



**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  
THE METHODOLOGY OF SPLITTING LONG-  
TERM CROSS-ZONAL CAPACITY IN  
ACCORDANCE WITH ARTICLE 16 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 16 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, the TSOs of each capacity calculation region shall jointly develop a proposal for a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different long-term timeframes within the respective region (hereinafter referred to as “SWE long-term capacity splitting methodology”).

This article also requires that the methodology for splitting long-term cross-zonal capacity methodology:

- shall meet the hedging needs of market participants
- shall be coherent with the capacity calculation methodology
- shall not lead to restrictions in competition, in particular for access to long-term transmission rights.

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:*

*(b) **the methodology for splitting cross-zonal capacity pursuant to Article 16;***

(...).

*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 long-term capacity splitting methodology was subject to a consultation process performed from 1st April until 30th April 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:

- *Adapt the splitting rules to market needs and taking into account a reliability margin in the long term capacity calculation covering adequately risks associated with long term timeframes.*
- *The adequacy of these splitting rules should be justified in a technical annex, attached to the methodology. And provisions should be added for future regular assessment of potential modifications of the splitting percentages.*
- *Improvements and clarifications in the splitting calculation process and formulas, including on the conditions for reducing long-term products.*

SWE TSOs submitted an amended version 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 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 long-term capacity splitting methodology in accordance with Article 16 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 methodology for splitting long-term cross-zonal capacity in accordance with Article 16 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation*
- b) *And explanatory note to the South West Europe TSOs proposal for a methodology for splitting long-term cross-zonal capacity, which incorporates further and more in-depth explanations of the calculation methodology.*
- c) *SWE TSOs Assessment of public consultation responses on SWE long term cross zonal capacity splitting methodology*

Only the SWE TSO's methodology proposal for a *long term cross zonal capacity splitting* 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 SWE long-term capacity splitting methodology submitted by SWE TSO has been significantly improved upon and can be approved as it meets the requirements of Regulation 2016/1719.

Furthermore, SWE NRAs take note of the first elements of analysis on the needs of market players provided by the TSOs. SWE NRAs request SWE TSOs to provide a more detailed analysis with additional indicators on market players' needs, in the coming months. This detailed analysis shall be led in the framework

of the future reassessment of the methodology foreseen in the Article 4 paragraph 7 of the methodology.

#### **IV. Actions / conclusion**

SWE Regulatory Authorities welcome the submitted SWE long-term capacity splitting 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 submitted SWE long-term capacity splitting methodology, which meets the requirements of Article 16 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 8.2 of the SWE long-term capacity splitting methodology.