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Director ACER

Cc: Mr Klaus-Dieter Borchardt  
Director Internal Energy Market  
Directorate-General for Energy  
European Commission

Cc: Mr Laurent Schmitt  
Secretary-General ENTSO-E

Cc: SEE CCR TSOs

Code: O-82438

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Athens, 26 May 2020

**Subject: Referral to the Agency of the decision on the South-East Europe CCR TSOs proposal for a methodology for splitting long-term cross-zonal capacity within South-East Europe CCR in accordance with Article 16 of the Commission Regulation (EU) 2016/1719 of 26 September 2016**

Dear Sir,

I write on behalf of the Regulatory Authorities of the South-East Europe Capacity Calculation Region (hereafter: SEE CCR), with regard to the respective Transmission System Operators (hereafter: SEE TSOs) proposal for a methodology for splitting long-term cross-zonal capacity (hereafter: SEE FCA Splitting) in a coordinated manner between different long-term time frames within SEE CCR in accordance with Article 16 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation (hereafter: Regulation 2016/1719).

SEE TSOs submitted the SEE FCA Splitting in accordance with Article 4(7)(b) of Regulation 2016/1719, which was received by the last Regulatory Authority of SEE CCR on 1 October 2019.

Article 4(9) of Regulation 2016/1719 requires the competent regulatory authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and make

decisions within six months following receipt of submission of the last Regulatory Authority concerned.

The Regulatory Authorities of the SEE CCR have not been able to reach an agreement on the above proposal, within the period referred to in Article 4(9) of Regulation 2016/1719. The main issue relates to the inclusion (or not) of a provision to allow TSOs to reserve capacity for day-ahead allocation in the SEE FCA Splitting and its implications.

In particular, based on the provision of Article 17 of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (hereafter: Regulation 2019/943) for cross-zonal capacity distribution on different timeframes, a Regulatory Authority of the SEE CCR expressed its will to include in the SEE FCA Splitting a provision regarding the reservation of a minimum percentage of interconnection capacity for daily allocation as well as the method of calculation (equitable formula). Since the purpose of the market coupling algorithm is precisely to ensure the maximization of social welfare, by correlating the surplus supply in one market with the excess demand in another market and thus, allowing the participants to access the cheap sources of energy, provided the availability of a transport capacity for implicit allocation, if all the capacity was auctioned in the long term timeframe and notified for using it, the day ahead capacity could tend to zero and the participants could not benefit from the capacity flow.

On the other hand, several concerns were expressed by another Regulatory Authority of the SEE CCR regarding the inclusion of the above-mentioned provision. Provided this is compliant even with the applicable legal provisions, given the great interest of traders to buy long-term products<sup>1</sup>, the long-term cross-zonal capacity should be offered at its maximum to the market participants in order to meet their hedging risks and to benefit from the market spread. Should TSOs reserve capacity in advance for daily allocation this would deprive traders from having access to a part of the long-term capacity (in a coupled market they cannot take part on a daily explicit auction) and instead TSOs benefit from the market spread and receive the relevant congestion rent. Furthermore, in Articles 20 and 21 of Regulation (EU) 2015/1222, a capacity calculation methodology, that takes into account operational security constraints as well as already allocated capacity and results in the available transfer capacity for the day-ahead market time-frame and intraday market time-frame is provided and has already been approved for the SEE CCR.

Given the situation at hand, the Regulatory Authorities of SEE CCR consider that the SEE FCA Splitting should be referred to the Agency for a decision, in accordance with Article 6(10) of Regulation (EU) 2019/942, upon a joint request of the Regulatory Authorities of the SEE CCR pursuant to Article 4(9) of Regulation 2016/1719.

The Regulatory Authorities of SEE CCR would like to stress out that a referral to the Agency is considered as a result of a unanimous agreement of the Regulatory Authorities and a measure to mitigate the risk of prolonging the implementation of the SEE FCA Splitting (and any process triggered by its approval) and, consequently, of Regulation 2016/1719 as a whole.

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<sup>1</sup> Results of the previous auctions (yearly and monthly) taken place in 2019 and 2020 on JAO site: <https://www.jao.eu/main>

Therefore, on 26 May 2020, the Regulatory Authorities of the SEE CCR unanimously agreed to request the Agency to adopt a decision on the TSOs SEE FCA Splitting proposal, pursuant to Article 4(9) of Regulation 2016/1719.

Finally, regarding the common capacity calculation methodology for long-term time frames within SEE CCR, for which as per the attached letter, dated 21 April 2020, you were informed that the Regulatory Authorities of the SEE CCR unanimously had agreed to request to SEE TSOs for an amendment, we would like to highlight that the requested modifications to the initial text did not substantially alter the substance of the proposal as they included mostly transferring details from the Explanatory Note to the proposal and providing some clarifications. In this regard, we reasonably expect the SEE TSOs to have the revised proposal duly submitted by July 2020 and accordingly the methodology to be typically approved by August 2020, if the document complies with all the requirements expressed by the Regulatory Authorities of the SEE CCR.

We remain at your disposal for any further information, clarification and close cooperation in the evaluation of the SEE TSOs proposal by the Agency.

Yours sincerely,

Dr. Nikolaos G. Boulaxis  
President of RAE

Attached Documents:

- (i) Proposal for capacity calculation methodology for South-East Europe CCR in accordance with Article 10 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 (O-81830/21.04.20)
- (ii) 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
- (iii) 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