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Explanatory Note to the South East Europe (SEE) 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

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## 1. Introduction

This document is the explanatory note accompanying the proposal developed by the Transmission System Operators of the SEE Capacity Calculation Region (hereafter referred to as “TSOs”) for a splitting methodology of long-term cross-zonal capacity in a coordinated manner between different timeframes (hereinafter “Splitting Methodology”) in accordance with Article 16 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation (hereafter referred to as the “FCA Regulation”).

The FCA Regulation lays down detailed rules on:

- forward capacity calculation of cross-zonal capacity;
- a methodology for splitting long-term cross-zonal capacity;
- cross-zonal capacity allocation in the forward markets;
- the establishment of a single allocation platform at European level offering long-term transmission rights.

With reference to Article 16 of the FCA Regulation, ADMIE, ESO and Transelectrica, as the TSOs of Greece-Bulgaria-Romania (hereafter referred to as SEE TSOs’), have jointly developed a proposal for the Splitting Methodology.

## 2. Splitting methodology

### 2.1. Process and interaction with the LT CCM

The Splitting Methodology is strictly linked to the capacity calculation methodology for long-term time frame in accordance with Article 10 of the FCA Regulation (hereafter referred to as “CCM-FCA”). The two methodologies have been developed together by SEE TSOs to ensure consistency on the various processes of the long-term allocation chain.

The following Figure shows how the yearly and monthly capacity calculation processes are linked with the splitting of long-term cross-zonal capacity.

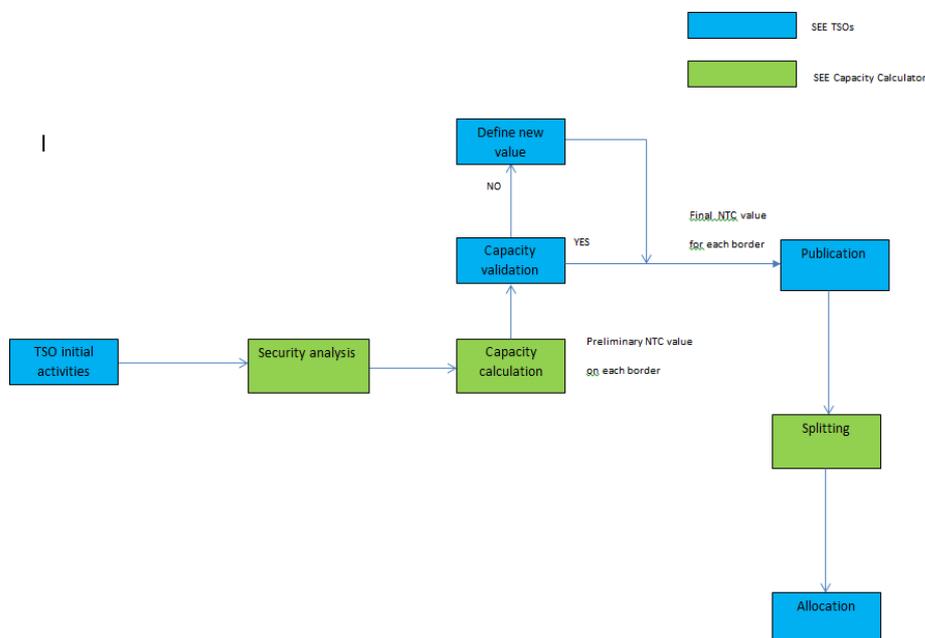


Figure 1: Yearly/Monthly capacity calculation and splitting processes

## 2.2. Input data

The Splitting methodology is based on the following input data:

- Ycc: the results of the yearly capacity calculation according to the CCM-FCA;
- Mcc: the results of the monthly capacity calculation according to the CCM-FCA;
- Yearly-monthly planned outages of the SEE region.

## 2.3. Proposed splitting methodology

According to the regional design of the long-term transmission rights approved for SEE CCR (art. 31 of the FCA Regulation), the long-term capacity shall be offered on yearly and monthly time frames in form of base load products that may include reduction periods.

The proposed Splitting Methodology is based on the following formulas, as follows:

- the capacity to be allocated in the yearly auction  $Y_p$  is equal to:

$$Y_p = 50\% * Y_{cc}$$

- the monthly capacity allocated in the monthly auction  $M_p$  is a daily profile equal to:

$$M_p = 100\% * M_{cc} - Y_p$$

Where:

$Y_{cc}$ : is the yearly capacity calculated according to the CCM-FCA;

$M_{cc}$ : is the monthly capacity calculated according to the CCM-FCA.

Therefore, the yearly product has the following features:

- capacity:  $Y_p$ ;
- reduction period: days in which the cable is in a planned outage;
- product type: base load;

and, the monthly product has the following features:

- capacity profile:  $M_p$  (could be equal to 0 in case of planned outage, depending on the border);
- reduction period: days in which the interconnection is in a planned outage as well as when there is maintenance of major lines of the SEE region;
- product type: base load.

## 2.4. FCA requirements and criteria used to define the methodology

According to Article 16(2) of the FCA Regulation, the methodology for splitting long-term cross-zonal capacity shall comply with the following conditions:

- 1) it shall meet the hedging needs of market participants;
- 2) it shall be coherent with the capacity calculation methodology;
- 3) it shall not lead to restriction in competition, in particular for access to long-term transmission rights.

In order to meet condition 1), the following criteria shall be met:

- a) the long-term products shall have a certain level of firmness;
- b) the possibility to get capacity on both yearly and monthly timeframe shall be given to market participants.

In order to meet criteria b), at least a yearly product shall be ensured, but the  $Y_{cc}$  shall not be allocated all in the yearly auction because a capacity for the monthly auctions shall be ensured.

Therefore, an amount for the yearly product has been defined. An amount equal to 50% of the  $Y_{cc}$  has been taken into account which is in line with the last two years' historical data.

In order to meet condition 2), the two methodologies have been developed together by SEE TSOs to ensure consistency on the various processes of the long-term allocation chain. In particular, this provision guarantees that the capacity allocated on yearly and monthly timeframe ( $Y_p$  and  $M_p$ ) does not exceed the capacity values provided by CCM-FCA.

Condition 3) is met as, in order to allow market participants to cover their hedging needs on both yearly and monthly time frames, the methodology ensures that Yearly Capacity shall not be allocated for the entire volume in the yearly auction. In order to provide a balance between yearly and monthly capacity,

50 % (100%-50%) of the monthly capacity will be offered to the market, thus allowing the market participant to compete on all time frames. Moreover, Long Term Products related to this methodology are allocated through Auctions, which rely on a mechanism described in public auction rules.

As a general remark, a maximization of the volume of capacity far in advance of real time is possible and its firmness is requested in order to meet the hedging needs of market participants. The reason is that the further away from real time, the greater the uncertainty and therefore the greater the interest and importance for market participants to cover those risks.

## 2.5. General criteria for distribution of capacity in different time frames

SEE TSOs will calculate and agree on the Net Transfer Capacity forecast at different horizons:

- Yearly forecast in November of the preceding year,
- Monthly forecast around the 10<sup>th</sup> of the preceding month.

Each forecast of the Net Transfer Capacity can be revised at the initiative of one TSO and then coordinated, in case of an unpredicted event or under a significant deviation in some of the parameters with influence in the NTC calculation, with regard to their previous forecast.

In order to offer to market participants standard and tradable products, SEE TSOs divide the Net Transfer Capacity value into different products to be offered to market participants by the means of auctions.

For the yearly time frame, as a general rule, a constant base-load product will be auctioned for each day of the following year. In case of low Net Transfer Capacity during planned outages, SEE TSOs in case they would not be able to offer a continuous yearly product, may offer a discontinuous one, excluding planned outages where the value could be 0.

In this case, SEE TSOs will clearly establish the availability periods, by indicating the first and the last dates of each one of these periods with availability of the yearly product in the yearly auction specifications.

For the monthly time frame, the value to be offered in the monthly auction is calculated as the difference between 100% of the monthly Net Transfer Capacity calculated and the already allocated yearly capacity. The resultant value is rounded up to the closest multiple of 10 MW. In case of low Net Transfer Capacity during planned outages, SEE TSOs would not be able to offer a continuous monthly product and may offer a discontinuous one with reductions periods, excluding planned outages periods where the value could be 0.

## 3. Timescale for the CCM implementation

SEE TSOs shall implement the methodology at the date of implementation of the capacity calculation methodology in accordance with Article 10 of the FCA Regulation and after the implementation of the relevant Day ahead and intraday CC methodology.