

Bilateral methodology for determining  
and splitting the long-term cross-zonal  
capacity for the purpose of allocating  
long-term transmission rights on the  
Finnish–Estonian bidding zone border

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4 July 2022

Elering AS and Fingrid Oyj, taking into account the following:

### **Whereas**

(1) This document is a common proposal of Elering AS (hereinafter “Elering”) and Fingrid Oyj (hereinafter “Fingrid”) for a bilateral methodology for determining and splitting the long-term cross-zonal capacity for the purpose of allocating long-term transmission rights on the Finnish–Estonian bidding zone border (hereinafter “BSM”). This BSM follows the requirements of the Commission regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation (hereinafter the “FCA Regulation”) to the extent possible.

(2) This BSM takes into account, to the extent possible, the requirements of Article 16 of the FCA Regulation, and 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”.

(3) The BSM fulfils the requirement of Article 16(2)(a) of the FCA Regulation, for the long-term timeframe, as the bilateral splitting methodology ensures the availability of the products at least over the yearly and monthly timeframe for market participants, thereby meeting the hedging needs of market participants.

(4) The BSM makes use of the existing principles to determine the cross-zonal capacities for the long-term timeframe and guarantees that the capacity allocated on yearly and monthly timeframe does not exceed the determined capacity values.

(5) The BSM fulfils the requirements of Article 16(2)(c) as the BSM ensures that yearly capacity shall not be allocated for the entire volume in the yearly auction, in order to allow market participants to cover their hedging needs on both yearly and monthly timeframes thus allowing the market participant to access hedging opportunities in both timeframes. Further, long-term products determined based on the bilateral splitting methodology are publicly auctioned. Thereby, the BSM does not lead to restrictions in competition, in particular for access to long-term transmission rights.

SUBMIT THE FOLLOWING BILATERAL METHODOLOGY FOR DETERMINING AND SPLITTING THE LONG-TERM CROSS-ZONAL CAPACITY FOR THE PURPOSE OF ALLOCATING LONG-TERM TRANSMISSION RIGHTS ON THE FINNISH–ESTONIAN BIDDING ZONE BORDER TO THE ESTONIAN AND FINNISH REGULATORY AUTHORITIES:

## **Article 1**

### **Subject matter and scope**

1. This BSM sets the rules for the bilateral methodology for determining and splitting the long-term cross-zonal capacity for the purpose of allocating long-term transmission rights on the Finnish–Estonian bidding zone border.

## **Article 2**

### **Definitions and interpretation**

1. For the purpose of this BSM, the terms used shall have the meaning given to them in Article 2 of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (hereinafter “Regulation (EU) 2019/943”), Article 2 of the FCA Regulation, Article 2 of the CACM Regulation, Article 2 of the Harmonised Allocation Rules for long-term transmission rights developed in accordance with Article 51 of FCA Regulation, and 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 (hereinafter "Transparency Regulation").

2. In addition, in this BSM, the following terms shall have the meaning below:

- a) “LTTR” means long-term transmission right in accordance with Article 2 point 2 of the FCA Regulation;
- b) “HAR” means the Harmonised Allocation Rules developed in accordance with Article 51 of the FCA Regulation;
- c) “SAP” means the Single Allocation Platform established in accordance with Article 48 of the FCA Regulation;
- d) “NTC” means Net Transfer Capacity, where the NTC is defined as the value obtained by deducting the transmission reliability margin from the total transfer capacity. The transmission reliability margin for the HVDC interconnectors on the Finnish-Estonian bidding zone border is zero.

3. In this BSM, 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 this BSM;  
and
- c) any reference to legislation, regulations, directives, orders, instruments, network codes or any other enactment shall include any modification, extension, or re-enactment of it when in force.

### **Article 3**

#### **Determining the long-term cross-zonal capacity**

1. Elering and Fingrid shall determine the long-term cross-zonal capacities to be used as input in the splitting of the long-term cross-zonal capacity for the purpose of allocating LTTRs in accordance with Article 4 of this BSM as follows:
  - a) yearly long-term cross-zonal capacity shall be determined with a monthly granularity and published once a year;
  - b) monthly long-term cross-zonal capacity shall be determined with a daily granularity and published once a month.
2. When determining the long-term cross-zonal capacities in accordance with paragraph 1 of this Article, the following shall apply:
  - a) the point of departure for determining the yearly and monthly long-term cross-zonal capacities shall be the NTC values for relevant period of the relevant interconnectors between Finnish and Estonian bidding zone borders;
  - b) the long-term cross-zonal capacities shall respect the operational security limits of the interconnectors between the Finnish and Estonian bidding zone borders;
  - c) Reduction Periods may be defined in accordance with HAR Article 30.
3. Elering and Fingrid shall validate the results of the determination of the long-term cross-zonal capacity. When performing the validation, the TSOs shall consider operational security, taking into account new and relevant information obtained during or after the most recent capacity calculation.
4. Elering and Fingrid may curtail the long-term cross-zonal capacities in accordance with Article 53 of the FCA Regulation.

### **Article 4**

#### **Splitting of long-term cross-zonal capacity for the purpose of allocating LTTRs**

1. The TSOs shall split the calculated long-term cross-zonal capacity for each forward capacity allocation by applying the methodology for splitting cross-zonal capacity pursuant to paragraph 4 of this Article 4.
2. The amount of long-term cross-zonal capacity provided for the purpose of allocating the LTTRs on the Finnish–Estonian bidding zone border shall be the minimum NTC value of the relevant timeframe of the long-term cross-zonal capacity determined in accordance with Article 3(1) of this BSM.
3. The amount of long-term cross-zonal capacity provided for the purpose of allocating the LTTRs for the yearly timeframe shall not exceed the technical capability of ESTLINK 1 and the sum of the yearly and monthly capacities shall not exceed the technical capability of ESTLINK 2. Elering and Fingrid shall monitor the difference of LTTRs auction price and day-ahead price difference on FI-EE bidding zone border, and in case the amount of the offered LTTRs exceeds the market participants' hedging needs and the LTTRs prices are systematically significantly lower, then the amount of offered LTTRs may be reduced in order to avoid the shift of welfare from grid users to LTTR holders.
4. The following splitting rules shall be applied when calculating yearly and monthly split of the long-term cross-zonal capacity (in MW):

$$\text{LTCZC}_{Y(n)} = \min(\text{minNTC}_{\text{long-term}(MY(n))}; 350)$$

$$\text{LTCZC}_{M(n)} = \min(\text{minNTC}_{\text{long-term}(DM(n))} - \text{LTCZC}_{Y(n)}; 650 - \text{LTCZC}_{Y(n)})$$

Where:

$\text{minNTC}_{\text{long-term}(MY(n))}$  – the minimum forecasted monthly NTC value in MW of the long-term cross-zonal capacity for Finnish-Estonian bidding zone border and for respective year (n);  
 $\text{minNTC}_{\text{long-term}(DM(n))}$  – the minimum forecasted daily NTC value in MW of the long-term cross-zonal capacity for Finnish-Estonian bidding zone border and for respective month n, taking into account, if applicable, the Reduction Periods in accordance with Art 30 of the HAR;  
 $\text{LTCZC}_{Y(n)}$  – long-term cross-zonal capacity in yearly timeframe for year n;  
 $\text{LTCZC}_{M(n)}$  – long-term cross-zonal capacity in monthly timeframe for year n.

5. The long-term cross-zonal capacities that are made available for the allocation of LTTRs in accordance with paragraph 1 of this Article shall be submitted as input to the SAP in accordance with article 38 of the FCA Regulation. For the allocation of these LTTRs, the HAR shall apply.

6. Elering and Fingrid shall validate the splitting of the long-term cross-zonal capacity.

## **Article 5**

### **Monitoring data to the national regulatory authorities**

1. All technical and statistical information related to this BSM shall be made available upon request to the relevant NRAs.

2. Any data requirements should be managed in line with confidentiality requirements pursuant to national legislation.

## **Article 6**

### **Publication of data**

1. Elering and Fingrid shall publish the amount of long-term cross-zonal capacity available in the LTTR auctions as follows:

- a) The amount of capacity available for the yearly LTTRs shall be published to the market no later than one (1) week before the relevant auction.
- b) The amount of capacity available for the monthly LTTRs shall be published to the market no later than two (2) working days before to the relevant auction.

2. Market information shall be published in accordance with Article 47 of the FCA Regulation.

3. TSOs shall, where relevant, 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 information on a regular basis and as soon as possible:

- a) The marginal auction price for each time frame;
- b) The demand curve for LTTRs for each time frame.

4. The information referred to in paragraph 3 of this Article shall be published in the SAP.

## **Article 7**

### **Publication and Implementation**

1. Elering and Fingrid shall publish this BSM without undue delay after the Finnish regulatory authority has approved the BSM and the Estonian regulatory authority has given positive opinion on the BSM, or a decision has been taken by the Agency for the Cooperation of Energy Regulators.
2. This BSM shall be implemented without undue delay after the after the Finnish regulatory authority has approved the BSM and the Estonian regulatory authority has given positive opinion on the BSM, or a decision has been taken by the Agency for the Cooperation of Energy Regulators.
3. The rules set out in this BSM shall apply until the splitting methodology in accordance with Article 16 of the FCA Regulation is implemented in the Baltic Capacity Calculation Region as defined in accordance with Article 15 of Commission Regulation (EU) establishing a guideline on capacity allocation and congestion management (hereinafter “CACM Regulation“). In case amendments are made in the Baltic CCR Regional Design developed in accordance with Article 31(2) of the FCA Regulation, this BSM shall be amended accordingly. Such amendments in the Baltic CCR Regional Design may concern inter alia the introduction of new timeframes for which LTTRs are issued.

## **Article 8**

### **Language**

The reference language for this BSM shall be English. For the avoidance of doubt, where TSOs need to translate this BSM 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 be obliged to dispel any inconsistencies by providing a revised translation of this BSM to the relevant NRAs.