Core NRAs. However, the Core TSOs will notify the Core NRAs on this request and encourage them to perform such assessment during the approval process. Furthermore, Core TSOs are assessing the impact of long-term allocated capacity and have already started to develop a coordinated long-term capacity calculation methodology based on Article 10 of FCA Regulation.

Four respondents from Austria, but also one from France and one from Slovenia noticed that they are in favour for implementation of PTR with UIOSI principle on the AT-DE/LU BZB. Main reason stated for that is to keep consistency with majority of the borders of Core CCR. Other arguments raised were that PTRs save market participants from power exchanges' fees and thus ease OTC trading. Also respondents are sceptical that FTRs will enable an effective hedging against the underlying market price risks at all times since it is not clear that the remaining wholesale power market in Austria will develop in a way that it will always offer a sufficient level of liquidity. However, the final determination is dependent on processes in the Core CCR, which have to be applied according to the FCA Regulation and where all TSOs are responsible to operate their networks within security limits. Based on the amount of capacity available in the case of FTR Options of 4,9 GW for day-ahead market, the basics for a liquid market seems to be fulfilled.

According to two market parties' responses transactions at the AT-DE/LU border have been widely recognized to have significant loading impact on neighboring areas, namely the Czech Republic and Poland. Therefore having in mind ongoing discussion on available capacities and preconception magnitude of PTR level, as defined in the agreement between the DE and AT NRAs, some market participants are concerned on the potential negative impact of high (or full) nomination of PTRs on the remaining flow-based day-ahead capacity for other Core BZBs and express their preference for implementation of FTR Options on the AT-DE/LU BZB. But since there has not been any capacity allocation and capacity calculation at the AT-DE/LU BZB so far, these market participants also encourage Core TSOs to carry out an impact assessment which shall comprise implications to system security and Core FB MC (e.g. level of available capacities, pre-congestions, needs for remedial actions, etc.).

## **Article 6**

Some respondents asked for quarterly and multi-year ahead products. All Core TSOs decided to offer long-term products for the monthly and yearly time frames. in compliance with the FCA Regulation. This approach was approved by relevant NRAs as a principle for the Core TSOs' LTR Design as well. However, Core TSOs are going to take the recommendation into account in future product assessments.

Since the capacity calculation even for one year ahead is challenging for the TSOs, long-term cross-zonal capacity cannot be offered for longer time frames than one year ahead.

According to Article 28.2 of the Harmonised Allocation Rules, the Allocation Platform shall organise at least one auction per timeframe. If needed additional auctions for long-term cross-zonal capacity can be organised on short notice.

Furthermore, some respondents asked for "pro rata volumes" based on which capacities will be split amongst long-term auctions held. This will be covered by the Methodology for splitting long term cross-zonal capacity according to the Article 16 of FCA Regulation. Therefore this topic is not part of this methodology. "

### **Article 7**

Three respondents commented on Article 7.4 asking to consider the introduction of base and peak load products to meet the hedging needs of market participants. Core TSOs offer base load products since it is the most liquid product in power derivatives market and thus covers most of the hedging needs of market parties. Offering peak load products could only be relevant where a long-term capacity calculation is performed for peak load and off peak hours separately, and where the available capacity is significantly different in both periods. It is not yet foreseen to introduce such products. However, Core TSOs will take the recommendation into account in future product assessments.

Three respondents commented on Article 7.5 - 7.6, asking to publish the reduction periods as soon as possible. Since the publication of reduction periods for the offered long-term products is regulated by Article 30 of the Harmonised Allocation Rules, Core TSOs decided to introduce no change in the Article 7.5 – 7.6.

Information on the offered capacity including reduction periods is also made available in other sources e.g. in the ENTSO-E transparency platform (EMFIP). Deadline for publication of offered capacity including reduction periods on EMFIP is regulated by Commission Regulation (EU) No. 543/2013 of 14 June 2013 on submission and publication of data in electricity markets. Core CCR TSOs would like to note, that deadline for publishing the auction specification according to Article 29 of the Harmonised Allocation Rules is in line with respective publication deadline on EMFIP.

### **Article 8**

Requests related to the amount of capacity allocated by JAO can be answered in that way, that all available long term capacity will be offered by explicit allocation performed by JAO. The splitting is required by Article 16 of FCA Regulation and is therefore not in the scope of this proposal.

## Full list of comments

Below is the full list of comments received via the public consultation.

Article	Comment
General	One respondent asks that proposals for respective bidding zone borders shall be assessed separately.
	One respondent does not provide any feedback but provided an advertising link (out of scope)
Art.5	One respondent indicates supporting the physical transmission rights pursuant to UIOSI principle.
	One respondent raises that implementing LT FTR Options on AT-DE/LU BZB is preferable. [...] is concerned on the potential negative impact of high (or full) nomination of LT PTRs on the remaining flow-based day-ahead capacity for other Core BZB (especially Polish borders).
	One respondent argues for physical transmission rights (PTRs) at the border AT-DE/LU. PTRs will be used at the other Austrian borders (AT-CZ, AT-SI, AT-HU). [...] does not see a reason to treat the border AT-DE/LU differently and demand PTRs for the AT-DE/LU border as well.
	One respondent is strongly in favor of physical transmission rights (PTRs) on the planned bidding zone border AT-DE/LU. [...] considers this to be more coherent with the methodology chosen on the majority of the other CORE bidding zone borders (on 15 out of 18 borders, PTRs are used). Moreover, PTRs will also be used on the other Austrian bidding zone borders (AT-HU, AT-CZ, AT-SL) so that it would only be consistent to opt for this approach on the border AT-DE/LU, too. In addition, [...] is sceptical that FTRs will enable an effective hedging against the underlying market price risks at all times since it is not clear that that the remaining wholesale power market in Austria will develop in a way that will always offer a sufficient level of liquidity.
	Two respondents strongly argue for the introduction of physical transmission rights (PTRs): (1) Coherence: The existing cross-border capacity allocations to Austrian neighbours are physical. Coherently, we do not want an exception for the DE/LU border. Therefore [...] does not see any reason to treat the border AT-DE/LU differently and demand PTRs for the AT-DE/LU border as well. (2) Fees: Physical transmission rights allow the market participants to directly schedule into their balance groups without handling volumes from one bidding zone to the other over the exchange and paying fees. The exchange schedule DE<>AT of the last 100 days would have cost ~741'000 EUR of fees on EPEX Spot and ECC (considering a max. flow of 4.9GW). In 2016 and 2015 we estimate additional fees of 3-4 Mio. EUR per year for the Austrian utilities. (3) Hedging and compliance with Art 30 (EU) 2016/1719: FTRs only hedge against spot auction prices requiring a solid market depth and a certain predictability through forward products (that need a solid underlying in turn). For the Austrian area it remains questionable whether a liquid and fair forward/spot market will develop timely. The FTRs do not allow to hedge against the risks in the Austrian market structure. For the Austrian area it remains questionable whether a liquid and fair forward/spot market will develop timely. The FTRs do not allow to hedge against the risks in the Austrian market structure.
	One respondent raises that FTRs will not result in increased base-case flows. PTRs, on the other hand, do have physical interpretation and the PTRs holders have the right to nominate a certain capacity of a cross-zonal interconnector in a certain direction during a given period of time. If holders do not nominate that PTR, the capacity it will be offered again to the market. This is known as use-it-or-sell-it (UIOSI) approach. With PTRs,

	<p>market agents with physical generation assets are clearly in a better position to engage in trading.</p> <p>Since there has not been any capacity allocation and capacity calculation at the DE-AT bidding zone border so far, [...] considers an impact assessment as a prerequisite and inherent part of the implementation of the allocation mechanism on the given interconnection. Transactions at this border has been widely recognized, not only by ACER, to have significant loading impact on neighboring areas, namely the Czech Republic and Poland. In this respect we recall Article 3.1 and 1.4 of the Annex I EC Regulation 2009/714 which requires coordination among concerned parties. We therefore encourage CORE CCR TSOs to carry out an impact assessment which shall comprise implications to system security and CORE FB MC (e.g. level of available capacities, pre-congestions, needs for remedial actions, etc.) Having in mind ongoing discussion on available capacities and level of preconceptions both in operational FB in former CWE and development in Core, PTR of magnitude as defined in the agreement between the DE and AT NRAs represents a significant risk to Core FB functioning."</p>
	<p>One respondent raises that consistency harmonisation of rules in this complex process of network codes implementation is key. So far physical transmission rights have been used at AT-DE/LU border, as well as at CZ-SK border. Therefore [...] is convinced, that this type of long-term transmission rights should continue to be used at both borders.</p>
	<p>Since there has not been any capacity allocation and capacity calculation at the DE-AT bidding zone border so far, one respondent considers an impact assessment as a prerequisite and inherent part of the implementation of the allocation mechanism on the given interconnection. Transactions at this border has been widely recognized, not only by ACER, to have significant loading impact on neighboring areas, namely the Czech Republic and Poland. In this respect [...] recalls Article 3.1 and 1.4 of the Annex I EC Regulation 2009/714 which requires coordination among concerned parties. [...] therefore encourages CORE CCR TSOs to carry out an impact assessment which shall comprise implications to system security and CORE FB MC (e.g. level of available capacities, pre-congestions, needs for remedial actions, etc.) Having in mind ongoing discussion on available capacities and level of preconceptions both in operational FB in former CWE and development in Core, PTR of magnitude as defined in the agreement between the DE and AT NRAs represents a significant risk to Core FB functioning.</p>
	<p>One respondent raises that the design of the transmission rights shall ensure that the maximum amount of cross-border capacities be made available at the AT-DE/LU border. When it comes to coherence regarding LT rights in the core Region and transaction costs PTR may be the logical choice. However, this does not definitely rules out FTR-Optionsm, if they ensure the maximum amount of cross-border capacities.</p>
<b>Art.6</b>	<p>Two respondents note that information is missing on the share of LT rights auctioned for the different time frames. In addition, we note that quarterly products - although currently not foreseen in the Regulation - would be of additional value.</p>
	<p>Two respondents raise that no information is given on the pro rata volumes to be auctioned each time and raises the following questions: When will this be decided? How many years ahead are allocated, how many auctions will take place ahead, how much pro rata of the total quantity each auction? Why is quarter as a time frame not foreseen?</p>
<b>Art. 7(4)</b>	<p>Three respondents raise that base load product does not reflect the Austrian market structure with many peak load potential. Art 31 (4) (EU) 2016/1719 also mentions different products like peak and off-peak. They recommend for the introduction of base and peak load products to meet the hedging needs of market participants.</p>
<b>Art. 7 (5 &amp;6)</b>	<p>One respondent invites the TSOs to publish the restriction in specific time frames as soon as possible.</p>
	<p>Two respondents request the disclosure of the reduction periods as soon as possible.</p>

<b>Art. 8</b>	Two respondents ask which amount of cross border capacity will be auctioned via JAO and a part of the capacity will be spared and handled through the flow based market coupling in Q4 2018
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### **3. Public Consultation Version**

In parallel to the public consultation Core TSOs did some further legal assessment especially on the structure and proper legal basis for the proposed amendment that lead to a new, leaner structure of the proposal. Thus the structure of the final Core TSOs' LTR Design amendment proposal substantially differs from the one sent for public consultation, whereas in combination with the Core TSOs' LTR Design the content described remained the same. Therefore, only for convenience purposes and in order to allow to follow the feedback received, Core TSOs attach in the following as well the Core TSOs' LTR Design amendment proposal as submitted for public consultation:

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**Core CCR TSOs' proposal for regional design of long -term transmission rights in accordance with Article 31(3) following the decision of concerned NRAs in accordance with Article 30(2) and its subsequent amendment based on Article 4(12) of Commission Regulation (EU) 2016/1719**

20 October 2017

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<b>Version</b>	Amendment to the Regional Design of Long-Term Transmission Rights Methodology- For Public Consultation	
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TSOs of the Core CCR (Core TSOs), taking into account the following,

## 1 Whereas

- (1) On 03 October 2017 the CCR Core national regulatory authorities (Core NRAs) on their Core Energy Regulators Regional Forum ("CERRF") approved the Core CCR TSOs' proposal for the regional design of long-term transmission rights in accordance with article 31 of Commission Regulation (EU) 2016/1719 (FCA Regulation) (Core TSOs' LTR Design).
- (2) By the Decision No. 0001/2017/E-EU of the Slovak Regulatory Office for Network Industries on 26 May 2017 and by the Decision No. 04811-7/2017-ERU of the Czech Energy Regulatory Office on 17 May 2017 it was decided to introduce long-term transmission rights (LTR) on the bidding zone border between Czech Republic and Slovakia (CZ-SK BZB) in accordance with article 30 (2) and (5) of the FCA Regulation.

The Core TSOs' LTR Design mentioned in Whereas (1) shall be completed by introducing physical transmission rights pursuant to UIOSI principle on the CZ-SK BZB by submitting it to the Core NRAs for approval based on article 31(3) of the FCA Regulation.

This proposal for completing the Core TSOs' LTR Design by stipulations for the CZ/SK bidding zone border (Completed Core TSOs' LTR Design) is a joint proposal by the Core TSOs, as defined in the decision No 06/2016 of the Agency on 17 November 2016 pursuant to article 15(1) of the Commission Regulation (EU) 2015/1222.

- (3) Following the agreement between Bundesnetzagentur and E-Control dated 15 May 2017, TSOs on the bidding zone border between Austria and Germany/Luxembourg (AT-DE/LU BZB) are required to introduce physical transmission rights pursuant to UIOSI principle on that bidding zone border.<sup>2</sup>

The Completed Core TSOs' LTR Design shall be amended by introducing physical transmission rights pursuant to UIOSI principle on the AT-DE/LU BZB by submitting them to the Core NRAs for approval based on article 4(12) of the FCA Regulation.

This proposal for amending the Core TSOs' LTR Design by stipulations for the AT-DE/LU bidding zone border (Completed Core TSOs' LTR Design Amendment No. 1) is a joint proposal by the Core TSOs, as defined in the decision No 06/2016 of the Agency on 17 November 2016 pursuant to article 15(1) of the Commission Regulation (EU) 2015/1222

- (4) This proposal provides a consolidated list of LTR products across bidding zone borders of the Core CCR and support flexible range of options for cross-zonal hedging opportunities (objective 3a and 3f FCA Regulation) on a non-discriminatory basis subject to them meeting market requirements for participation (objective 3c FCA Regulation).

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<sup>2</sup>Core TSOs issue the LTTR on the border however some Core TSOs are not accepting and questioning the level of capacities as mentioned in this agreement. Anyhow, as soon as the coordinated capacity calculation methodology based on art 10 FCA regulation will be implemented the level of LTTR capacities to be offered to the market will result from this methodology.

(5) For the avoidance of doubt, the processes described in Whereas (2) and (3) are separate proposals seeking separate decisions of national regulatory authorities of the CCR Core.

submit the following proposal to the national regulatory authorities of the Core CCR:

## **Article 1**

### **LTR Design for the CZ-SK BZB**

Based on article 31(3) FCA Regulation Core TSOs propose the design of long-term transmission rights for the bidding zone border CZ-SK in the following way:

#### 1 Table I Long-term transmission rights type of Core bidding zone border

Core CCR borders	Type of long-term transmission right
<b>CZ-SK</b>	Physical transmission rights pursuant to UIOSI principle

## **2 Article 2**

### **Forward capacity time frames for the CZ-SK BZB**

Long-term transmission rights shall be issued for the forward capacity time frames month and year.

## **3 Article 3**

### **Form of product for the CZ-SK BZB**

1. Long-term transmission rights shall be issued in form of base load products with a fixed amount of MW over the product period.
2. The product form may include reduction periods, i.e. specific calendar days and/or hours within the product period, in which Cross Zonal Capacities with a reduced amount of MW are offered, taking into account a foreseen specific network situation (e.g. planned maintenance, long-term outages, foreseen balancing problems).
3. Where the product to be auctioned includes reduction periods, the auction specification shall include for each reduction period information on the duration of the reduction period and the amount of offered capacities.

## **Article 4**

### **Implementation timeline for the CZ-SK BZB**

The regional design of long-term transmission rights on the CZ -SK BZB shall be implemented no later than for the first auction for the time frame 2019 according to competent regulatory authorities decisions.

## **Article 5**

### **LTR Design for the AT-DE/LU BZB**

Based on article 4(12) FCA Regulation and subsequent to the Core NRAs' decisions on Articles 1 until 4 of this proposal based on 31(3) FCA Regulation Core TSOs propose the design of long-term transmission rights for the bidding zone border AT-DE/LU BZB in the following way:

#### 2 Table II Long-term transmission rights type of Core bidding zone border

Core CCR borders	Type of long-term transmission right
<b>AT-DE/LU</b>	Physical transmission rights pursuant to UIOSI principle or FTR-options <sup>3</sup>

## **4 Article 6**

### **Forward capacity time frames for the AT-DE/LU BZB**

Long-term transmission rights shall be issued for the forward capacity time frames month and year.

## **5 Article 7**

### **Form of product for the AT-DE/LU BZB**

4. Long-term transmission rights shall be issued in form of base load products with a fixed amount of MW over the product period.
5. The product form may include reduction periods, i.e. specific calendar days and/or hours within the product period, in which Cross Zonal Capacities with a reduced amount of MW are offered, taking into account a foreseen specific network situation (e.g. planned maintenance, long-term outages, foreseen balancing problems).
6. Where the product to be auctioned includes reduction periods, the auction specification shall include for each reduction period information on the duration of the reduction period and the amount of offered capacities.

## **Article 8**

### **Implementation timeline for the AT-DE/LU BZB**

The regional design of long-term transmission rights on the AT-DE/LU BZB shall be implemented no later than for the first auction for the time frame 2019 according to competent regulatory authorities decisions.

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<sup>3</sup>At the moment there is no final preference by Core TSOs on whether to use LT PTR UIOSI or LT FTR Options on that BZB. Some Core TSOs expressed their concerns on the potential negative impact of high (or full) nomination of LT PTRs on the remaining flow-based day-ahead capacity for other Core BZB, which could be mitigated by introduction of FTR Options. Due to timing restrictions Core TSOs decided to propose both types of LTR for public consultation. The eventual LT capacity calculation methodology in the CCR Core will be developed by Core TSOs based on article 10 FCA Regulation.

## **6 Article 9**

### **Language**

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

## Annex I

### Overview on long-term transmission rights types of CCR Core bidding zone borders

#### 3 Table III Long-term transmission rights type of each Core bidding zone border

Core CCR borders	Type of long-term transmission right
NL-BE	FTR-options
NL-DE/LU	Physical transmission rights pursuant to UIOSI principle
BE-FR	FTR-options
BE-DE/LU	No LTRs defined yet
FR-DE/LU	Physical transmission rights pursuant to UIOSI principle
PL-DE/LU	Physical transmission rights pursuant to UIOSI principle
PL-CZ	Physical transmission rights pursuant to UIOSI principle
CZ-DE/LU	Physical transmission rights pursuant to UIOSI principle
PL-SK	Physical transmission rights pursuant to UIOSI principle
AT-DE/LU	Physical transmission rights pursuant to UIOSI principle or FTR-options <sup>4</sup>
AT-CZ	Physical transmission rights pursuant to UIOSI principle
AT-SI	Physical transmission rights pursuant to UIOSI principle
SI-HR	Physical transmission rights pursuant to UIOSI principle
HR-HU	Physical transmission rights pursuant to UIOSI principle
AT-HU	Physical transmission rights pursuant to UIOSI principle
HU-SK	Physical transmission rights pursuant to UIOSI principle
HU-RO	Physical transmission rights pursuant to UIOSI principle
CZ-SK	Physical transmission rights pursuant to UIOSI principle
SI-HU <sup>5</sup>	Physical transmission rights pursuant to UIOSI principle

<sup>4</sup> At the moment there is no final preference by Core TSOs on whether to use LT PTR UIOSI or LT FTR Options on that BZB. Some Core TSOs expressed their concerns on the potential negative impact of high (or full) nomination of LT PTRs on the remaining flow-based day-ahead capacity for other Core BZB, which could be mitigated by introduction of FTR Options. Due to timing restrictions Core TSOs decided to propose both types of LTR for public consultation. The eventual LT capacity calculation methodology in the CCR Core will be developed by Core TSOs based on article 10 FCA Regulation.

<sup>5</sup> SI-HU bidding zone border will become effective according to point 4 of Article 5 of CCR decision (ACER Decision No 06/2016).