

Channel 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

~~20 January~~ ~~23 October~~ 2020

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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 Channel Capacity Calculation Region (hereinafter referred to as the Channel Region), 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 which entered into force on 26 September 2016 (herein referred to as the “FCA Regulation”).
- (2) In accordance with Article 16(1), 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.
- (3) In accordance with Article 16(1) 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) 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 all regulatory authorities of the Channel Region in accordance with Article 4 of the FCA Regulation.
- (5) 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.
- (6) 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. This Splitting Rules Methodology:
 - a. promotes effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants 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, since the Splitting Rules shall follow the capacity calculation and account for market requirements;
 - c. provides non-discriminatory access to long-term cross-zonal capacity by providing a mix of product periods via the use of maximum and minimum splits;
 - d. ensures fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants by applying the same common principles on all Bidding Zone Borders within the Channel Region, and by applying the same range of parameters on all interconnectors within each Bidding Zone Border;
 - e. respects the need for a fair and orderly forward capacity allocation and orderly price formation;
 - f. ensures and enhances the transparency and reliability of information on forward capacity allocation through requiring publication of relevant information and, where necessary and beneficial, supporting materials;
 - g. contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union, by meeting the conditions of Article 16(2) of the FCA Regulation and providing the flexibility for market requirements to be addressed over the long-term without increasing administrative burden.

(7) 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.

SUBMIT THE FOLLOWING CHANNEL SPLITTING RULES METHODOLOGY PROPOSAL TO NATIONAL REGULATORY AUTHORITIES OF THE CHANNEL REGION

GENERAL PROVISIONS

Article 1

Subject matter and scope

1. As required under Article 16 of the FCA Regulation, each TSO, in coordination with all the other TSOs in the capacity calculation region, shall develop a proposal for the splitting of long-term cross-zonal capacity in a coordinated manner between different long-term time frames within the respective region.
2. This Splitting Rules Methodology is the common proposal of all TSOs of the Channel Region in accordance with Article 16 of the FCA Regulation.

Article 2

Definitions

1. For this proposal, the definitions in Article 2 of Regulation (EU) 2019/943, Article 2 of the FCA Regulation and Article 2 of the Harmonised Allocation Rules ("HAR") shall apply.
2. In addition, the following definitions shall apply:
 - a) 'Capacity Split' shall mean the specific volumes being made available by the Responsible TSO(s) for allocation on the concerned Interconnector in each long-term timeframe.
 - b) 'Interconnector' shall have the meaning given in Regulation (EU) 2019/943. Multiple Interconnectors can exist on a Bidding Zone Border.
 - c) 'Long-Term Capacity Calculation' means the common coordinated capacity calculation as set out in the capacity calculation methodology in accordance with ~~Article~~ Article 10 of the FCA Regulation.
 - d) 'Long-Term Cross-Zonal Capacity' means, for each Interconnector, the Nominal Capacity less the capacity reserved for daily allocation.
 - e) 'Nominal Capacity' shall mean the 'maximum HVDC active Power transmission capability' as defined in Commission Regulation (EU) 2016/1447 and taking account of the losses of the Interconnector.
 - f) 'Responsible TSO(s)' shall mean the Channel Region TSO(s) responsible for the allocation of the cross-zonal capacity of a particular Interconnector.
 - g) 'Splitting Range' shall mean the maximum and minimum percentage of an Interconnector's ~~Long-Term Cross-Zonal~~ ~~Nominal~~ Capacity that shall be made available for allocation in each long-term timeframe, or group of long-term timeframes, for each Interconnector.

SPLIT OF LONG-TERM CAPACITY

Article 3

Coherence with the long-term capacity calculation

1. In accordance with FCA Regulation Article 16(2)(b), the Splitting Rules Methodology shall be coherent with the capacity calculation methodology. Consequently, the total volume of Long-Term Cross-Zonal Capacity offered for forward capacity allocation in the Capacity Split cannot exceed the net transmission capacity ("NTC") as given for that respective time frame, hence:
 - a) The total volume of Long-Term Cross-Zonal Capacity allocated in the annual time frame cannot exceed the annual NTC as determined by the Long-Term Capacity Calculation. The total volume is equal to the sum of the allocated volumes for;

- i. all the long-term products with a delivery period greater than a month, defined in the regional design of long-term transmission rights methodology required by the FCA Regulation Article 31; and
 - ii. monthly products, if allocated before the monthly NTC, as determined by the Long-Term Capacity Calculation, ~~is still~~ known.
- b) The total volume of Long-Term Cross-Zonal Capacity allocated in the monthly time frame cannot exceed the monthly NTC as determined by the Long-Term Capacity Calculation. The total volume is equal to the sum of the allocated volumes for all the long-term products defined in the regional design of long-term transmission rights methodology required by the FCA Regulation Article 31.
2. Once an annual or monthly NTC has been determined by a Long-Term Capacity Calculation, any subsequent calculation that results in a lower annual or monthly NTC will result in any allocated capacity above the revised NTC being curtailed by the relevant TSO in accordance with ~~the~~ Article 57 of the HAR. No additional Long-Term Cross-Zonal Capacity ~~being will be~~ made available in the relevant time frame.

Commented [AP1]: Typo.

Commented [AP2]: Typo.

Commented [AP3]: Typo.

Article 4 Splitting Ranges

1. The Splitting Ranges shall be harmonised across all Interconnectors in the Channel Region, and the values are given in the Annex 1 of this Splitting Rules Methodology.
2. The same Splitting Range shall apply to both directions of capacity.
3. Long-term timeframes with a shorter delivery duration than monthly shall be grouped into a single Splitting Range for those timeframes.
4. The Responsible TSO(s) can offer for allocation less than the minimum % range identified in Annex 1 in the following situations:
 - a) Capacity cannot be offered for allocation due to the Long-Term Capacity Calculation result being less than the minimum percentage.
 - b) Capacity is not offered for allocation due to an outage that lasts the duration of the timeframe concerned.
 - c) An Interconnector has been unavailable for an extended period during the calendar year or is yet to begin operations.

Article 5 Capacity Split Principles

1. The Capacity Split shall contain volumes determined for each long-term timeframe, or group of timeframes, related to each Interconnector, for a period of a whole calendar year (or part thereof).
2. ~~Where there is sufficient capacity, as determined by the Long-Term Capacity Calculations, Channel TSOs shall make at least 35% of the Nominal Capacity available for long-term allocation.~~
- 2.3. ~~In accordance with Article 17 of Regulation (EU) 2019/943 Channel TSOs will reserve a minimum of 10% of the interconnection capacity for daily allocation from the Nominal Capacity. As a result, the Long Term Cross-Zonal Capacity can be up to 90% of the Nominal Capacity for the Capacity Split. For the avoidance of doubt, Channel TSOs will ensure that any capacity not allocated through long-term allocation will be made available for daily and/or intraday allocation.~~
- 3.4. The Capacity Split for each Interconnector shall:
 - a) Be determined independently for each direction;
 - b) Respect the Splitting Ranges except in the situations detailed in Article 4; and
 - c) Be determined solely by the Responsible TSO(s) relating to the Interconnector in question.

Commented [AP4]: Added clarification.

4.5. The Capacity Split shall be determined by the Responsible TSO(s) by conducting analysis based on factors such as;

- a) historic allocation results and prices, e.g. number of participants to ensure enough liquidity in any given auction, the timing of the auction, the volume of the bids against the volume offered;
- b) forward energy curves and fuel price forecasts, e.g. indicators of the potential value and price spreads over various timeframes which indicate how market participants value capacity;
- c) planned market evolutions, e.g. introduction of new competitors on the border or within the region, new regulatory requirements and market design changes;
- d) new technologies; e.g. new technology could change energy demands within the market; and
- e) direct feedback from market parties e.g. bilateral customer feedback on the capacity offered and auctions.

All the above factors are considered to develop a Capacity Split that facilitates market hedging opportunities across each of the Channel borders.

Article 6 Capacity Split Assessment Process

1. Provisional version of the Capacity Split:
 - a) The Responsible TSO(s) for each Interconnector shall determine a provisional version of the Capacity Split, at least each year, in accordance with the terms of Article 5, based on the ~~Long-Term Cross-Zonal~~ Nominal Capacity.
 - b) The Responsible TSO(s) shall publish the provisional version of the Capacity Split in accordance with Article 7.
2. Following the first annual Long-Term Capacity Calculation:
 - a) The Responsible TSO(s) for each Interconnector may amend the Capacity Split to ensure that future allocations can fulfil this Splitting Rules Methodology and meet the requirements of market parties, in accordance with the terms of Article 5, based on the result of the Long-Term Capacity Calculation.
 - b) The Responsible TSO(s) shall then publish a Capacity Split in accordance with Article 7.
3. Following each subsequent Long-Term Capacity Calculation:
 - a) The Responsible TSO(s) may reassess the Capacity Split to ensure that future allocations can fulfil this Splitting Rules Methodology and meet the requirements of market parties, in accordance with the terms of Article 5.
 - b) The Responsible TSO(s) may amend the Capacity Split and publish in accordance with Article 7.
4. Amendments to the Capacity Split, as described in paragraphs (2) and (3), are only permitted following:
 - a) the Long-Term Capacity Calculation giving a result that is less than the Nominal Capacity, and/or
 - b) changes to the planned and unplanned unavailability of Channel cross-border transmission infrastructure, and/or
 - c) significant changes to the planned and unplanned unavailability of power generation and consumption units in the Channel Region, and/or
 - d) significant changes to energy product liquidity in the Channel Region's markets, and/or
 - e) significant changes to demand or generation patterns in the Channel Region.
5. No amendments to the Capacity Split, other than those identified in paragraphs (2) and (3), are permitted.
6. Any amendment to the Capacity Split carried out in accordance with paragraph (2) or paragraph (3) shall comply with the Splitting Ranges set out in Annex 1.

Commented [AP5]: As proposed and discussed between NRAs and TSOs at the conference call of 14th September 2020, the split shall be of Nominal Capacity.

Commented [AP6]: Newly added restrictions on circumstances leading to a change in Capacity Split.

Commented [AP7]: Text added following NRAs email on 13th October 2020.

Article 7
Reporting

1. The provisional version of the Capacity Split for each delivery year and the Nominal Capacity shall be published by the Responsible TSO(s) of each Interconnector on the website of the Allocation Platform at the same time as the provisional Auction calendar pursuant to the HAR.
2. The Capacity Split, and in the case of any changes to the Capacity Split, the reason(s) for such changes (citing the event(s) that led to the change, in accordance with Article 6.4 of this Splitting Rules Methodology) shall be published by the Responsible TSO(s) of each Interconnector on the website of the Allocation Platform:
 - a) Before the first allocation of capacity relating to that delivery year, following the Long-Term Capacity Calculation; and
 - b) Following each revision of the Capacity Split in accordance with Article 6 of this Splitting Rules Methodology.

Commented [AP8]: Additional reporting of reason in case of a change in Capacity Split.

3. In January each year, a report may be published by each Responsible TSO(s) on their website detailing any changes to the Capacity Split resulting from reductions to the ~~Long-Term-Cross-Zonal~~Nominal Capacity imposed by the results of the Long-Term Capacity Calculation over the previous calendar year.

FINAL PROVISIONS

Article 8 Implementation

Implementation of this Splitting Rules Methodology shall be aligned to the implementation of the Long-Term Capacity Calculation for each Interconnector starting with the first calendar year for which no Long-Term allocation has yet taken place.

Article 9 Publication

This Splitting Rules Methodology shall be published without undue delay after the approval by all relevant regulatory authorities or ACER in accordance with ~~an~~Article 4(13) of the FCA Regulation.

Article 10 Language

The reference language for this Splitting Rules Methodology shall be English. For the avoidance of doubt, where TSOs need to translate this Splitting Rules 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 national regulatory authorities with an updated translation of the Splitting Rules Methodology.

**ANNEX 1
Splitting Ranges**

The following ranges shall apply to each Interconnector on all Channel Region Bidding Zone Borders in both directions.

Timeframe	Min % of Long-Term Cross-Zonal/Nominal Capacity	Max % of Long-Term Cross-Zonal/Nominal Capacity
Annual	5 20%	95 70%
Seasonal	0%	90 20%
Quarterly	0%	90 30%
Monthly	7 .5%	95 30%
Sum of all Long-Term timeframes shorter than monthly	0%	90 20%

Commented [AP9]: Amendment of ranges in line with provided historical justification.

100% of the Long-Term Cross Zonal Capacity shall be split in accordance with the above table. ~~The reserved capacity~~ Channel TSOs shall make at least 35% of Nominal Capacity available for ~~daily~~ long term allocation ~~is not included in accordance with Article 5 of this percentage~~ Splitting Rules Methodology, which shall be made up of at least 20% of annual, 7.5% of monthly and 7.5% from any long term timeframe.

Commented [AP10]: Added clarification.