

Baltic Capacity Calculation Region's 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

27 May 2022

The Transmission System Operators of the Baltic Capacity Calculation Region, taking into account the following,

Whereas

- (1) This document is a common proposal developed by the Transmission System Operators (hereafter referred to as “TSOs”) of the Baltic Capacity Calculation region (hereafter referred to as “Baltic CCR”) regarding regional design of long-term transmission rights (hereafter referred to as “LTTR RD”).
- (2) The proposal for regional design of LTTRs takes into account the general principles, goals set out in the Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation (hereafter referred to as the “FCA Regulation”) as well as Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (hereafter referred to as “Regulation (EU) 2019/943”). The FCA Regulation lays down detailed rules on cross-zonal capacity allocation in the forward markets, on the establishment of a common methodology to determine long-term cross-zonal capacity, on the establishment of a single allocation platform at European level offering long-term transmission rights, and on the possibility to return long-term transmission rights for subsequent forward capacity allocation or transfer long-term transmission rights between market participants. The FCA Regulation also sets rules for establishing European Harmonised Allocation Rules and regional/border specific annexes (hereafter referred to as “EU HAR”). The EU HAR established according to the FCA Regulation shall contain at least the description of the allocation process/procedure for LTTRs, including the minimum requirements for participation, financial matters, type of products offered in explicit auctions, nomination rules, curtailment and compensation rules, rules for market participants in case they are transferring their LTTRs, the use-it-or-sell-it principle (hereafter referred to as “UIOSI”), rules as regards to force majeure and liability. The EU HAR should also outline the contractual obligations to be respected by market participants. The LTTR RD is based on the rules set out in EU HAR.
- (3) This LTTR RD takes into account the competent Baltic CCR National Regulatory Authorities’ (hereafter referred to as “NRAs”) decisions on cross-zonal risk hedging opportunities in accordance with Article 30 of FCA Regulation.
- (4) This LTTR RD takes into account the Opinion No 03/2022 of the European Union Agency for the Cooperation of Energy Regulators of 8 March 2022 relating to the implementation of long-term transmission rights on the FI-EE bidding zone border according to which “FCA Regulation does not expressly condition the allocation of LTTRs on the use of a specific capacity calculation methodology” and “cross-zonal capacity may be split according to a methodology bilaterally agreed by the relevant TSOs, subject to regulatory oversight, until the splitting methodology according to Article 16 of the FCA Regulation has been implemented”.
- (5) Article 31 of the FCA Regulation constitutes the legal basis for the LTTR RD and defines specific requirements that the LTTR RD should take into account Article 31 of the FCA Regulation 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.”

“7. A review of long-term transmission rights offered on a bidding zone border may be launched by:

- (a) all regulatory authorities of the bidding zone border, at their own initiative; or*
- (b) all regulatory authorities of the bidding zone border based upon a recommendation from the Agency or joint request by all TSOs of the concerned bidding zone border.”*

“8. All TSOs in each capacity calculation region shall be responsible for undertaking the review as provided for in paragraph 9.”

“9. Each TSO involved in the review of long-term transmission rights shall:

- (a) assess the offered long-term transmission rights taking into account the characteristics in paragraph 4;*
- (b) if considered necessary, propose alternative long-term transmission rights, taking into account the result of the assessment in subparagraph (a);*
- (c) carry out a consultation in accordance with Article 6 regarding:*
 - (i) the results of the assessment of the offered long-term transmission rights;*
 - (ii) if applicable, the proposal for alternative long-term transmission rights.*

“10. Following the consultation referred to in paragraph 9(c) and within three months of the issuance of the decision to launch a review, the TSOs of the capacity calculation region concerned shall jointly submit a proposal to the competent regulatory authorities to maintain or amend the type of long-term transmission rights.”

In regards to regulatory approval, Article 4(7) of the FCA Regulation states:

“The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region: [...] (c) the regional design of long-term transmission rights pursuant to Article 31; [...]”

- (6) According to Article 4(8) of the FCA Regulation, proposed timescale for the implementation and the expected impact of the LTTR RD on the objectives of the FCA Regulation has to be described and is presented below.
- (7) The LTTR RD 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 LTTR RD serves the objective of promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants as the LTTR RD envisage the use of the EU HAR and the Single Allocation Platform (hereafter referred to as the “SAP”) established according to the FCA Regulation and a common description of the LTTRs in regards to form, time frames, type of product, borders covered and considers the Baltic CCR market participants needs for different allocation time frames of the long-term products.
- (8) The objective of optimising the allocation of long-term cross-zonal capacity is achieved with this LTTR RD, notably because the long-term cross-zonal capacities are offered through the SAP.
- (9) In addition, this LTTR RD ensures the provision of non-discriminatory access to long-term cross-zonal capacity by offering the long-term cross-zonal capacities through the SAP subject to the EU HAR.
- (10) Furthermore, this LTTR RD ensures fair and non-discriminatory treatment of all affected parties, as it sets rules to be applied by all parties.
- (11) Moreover, this LTTR RD also provides a regime which respects the need for a fair and orderly forward capacity allocation and orderly price formation as EU HAR is envisaged with a single capacity allocation algorithm based on merit order priority in the allocation.
- (12) Regarding the objective of transparency and reliability of information on forward capacity allocation, the LTTR RD assures a single and centralised source of information related to forward capacity allocation through the SAP.
- (13) The LTTR RD also contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union, as it optimises capacity allocation of long-term capacity by offering financial long-term transmission rights in the form of product, timeframe and type and ensures the use of the EU HAR and the SAP. Further, the LTTR RD provides a time schedule for implementation.
- (14) In conclusion, the LTTR RD contributes to the general objectives of the FCA Regulation to the benefit of all market participants and electricity end consumers.

**SUBMIT THE FOLLOWING LTTR RD TO THE RELEVANT REGULATORY
AUTHORITIES OF BALTIC CCR:**

**Article 1
Subject matter and scope**

1. Arrangements described in this LTTR RD are in accordance with Article 31 of the FCA Regulation.

**Article 2
Definitions and interpretation**

1. For the purposes of the LTTR RD, terms used in this document shall have the meaning of the definitions included in Article 2 of the FCA Regulation, Regulation (EU) 2019/943, and Commission Regulation (EU) 543/2013¹.
2. In this LTTR RD, 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 LTTR RD; and
 - c) 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
Language**

1. The reference language for this LTTR RD shall be English. For the avoidance of doubt, where TSOs need to translate this LTTR RD into national language(s), in the event of inconsistencies between the English version published by TSOs in Baltic CCR 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 authority with an updated translation of the LTTR RD.

**Article 4
General principles**

1. The LTTR RD, aims at a harmonized and simple design of LTTRs within the Baltic CCR 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 such a time these methodologies have been approved and implemented. Until these methodologies have been approved and implemented, the cross-zonal capacity is calculated and split according to a methodology bilaterally agreed by the relevant TSOs, subject to regulatory oversight.

¹ 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 ([OJ L 163, 15.6.2013, p. 1](#)).

Article 5
Bidding-zone borders covered

1. This LTTR RD applies to all bidding zone borders of the Baltic CCR unless the competent regulatory authorities have adopted coordinated decisions not to issue LTTRs in accordance with Article 30(1) of the FCA Regulation.
2. The bidding-zone borders covered by the LTTR RD are set out in Annex 1.

Article 6
Application of the European Harmonised Allocation Rules

1. The EU HAR and regional/border specific annexes established according to Article 51 of the FCA Regulation and approved by all NRAs pursuant to Article 4(6) of the FCA Regulation shall set the terms and conditions for the harmonised allocation of LTTRs including regional and bidding zone border specific requirements.
2. Each bidding zone border covered by this LTTR RD shall follow the requirements set out in the applicable EU HAR.

Article 7
Application of the Single Allocation Platform

1. The SAP established by all TSOs in accordance with Article 49 of the FCA Regulation and approved by all NRAs pursuant to Article 4(6) of the FCA Regulation shall undertake the allocation functions and requirements in accordance with the FCA Regulation.
2. For each bidding zone border covered by this LTTR RD the SAP shall be used for offering LTTRs to the market participants.

Article 8
LTTR RD in the Baltic CCR

1. The type of LTTRs offered in the Baltic CCR shall be financial transmission rights — options (hereafter referred to as “FTRs – options”) as defined in Article 33 of FCA Regulation.
2. The forward capacity allocation time frames, subject to product availability, are defined as follows:
 - a. yearly timeframe: it starts on the first day and ends on the last day of a calendar year;
 - b. quarterly timeframe: it starts on the first day and ends on the last day of a quarter (three (3) months); and
 - c. monthly timeframe: it starts on the first day and ends on the last day of a calendar month.
3. The form of product is base load. Base load means a fixed amount of MW is allocated throughout the hours 00:00 – 24:00 CET of all relevant days of the period subject to announced reduction periods. 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).
4. The LTTRs that shall be issued on each bidding-zone border are defined in Annex 1.

Article 9
Publication and implementation

1. The relevant TSOs shall publish the LTTR RD without undue delay after the approval by the relevant NRAs or a decision has been taken by the ACER in accordance with Article 4(10) and Article 4(11) of the FCA Regulation.

2. The implementation of the LTTR RD shall coincide with the auction calendar as coordinated and published by the SAP.
 - a) The implementation of auctions with a yearly timeframe on all bidding zone borders covered by this LTTR RD will be completed no later than for the next yearly auction after the approval, in accordance with the auction calendar as coordinated and published by the SAP.
 - b) The implementation of auctions with a quarterly timeframe on all bidding zone borders covered by this LTTR RD will be completed no later than for the next quarterly auction after the approval, in accordance with the auction calendar as coordinated and published by the SAP.
 - c) The implementation of the auction with monthly timeframe on all bidding zone borders covered by this LTTR RD will be completed no later than for the next monthly auction following the month after the approval, in accordance with the auction calendar as coordinated and published by the SAP.
3. The LTTR RD will be implemented following the milestones below:
 - a) The establishment and implementation of the SAP in accordance with Article 48 of the FCA Regulation;
 - b) The implementation of EU HAR in accordance with Article 51 of the FCA Regulation;
 - c) Relevant TSOs have agreed on the splitting of long-term transmission rights at least for yearly and monthly timeframes.

Annex 1

List of bidding zone borders where Baltic CCR regional design of LTTRs apply

| Bidding zone borders and responsible TSOs | Type of LTTRs | Time frames | Form of product |
|--|---|----------------------------------|-----------------|
| Estonia (EE) Elering AS -> Latvia (LV) AS “Augstsprieguma tīkls” | FTRs - options in direction from Estonia to Latvia | Yearly; Quarterly; Monthly | Base load |
| Finland (FI) Fingrid OYJ -> Estonia (EE) Elering AS | FTRs - options in direction from Finland to Estonia | Yearly; Monthly | Base load |