



**APPROVAL BY THE SOUTH-WEST EUROPE
REGULATORY AUTHORITIES AGREED AT THE
SOUTH- WEST EUROPE ENERGY
REGULATORS' REGIONAL FORUM**

OF

**THE SOUTH-WEST EUROPE TSOs' PROPOSAL
FOR A METHODOLOGY OF COMMON LONG-
TERM CAPACITY CALCULATION IN
ACCORDANCE WITH ARTICLE 10 OF
COMMISSION REGULATION (EU) 2016/1719 OF
26 SEPTEMBER 2016 ESTABLISHING A
GUIDELINE ON FORWARD CAPACITY
ALLOCATION**

28 Feb 2020

I. Introduction and legal context

Article 10 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereinafter referred to as “FCA Regulation”) requires that no later than six months after the approval of the common coordinated capacity calculation methodology referred to in Article 9(7) of Regulation (EU) 2015/1222, all TSOs in each capacity calculation region shall submit a proposal for a common capacity calculation methodology for long-term time frames within the respective region (hereinafter referred to as “SWE LTCC methodology”).

This capacity calculation should be based preferably on net transmission capacity approach and based on a security analysis performed on multiple scenarios (unless flow based is proved to be more efficient). Other alternatives as flow based approached or statistical analysis may be allowed if proved to be more efficient.

The above mentioned article also requires to implement an input data and validation process similarly to the day ahead capacity calculation methodology, therefore elements as reliability margin, operational security limits, contingencies, generation shift keys and remedial actions must be incorporated also in this methodology.

The adoption process of this methodology is defined in point 7(a) of article 4 of FCA Regulation:

“1. TSOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of these terms and conditions or methodologies.

(...)

5. Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7.

7. The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:

*(a) **the capacity calculation methodology pursuant to Article 10;***

(...).

8. The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.

9. Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies

in accordance with paragraphs 6 and 7 **within six months** following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.

10. (...)

11. In the event that one or several regulatory authorities **request an amendment** to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6 and 7, the relevant **TSOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the requirement from the regulatory authorities. The competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission.** Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs 6 and 7 within the two-month deadline, or upon their joint request, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009. If the relevant TSOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 shall apply.

12. (...)

13. TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 7.”

In line with Article 6 of the FCA Regulation, the SWE LTCC Methodology was subject to a consultation process performed March 15th till April 15th 2019 on ENTSO-E consultation hub. And was received by the last SWE Regularity Authority on the 15th of May 2019, respecting the above mentioned deadline of 6 months after D-2 Capacity calculation methodology approved in November 2018.

After a thorough analysis, SWE Regulatory Authorities agreed on 14 November 2019 to request some amendments on the proposed methodology. In particular about:

- All the key information related to processes, calculation formulas, levels of thresholds for parameters or amounts of capacity allocated to different timeframes should be included in the main body of the methodology.
- The level of the reliability margin should be indicated in the methodology, enabling a review of it after a one-year study.
- The conditions of selection and consideration of critical network elements, and their associated threshold levels should be specified and detailed in the methodology.
- The generation load shift keys level should be specified in the methodology and justified in a technical annex submitted for approval to the NRAs.
- A public version of the three-month report on reductions should be made available for market players for transparency sake.
- The integration of outage planning in capacity calculation should be clarified in the methodology.

SWE TSOs submitted an amended version of the SWE LTCC methodology

proposal two months after the amendments were required. This second version was received by the last SWE Regularity Authority on the 14 January 2020.

After the assessment of this second version, SWE NRAs welcomed the amended version and the significant improvements adopted by SWE TSOs.

This document elaborates an agreement for the approval of the SWE Regulatory Authorities on the SWE TSOs proposal for SWE LTCC methodology in accordance with Article 10 of FCA Regulation.

II. The SWE TSOs' Proposal

The SWE TSOs proposal package received in January 2020 contains three documents:

- a) *South West Europe TSOs proposal for a common long-term capacity calculation in accordance with Article 10 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.*
- b) *An explanatory note to the South West Europe TSOs proposal for a common long-term capacity calculation, which incorporates further and more in-depth explanations of the calculation methodology.*
- c) *SWE TSOs assessment of public consultation responses on SWE long-term capacity calculation methodology proposal.*

Only the SWE TSOs methodology proposal for a common long-term capacity calculation was formally submitted to SWE NRAs for approval, the other documents were sent to SWE NRAs for information.

III. SWE Regulatory Authorities' position on SWE LTCC Methodology

The SWE Regulatory Authorities acknowledge that the final proposals submitted by SWE TSOs has been significantly improved upon; especially in the six points above mentioned related to long term reliability margin definition, identification of critical elements, generation shift key clarifications, transparency on reductions applied and explicit incorporation of the outage planning as an input.

SWE Regulatory Authorities therefore consider that the SWE LTCC methodology meets the requirements of Regulation 2016/1719.

IV. Actions / conclusion

SWE Regulatory Authorities welcome the submitted SWE LTCC methodology and the significant improvements adopted by SWE TSOs.

All Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach an agreement before 14 March 2020, about the LTCC methodology, which meets the requirements of Article 10 of Regulation 2016/1719 and as such can be approved by SWE Regulatory Authorities

SWE Regulatory Authorities therefore will issue their national decisions, on the basis of this agreement.

Following national decisions by SWE Regulatory Authorities, SWE TSOs will be required to publish the SWE LTCC Methodology on the internet in line with Article 4.13 of Regulation 2016/1719, and must meet the implementation deadlines required by Article 12.2 of the SWE LTCC methodology proposal.