

**CCR Hansa TSOs proposal for a methodology for
splitting long-term cross-zonal capacity in accordance
with Article 16 of the Commission Regulation (EU)
2016/1719 of 26 September 2016 establishing a
Guideline on Forward Capacity Allocation**

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Table of content

WHEREAS	3
CHAPTER 1 GENERAL PROVISIONS	6
Article 1 Subject matter and scope.....	6
Article 2 Definitions	6
Article 3 Avoidance of undue discrimination.....	7
CHAPTER 2 DETERMINATION OF THE CAPACITY SPLIT FOR THE AVAILABE LONG-TERM CAPACITY.....	8
Article 4 Capacity Split Principles.....	8
Article 5 Coherence with the long-term capacity calculation.....	8
Article 6 Determination of the Capacity Split	8
CHAPTER 3 SPLITTING CRITERIA	10
Article 7 Splitting Criterion: LTTR-marginal price compared to average Day-Ahead market price spread	10
Article 8 Splitting Criterion: LTTR-marginal price compared to average Forward market price spread.....	10
Article 9 Splitting Criterion: Price formation of LTTR auctions	10
Article 10 Splitting Criterion: Balance of LTTRs offered throughout all LT time frames.....	11
Article 11 Splitting Criterion: Fixed percentage of long-term NTC offered as LTTRs	11
CHAPTER 4 REPORTING PROVISIONS.....	12
Article 12 Provision of data to national regulatory authorities	12
Article 13 Reporting obligations	12
CHAPTER 5 FINAL PROVISIONS.....	13
Article 14 Implementation.....	13
Article 15 Language	13
ANNEX 1 Overview of CCR Hansa borders with LTTRs and applicability of the Splitting Criteria	14

**THE RELEVANT TRANSMISSION SYSTEM OPERATORS OF CAPACITY CALCULATION REGION HANSA,
TAKING INTO ACCOUNT THE FOLLOWING:**

WHEREAS

- (1) This document (hereafter referred to as "Splitting Rules Methodology") is a common proposal developed by all Transmission System Operators (hereafter referred to as "TSOs") within the Capacity Calculation Region Hansa (hereafter referred to as "CCR Hansa"), as defined in accordance with Article 15 of Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (the "CACM Regulation"), regarding the proposal for a methodology for splitting long-term cross-zonal capacity. This proposal is required by Article 16 of Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation (hereafter referred to as the "FCA Regulation"), which entered into force on 26 September 2016.
- (2) The goal of the FCA Regulation is the coordination and harmonisation of cross-zonal capacity calculation and capacity allocation in the forward markets, and it sets requirements for the TSOs to cooperate on the level of capacity calculation regions (hereinafter referred to as "CCRs"), on a pan-European level and across bidding-zone borders. The FCA Regulation also sets rules for establishing capacity calculation methodologies, and in case of the TSO(s) allocating long-term transmission rights, also sets rules for establishing a methodology for the splitting of long-term capacity on different time frames, e.g. month, quarters and year.
- (3) In accordance with Article 16(1) of the FCA Regulation, the Splitting Rules Methodology shall propose a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different long-term time frames within the respective region.
- (4) In accordance with Article 16(1) of the FCA Regulation, the common proposal for the Splitting Rules Methodology should be developed no later than the submission of the capacity calculation methodology referred to in Article 10 of the FCA Regulation.
- (5) In accordance with Article 16(1) of the FCA Regulation, the common proposal for the Splitting Rules Methodology shall be subject to consultation in accordance with Article 6 of the FCA Regulation, and subject to approval by the relevant regulatory authorities of the CCR Hansa in accordance with Article 4 of the FCA Regulation.
- (6) In accordance with Article 30(7) of the FCA Regulation, where regulatory authorities decide 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, Article 16 of the FCA Regulation, among others, shall not apply to the TSOs of the bidding zone borders. As a result, the relevant TSOs and regulatory authorities for this Splitting Rules Methodology are those of bidding zone borders where long-term products will be offered. This Splitting Rules Methodology will be submitted for approval only by these relevant TSOs to these relevant regulatory authorities.
- (7) This Splitting Rules Methodology takes into account the general principles, goals and other methodologies set in the FCA Regulation, CACM Regulation, Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as "SO Regulation"), and 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-border exchanges in electricity (hereafter referred to as "Regulation (EC) No 714/2009").
- (8) This Splitting Rules Methodology takes into account the long-term capacity calculation methodology (hereafter referred to as "LT CCM") developed in accordance with Article 10 of the FCA Regulation and considers it available and implemented in order to execute allocation of transmission rights for the long-term time frame. Thus, the frequency of the allocation of

long-term transmission rights depends on the availability of capacity calculations for the long-term time frame.

- (9) This Splitting Rules Methodology shall fulfil the conditions set out in Article 16(2) of the FCA Regulation:
- a. It shall meet the hedging needs of market participants;
 - b. It shall be coherent with the capacity calculation methodology;
 - c. It shall not lead to restrictions in competition, in particular for access to long-term transmission rights.
- (10) This Splitting Rules Methodology should contribute to and not in any way hinder the achievement of the aims of Article 3 of the FCA Regulation. In accordance with the requirement of Article 4(8) of the FCA Regulation, the expected impact of the Splitting Rules Methodology is set out in this article. This Splitting Rules Methodology:
- a. promotes effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants, in accordance with Article 3(a) of the FCA Regulation, by allowing flexibility in the splitting of long-term capacity to account for market requirements;
 - b. does not hinder the optimisation of the calculation and allocation of long-term cross-zonal capacity, in accordance with Article 3(b) of the FCA Regulation, since the Splitting Rules Methodology sequentially follows the outcomes of the long-term capacity calculation process and accounts for market requirements;
 - c. provides non-discriminatory access to long-term cross-zonal capacity, in accordance with Article 3(c) of the FCA Regulation, as there are no barriers for access to the auctions of LTTRs if the conditions, cf. the Harmonised Allocations Rules, are fulfilled.
 - d. ensures fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants, in accordance with Article 3(d) of the FCA Regulation, by setting common LTTR allocation principles throughout the region, allowing participation to the LTTR auctions for all market participants meeting the HAR requirements and providing access to data to the Agency, the CCR Hansa regulatory authorities and market participants;
 - e. respects the need for a fair and orderly forward capacity allocation and orderly price formation, in accordance with Article 3(e) of the FCA Regulation, by publishing and making available in due time the cross-zonal capacity to be auctioned as LTTRs in each long-term time frame, where appropriate;
 - f. ensures and enhances the transparency and reliability of information on forward capacity allocation, in accordance with Article 3(f) of the FCA Regulation, through setting transparent principles and processes for allocating LTTRs and requiring transparent publication of relevant information on cross-zonal capacities and the LTTR allocation process to aid forecasting and hedging purposes; and,
 - g. contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union, in accordance with Article 3(g) of the FCA Regulation, by meeting the conditions of Article 16(2) of the FCA Regulation and providing the flexibility to facilitate the market requirements to be addressed in the long-term time frames without increasing administrative burden.
- (11) This Splitting Rules Methodology shall apply to all capacity made available for allocation within the requirements in Directive 2009/72/EC, Article 32 relating to Third-party access, which are therefore made available for allocation under the conditions in the FCA Regulation.

HEREBY SUBMIT THE FOLLOWING PROPOSAL FOR A SPLITTING RULES METHODOLOGY FOR THE

RELEVANT BIDDING-ZONE BORDERS OF CAPACITY CALCULATION REGION HANSA TO THE RELEVANT NATIONAL REGULATORY AUTHORITIES OF THE CAPACITY CALCULATION REGION HANSA:

CHAPTER 1
GENERAL PROVISIONS

Article 1
Subject matter and scope

1. According to Article 16 of the FCA Regulation, the CCR Hansa TSOs shall jointly develop a proposal for a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different long-term time frames within the respective region.
2. In line with Article 30(7) of the FCA Regulation, this methodology shall not apply to the CCR Hansa TSOs of the CCR Hansa bidding-zone borders of which the regulatory authorities have decided that long-term 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.
3. This Splitting Rules Methodology is the common proposal of all CCR Hansa TSOs offering LTTRs, in accordance with Article 16(1) of the FCA regulation, it covers the methodology for splitting long-term cross-zonal capacity for the long-term time frame into volumes of LTTRs to be allocated.

Article 2
Definitions

1. For the purposes of the Proposal, the terms used shall have the meaning given to them in:
 - a. Article 2 of Regulation (EC) 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) no 1228/2003;
 - b. Article 2 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline for forward capacity allocation (hereafter referred to as "FCA Regulation");
 - c. Article 2 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereafter referred to as "CACM Regulation");
 - d. Article 2 of the Harmonised allocation rules for long-term transmission rights in accordance with Article 51 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation (hereafter referred to as "HAR");
 - e. Article 2 of Commission Regulation (EU) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council (hereafter referred to as "Transparency Regulation"); and
2. In addition, in this Splitting Rules Methodology, the following definitions shall apply:
 - a. "LTTR" means a Physical or a Financial Long-Term Transmission Right in accordance with FCA Regulation Article 2.
 - b. "Interconnector" has the meaning as given in Regulation (EC) 714/2009. Multiple Interconnectors can exist on a Bidding-Zone Border (hereafter referred to as "BZB").
 - c. "Responsible TSOs" means the CCR Hansa TSOs responsible for the allocation of the long term cross-zonal capacity on the relevant Interconnector.
 - d. "Capacity Split" means the specific volumes being made available by the Responsible TSOs for allocation on the concerned Interconnector in each long-term time frame.

- e. "NTC" means the "Net Transfer Capacity" available for cross-zonal exchange resulting from the long-term capacity calculation for a specific long-term time frame on a specific bidding-zone border as defined in Article 2 of the LT CCM.
 - f. "Yearly NTC" means the net transfer capacity, resulting from the year-ahead long-term capacity calculation, which is subject to the capacity split in accordance with this methodology.
 - g. "Monthly NTC" means the net transfer capacity, resulting from the month-ahead long-term capacity calculation, which is subject to the capacity split in accordance with this methodology.
 - h. "Reference Volume" means the resulting volume of LTTRs to be allocated based on a specific Splitting Criterion and associated analyses.
 - i. "Splitting Criterion" means a set of requirements or analyses to determine a reference volume of LTTRs.
3. In this Splitting Rules Methodology, unless the context requires otherwise:
- a. The singular indicates the plural and vice versa;
 - b. Headings are inserted for convenience only and do not affect the interpretation of the methodology;
 - c. References to an "Article" are, unless otherwise stated, referring to an article of this Splitting Rules Methodology; and
 - d. Any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment includes any modification, extension or re-enactment of it when in force.

Article 3

Avoidance of undue discrimination

1. In accordance with Article 16(2)(c) of the FCA regulation, this Splitting Rules Methodology shall not lead to restrictions in competition for access to long-term transmission rights or undue restrictions in competition between purchasers of LTTRs in the auctions of LTTRs.
2. All market players shall be given access to purchase LTTRs via the Single Allocation Platform if they fulfil the general conditions set out in Chapter 2 and 3 of the HAR.

CHAPTER 2
DETERMINATION OF THE CAPACITY SPLIT FOR THE AVAILABE LONG-TERM CAPACITY

Article 4
Capacity Split Principles

1. The process and timeline of determining the Capacity Split will be similar for all applicable Interconnectors, based on the long-term capacity calculation outcomes in combination with the for that Interconnector applicable Splitting Criteria.
2. The Capacity Split will be determined on a per Interconnector basis to tailor the Capacity Split on that specific BZB to the market needs in the forward market of the connected bidding zones, in line with Article 16(2)(a) of FCA Regulation.
3. The Splitting Criteria applicable in the determination of the Capacity Split for each Interconnector are given in Annex 1.

Article 5
Coherence with the long-term capacity calculation

1. In accordance with Article 16(2)(b), the Splitting Rules Methodology shall be coherent with the capacity calculation methodology. Consequently, the total volume of LTTRs offered to the market in the Capacity Split cannot exceed the NTC as given for that respective time frame, hence:
 - a. The total volume of LTTRs allocated in the yearly time frame cannot exceed the yearly NTC. The total volume is equal to the sum of the allocated volumes for yearly products, the allocated volumes for monthly products auctioned before the monthly NTC is known, where relevant, and if applicable, the allocated volumes for long-term products with other product periods auctioned before the monthly NTC is known.
 - b. The total volume of LTTRs allocated in the monthly time frame cannot exceed the monthly NTC. The total volume is equal to the sum of the allocated volumes for yearly products, the allocated volumes for the monthly products and, if applicable, the allocated volumes for long-term products with other product periods.
 - c. In case products other than yearly or monthly products are introduced, they will have to be taken into account in the long-term NTC according to their product period.
2. In case the monthly NTC is equal to or lower than the yearly NTC, no additional LTTRs will be made available in the monthly time frame compared to the LTTRs allocated based on the capacity split after the year-ahead long-term capacity calculation. In case that the full yearly NTC is not allocated in the yearly allocation, then the capacity not allocated can be offered in the monthly auction complying with the monthly NTC calculated.

Article 6
Determination of the Capacity Split

1. The Capacity Split for a specific Interconnector shall be determined by the Responsible TSOs and shall contain direction specific volumes of all LTTR products to be offered.
2. The Responsible TSOs will determine the Capacity Split for an Interconnector based on the applicable Splitting Criteria and resulting Reference Volumes, respecting the results of the long-term capacity calculation process as described in Article 5 and, if applicable, in accordance with border specific arrangements made between Responsible TSOs and relevant NRA(s).

3. In case multiple Splitting Criteria are applied for the determination of the Capacity Split on an Interconnector, the method to combine the outcome of the separate splitting criteria (i.e. combining the Reference Volumes) into the Capacity Split is given in Annex 1.
4. In case the reference volumes or combined reference volume is higher than the LT NTC, the volumes of LTTRs to be sold in the Capacity Split shall be lowered proportionally to fit the LT NTC.
5. For each update of long-term capacities resulting from the LT CCM, the applicable splitting criteria will be updated or calculated, resulting in an updated Capacity Split.

CHAPTER 3 SPLITTING CRITERIA

Article 7

Splitting Criterion: LTTR-marginal price compared to average Day-Ahead market price spread

1. This criterion assesses the marginal price of the LTTR-auction for a given product period compared to the average hourly day ahead price spread on a CCR Hansa BZB used as the reference price for settlement of the LTTRs during the same product period.
2. The reference volume of LTTRs based on this criterion shall be determined in order to ensure the socio-economic efficiency of allocating LTTRs. The reference volume is determined as the volume of LTTRs where the historical average hourly day-ahead price spread is equal to the historical marginal price of the auction for each time frame of products.
3. The reference volume of LTTRs is determined in the following way:
 - a. The amount of LTTRs for the monthly time frame shall be set where the historical average monthly marginal prices of LTTRs for the previous 12 months (rolling average) is equal to the historical monthly average day ahead price spread for the previous 12 months.
 - b. The amount of LTTRs for the yearly time frame shall be set where the historical average monthly marginal prices of LTTRs for the previous 24 months (rolling average) is equal to the historical monthly average day ahead price spread for the previous 24 months.

Article 8

Splitting Criterion: LTTR-marginal price compared to average Forward market price spread

1. This criterion assesses the marginal price of the LTTR-auction for a given product period compared to the average price spread of the forward market products for the same product period between the two forward markets connected to the applicable BZB in the two weeks preceding the LTTR-auction. Marginal price and price spread are directional.
2. The reference volume of LTTRs based on this criterion shall be determined in order to ensure the socio-economic efficiency of allocating LTTRs. The reference volume is determined as the volume of LTTRs on the bid curve of the LT-auction belonging to the point where the historical average price spread of the applicable forward market products is equal to the historical marginal price of the auction for similar product periods.
3. In case of yearly products, the reference volume of LTTRs is equal to the average of the reference volumes of the past two annual auctions (e.g. for yearly LTTRs with product period Y, the yearly auctions of Y-1 and Y-2 will be used).
4. In case of monthly products, the reference volume of LTTRs is equal to the average of the reference volumes of the past 12 monthly auctions (e.g. for monthly LTTRs with product period M, the monthly auctions of M-1 through to M-12 will be used).

Article 9

Splitting Criterion: Price formation of LTTR auctions

1. The criterion assesses whether the clearing price of the LTTR auctions is formed in a competitive manner. Indicators to assess whether the price formation of the LTTR auction is functioning well can be, but are not limited to:
 - a. Volume of the auction bids versus the allocated volume, to assess whether the bid list is consisting of a sufficient volume of bids to form a realistic bid curve (i.e. whether sufficient

- competition for the auctioned volume exist).
- b. Quantity of auction participants and additionally compared to the number of auction winners, to assess whether sufficient players are participating to avoid gaming and misuse of market power of a limited set of market participants.
 - c. Bid stepsize (i.e. the price difference between subsequent LTTR-bids) surrounding the auction clearing point, to assess whether the auction has cleared on a position of the bid curve where the price is competitive (i.e. whether the auction has cleared on a 'stable' point in the bid curve).
2. In case all indicators indicate a competitive LTTR auction, no reference volume adjustment for the following LT-auction will be given.
 3. In case one of the indicators indicates a non-competitive LTTR auction, the final reference volume for the following LT-auction will be adjusted to a LTTR volume that safeguards a competitive LTTR auction for this indicator.

Article 10

Splitting Criterion: Balance of LTTRs offered throughout all LT time frames

1. The availability of LTTRs across the different long-term time frames, at least on an annual and monthly time frame in accordance with Article 31 of the FCA Regulation, shall be balanced by considering the conditions set out in Article 16(2) of the FCA Regulation:
 - a. Regarding the conditions set out by Article 16(2)(a) and Article 16(2)(c) of the FCA Regulation, TSOs applying this splitting criterion shall assess the needs of the market participants every three years, based on input provided by market participants. The first assessment shall be done no later than three years after this Splitting Rules Methodology is into force.
 - b. Regarding the condition set out by Article 16(2)(b), TSOs applying this splitting criterion shall assess the coherence with the Hansa LT CCM every three years, based on the capacity calculation outcomes of the different long-term time frames.
2. Based on the assessments performed under Article 10(1), the final reference volumes for the following LT-auction can be adjusted to a LTTR volume that is in line with the conditions set out in Article 16 of the FCA Regulation.

Article 11

Splitting Criterion: Fixed percentage of long-term NTC offered as LTTRs

1. For the yearly NTC applies; the reference volume of the LTTRs with a given product period to be allocated is a fixed percentage of the yearly NTC. The resulting percentages for all offered LTTRs with a given product period are given for that Interconnector in Annex 1.
2. For the monthly NTC applies; the reference volume of the LTTRs with a given product period of one month or less to be allocated is a fixed percentage of the additional capacity available due to the monthly LT CC (i.e. the difference between the yearly NTC and monthly NTC). The resulting percentages for all applicable LTTRs are given for the specific Interconnector in Annex 1.

CHAPTER 4 REPORTING PROVISIONS

Article 12

Provision of data to national regulatory authorities

1. All technical and statistical information related to this Splitting Rules Methodology shall be made available upon request to the applicable NRAs of the CCR Hansa.
2. Any data requirements should be managed in line with confidentiality requirements pursuant to national legislation.

Article 13

Reporting obligations

1. The Responsible TSOs shall, in compliance with national legislation and in accordance with Article 3(f) of the FCA Regulation, and in addition to the data items and definitions of Transparency Regulation, publish the following on a regular basis and as soon as possible;
 - a. The marginal auction price and demand curve for all LTTR auctions performed on the corresponding Interconnector.
 - b. The analyses to determine the reference volume for each splitting criterion applicable for the corresponding Interconnector.
 - c. The Capacity Split relating to a specific time frame before the first allocation of capacity relating to that time frame, following long-term capacity calculation and applicable splitting criteria analyses.

**CHAPTER 5
FINAL PROVISIONS**

**Article 14
Implementation**

1. In accordance with Article 4(8) of the FCA Regulation, implementation of this Splitting Rules Methodology shall be aligned to the implementation of the LT CCM required by Article 10 of the FCA Regulation or aligned with a decision taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 4(9), Article 4(10) and Article 4(11) of the FCA regulation regarding the Splitting Rules Methodology or the LT CCM.
2. The first LTRR auctions to which the splitting rules in this Splitting Rules Methodology are applied are the first LTRR auctions of the first calendar year for which no long-term allocation has yet taken place after implementation of the LT CCM.

**Article 15
Language**

1. The reference language for this methodology shall be English.
2. For the avoidance of doubt, where CCR Hansa TSOs need to translate this Splitting Rules Methodology into their national language(s), in the event of inconsistencies between the English version published by the 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 CCR Hansa NRAs with an updated translation of the Splitting Rules methodology.

ANNEX 1

Overview of CCR Hansa borders with LTTRs and applicability of the Splitting Criteria

Interconnector:	AC-grid connection
Bidding-Zone Border:	DK1-DE/LU
Responsible TSOs:	TenneT TSO GmbH, Energinet
Applicable Splitting Criteria:	- Article 7 - Article 10
<u>Combination of multiple Splitting Criteria:</u>	
The volume of LTTRs with a given product period to be offered is the average of the reference volumes for that respective product period.	

Interconnector:	KonTek
Bidding-Zone Border:	DK2-DE/LU
Responsible TSOs:	50Hertz Transmission GmbH, Energinet
Applicable Splitting Criteria:	- Article 7 - Article 10 - Article 11
<u>Combination of multiple Splitting Criteria:</u>	
The volume of LTTRs with a given product period to be offered is the average of the reference volumes for that respective product period.	
<u>Applicable percentages for Article 11(1):</u> 20% of the Yearly NTC is the reference volume for yearly LTTRs. 20% of the Yearly NTC is the reference volume for monthly LTTRs allocated based on the Yearly NTC.	
<u>Applicable percentages for Article 11(2):</u> 20% of the additional capacity due to the monthly LT CC is the reference volume for monthly LTTRs additional to the monthly LTTRs allocated based on the Yearly NTC.	

Interconnector:	Krieger's Flak Combined Grid Solution
Bidding-Zone Border:	DK2-DE/LU
Responsible TSOs:	50Hertz Transmission GmbH, Energinet
Applicable Splitting Criteria:	- Article 11
<u>Applicable percentages for Article 11(1):</u> 20% of the yearly NTC is the reference volume for yearly LTTRs. 20% of the yearly NTC is the reference volume for monthly LTTRs allocated based on the Yearly NTC.	
<u>Applicable percentages for Article 11(2):</u> 20% of the additional capacity due to the monthly LT CC is the reference volume for monthly LTTRs additional to the monthly LTTRs allocated based on the Yearly NTC.	

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Interconnector:	CobraCable
Bidding-Zone Border:	DK1-NL
Responsible TSOs:	TenneT TSO B.V., Energinet
Applicable Splitting Criteria:	- Article 7 - Article 8 - Article 9 - Article 10
<u>Combination of multiple Splitting Criteria:</u> The volume of LTTRs with a given product period to be offered is the average of the reference volumes for that respective product period.	