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**Capacity Calculation Region Hansa's proposal for the regional design of long-term transmission rights in accordance with Article 31 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation**

17<sup>th</sup> of November 2017

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The Transmission System Operators within the Capacity Calculation Region Hansa, taking into account the following:

### **Whereas**

- (1) The European Commission has established Regulation (EU) 2016/1719 laying down detailed rules on cross-zonal capacity allocation on the forward markets (hereinafter referred to as the “**FCA Regulation**”), which entered into force on 17 October 2016.
- (2) Article 31 of the FCA Regulation requires Transmission System Operators (hereafter referred to as “**TSOs**”) of a capacity calculation region (hereafter referred to as “**CCR**”), where long-term transmission rights (hereafter referred to as “**LTTRs**”) exist, to jointly develop a proposal for the regional design of LTTRs to be issued on the relevant bidding zone borders within the CCR.
- (3) Article 31 of the FCA Regulation constitutes the legal basis for this Proposal and defines specific requirements that this Proposal should take into account. Article 31 has the following content:

*“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.”*

- (4) This document is a common proposal by the TSOs of the CCR Hansa 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) 2017/1222.
- (5) The CCR Hansa TSOs’ proposal for the regional design of LTTRs (hereafter referred to as the **“CCR Hansa TSOs’ LTTR proposal”**) takes into account the general principles and goals set in 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-border 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 cooperate on a pan-European level and across bidding zone borders.
- (6) According to Article 4(8) of the FCA Regulation, the expected impact of the CCR Hansa TSOs’ LTTR proposal on the objectives of the FCA Regulation has to be described and is presented below.
- (7) The CCR Hansa TSOs’ LTTR proposal 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 CCR Hansa TSOs’ LTTR proposal serves the objectives of promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants and respects the need for a fair and orderly forward capacity allocation and orderly price formation, as this proposal clearly identifies long-term transmission rights that can be offered across CCR Hansa bidding zone borders, which provides the market participants with a range of options for cross-zonal hedging opportunities.
- (8) The CCR Hansa TSOs’ LTTR proposal clearly lists all long-term transmissions rights that can be offered across CCR Hansa bidding zone borders and the implementation of the products, which ensures and enhances transparency and reliability of information on forward capacity allocation.
- (9) The CCR Hansa TSOs’ LTTR proposal ensures a fair and non-discriminatory treatment of TSOs, the Agency, NRAs and market participants and provides a non-discriminatory access to long-term cross-zonal capacity as this proposal envisages the use of the Harmonised Allocation Rules (hereafter referred to as **“HAR”**), the Single Allocation Platform (hereafter referred to as **“SAP”**) and a common description of the long-term products in regards to form, timeframes, and type.
- (10) In conclusion, the CCR Hansa TSOs’ LTTR proposal contributes to the general objectives of the FCA Regulation to the benefit of all market participants and electricity end consumers.

**SUBMIT THE FOLLOWING PROPOSAL FOR THE REGIONAL DESIGN OF LONG-TERM TRANSMISSION RIGHTS TO ALL NATIONAL REGULATORY AUTHORITIES WITHIN CCR HANSA:**

## **Article 1 – Subject, matter, and scope**

Arrangements described in this CCR Hansa TSOs' LTTR proposal are in accordance with Article 31 of the FCA Regulation.

## **Article 2 - Definitions and interpretation**

1. For the purposes of the CCR Hansa TSOs' LTTR proposal, the terms used shall have the meaning of the definitions included in Article 2 of the FCA Regulation and Regulation (EC) No 714/2009.
2. The terms used in this proposal shall have the meaning of the definitions in the latest approved version of HAR.
3. In addition, the following definition shall apply:
  - a) "Base load products" means a fixed amount of MW is allocated throughout all hours of all relevant days of the period subject to announced reduction periods.
4. In this CCR Hansa TSOs' LTTR proposal, 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 CCR Hansa TSOs' LTTR proposal;
  - c) references to an "Article" or "Annex" are, unless otherwise stated, references to an Article of this CCR Hansa TSOs' LTTR proposal; and
  - d) 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 – General principles**

1. The CCR Hansa TSOs' LTTR proposal aims for a harmonized and simple design of LTTRs within the CCR Hansa in order to promote the objectives set out in Article 3 of the FCA Regulation.
2. 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 the point in time onwards at which these methodologies have been approved and implemented.
3. For each bidding zone border in CCR Hansa where LTTRs exist, the SAP established according to FCA GL shall be used for offering long-term cross-zonal capacities to the market participants in accordance with the allocation rules set out in the HAR.

#### **Article 4 - Bidding zone borders covered**

1. The bidding zone borders covered by CCR Hansa TSOs' LTTR proposal include all borders between two bidding zones, which are part of the CCR Hansa according to ACER Decision No. 06/2016 subject to provisions of Article 4.3.
2. CCR Hansa TSOs' LTTR proposal does not apply to bidding zone borders for which the competent regulatory authorities have adopted coordinated decisions not to issue LTTRs in accordance with Article 30(1) of the FCA Regulation.
3. The bidding zone borders covered by the CCR Hansa TSOs' LTTR proposal are set out in Annex 1.
4. In case of the introduction of new bidding zone borders or the deletion of bidding zone borders within the CCR Hansa where LTTRs are to be allocated, the CCR Hansa TSOs' LTTR proposal shall be amended accordingly, as set out in Article 4(12) of the FCA Regulation.

#### **Article 5 – Type of long-term transmission rights**

1. In accordance with Article 31(1) and 31(6) of the FCA Regulation, LTTRs shall be offered to the market participants in the form of Physical Transmission Rights (PTRs) pursuant to the UIOSI principle; or in the form of Financial Transmission Rights-options and/or Financial Transmission Rights-obligations.
2. The definition as of the product types defined in paragraph 1 follows the definitions and provisions set out in the HAR.
3. The type of LTTRs that shall be applied on each bidding zone border covered by this CCR Hansa TSOs' LTTR proposal is defined in Annex 1.

#### **Article 6 – Forward capacity allocation timeframes**

1. LTTRs shall at least be issued for the forward capacity timeframes month and year, in accordance with Article 31(2) of the FCA Regulation.
2. Additional timeframes other than the forward capacity timeframes month and year as described in paragraph 1 of this Article may be issued upon approval by relevant NRAs.

#### **Article 7 – Form of products**

1. LTTRs shall be issued in form of base load products with a fixed amount of MW over the product period.
2. Additional products other than the base load products described in paragraph 1 of this Article may be issued upon approval by relevant NRAs.
3. 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.

### **Article 8 – Implementation**

The CCR Hansa TSOs' LTTR proposal shall be implemented on bidding zone borders where LTTRs are issued by no later than for the next yearly auction after approval, in accordance with the auction calendar as coordinated and published by the SAP.

### **Article 9 – Language**

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

## Annex 1

List of bidding zone borders where the regional design of long-term transmission rights applies

CCR Hansa bidding zone border	Type of LTTRs	Timeframe	Product
Denmark (DK1) - Germany/Luxembourg (DE/LU)	FTR - options	Yearly & Monthly	Base-load
Denmark (DK2) - Germany/Luxembourg (DE/LU)	FTR - options	Yearly & Monthly	Base-load