All TSOs’ proposal for amendment of the Congestion Income Distribution (CID) methodology in accordance with Article 57 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation

ACER
European Union Agency for the Cooperation of Energy Regulators

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All TSOs, taking into account the following,

Whereas

This document is a common amendment proposal developed by all Transmission System Operators (hereafter referred to as “TSOs”) regarding a methodology for congestion income distribution (hereafter referred to as “FCA CID methodology”).

ACER Decision on the Congestion Income Distribution methodology (CID): Annex I

ACER’s preliminary position on the TSOs’ proposal for amendments to:

Congestion Income Distribution (CID) methodology

in accordance with Article 57 of Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation

22 March 2023
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ANNEX 1..........................................................................................................................................16
Whereas

(1) This document sets out the methodology for the distribution of congestion income from forward capacity allocation ("FCA CID methodology"), developed by all Transmission System Operators ("all TSOs") pursuant to Article 57 of Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation (hereafter referred to as the "FCA Regulation").

(2) On 15 March 2019, all Transmission System Operators (hereafter referred to as "all TSOs") submitted to all national-regulatory authorities all TSOs’ proposal for a methodology for sharing congestion income distribution in forward capacity allocation in accordance with Article 57 of the FCA Regulation, together with a supporting document. On 22 May 2019, all national-regulatory authorities approved the FCA CID methodology TSOs’ proposal.

(3) In a letter dated 12 July 2021, ACER requested all TSOs, pursuant to Article 4(12) of the FCA Regulation, to submit, as soon as possible, and no later than 1 June 2022, the relevant proposals for amendments of the four methodologies mentioned in Article 4(6), points (c), (d), (e) and (g) of the FCA Regulation for ACER’s approval in order. Amending the above methodologies, including the FCA CID methodology, was necessary to allow for a timely implementation of the long-term flow-based allocation auctions in the Core and Nordic capacity calculation regions (hereafter referred to as "CCRs"). ENTSO-E, The European Network of Transmission System Operators for Electricity ("ENTSO-E") asked ACER, on behalf of all TSOs, proposed postponed to postpone the submission date for the relevant proposals, to which ACER agreed in a letter dated 26 January 2022. The new submission date for the proposed amendments to the FCA CID methodology was 1 October 2022.

(4) On 28 September 2022, ENTSO-E, on behalf of all TSOs, submitted for ACER’s approval their proposal for amendment of the FCA CID methodology. This document is based on all TSOs’ amendment proposal of 28 September 2022, as amended and approved by ACER.

(5) This FCA CID methodology applies to all TSOs, with the exception of the following categories of TSOs:

a) TSOs active only on the bidding zone borders where regulatory authorities decided that long-term transmission rights shall not be issued by the respective TSOs or that other long-term cross-zonal hedging products shall be made available by the respective TSOs, according to Article 30(7) of FCA Regulation; and,

b) TSOs not commercializing their transmission capacity on the single day-ahead market or the long-term market.


(6) The FCA CID methodology applies the requirements 943), in particular with the principles for the use of congestion income set out in Article 73 of thereof.

(5) The FCA CID methodology is consistent with the methodology for sharing congestion income under Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the “CACM Regulation”). In particular, the FCA
CID methodology takes into account the congestion income distribution methodology in accordance with Article 73 of the CACM Regulation (hereafter referred to as the “CACM CID methodology”). The FCA CID methodology follows the principles set out in the CACM CID methodology for sharing of congestion income on a bidding zone border by applying the same (‘CACM Regulation’). In particular, both methodologies follow the same principles, specified in Article 73 of the CACM Regulation, and are based on the same congestion income sharing keys.

Furthermore, the FCA CID methodology takes into account the general objectives and principles, goals and other methodologies set out in the FCA Regulation. The goal of the FCA Regulation is the coordination, and harmonisation of is consistent with other methodologies based on the FCA Regulation.

The FCA Regulation aims to coordinate and harmonise forward capacity calculation and allocation in the long-term capacity markets, and. It sets requirements for the TSOs to cooperate on a pan-European level, on the level of CCRs, and within capacity calculation regions (‘CCRs’) and across bidding zone borders. The Article 54 Chapter 5 of the FCA Regulation also sets rules for establishing European harmonised allocation rules and for long-term transmission rights, including regional and bidding zone border specific annexes (hereafter referred to as “requirements (‘HAR’), Minimum content requirements for the HAR’). Minimum content requirements for the FCA Regulation. In addition, the Articles Article 49 and Article 59 of the FCA Regulation set out rules for the establishment, the functioning and the cost sharing of the Single Allocation Platform for long-term capacity allocation (hereafter referred to as “SAP”); (‘SAP’). The FCA Regulation also sets rules for establishing capacity calculation methodologies based on either the flow-based approach (‘FB approach’) or the coordinated net transmission capacity approach (‘coordinated NTC approach’). The present FCA CID methodology addresses covers congestion income distribution under a NTC, coordinated NTC and flow based approach. both approaches.

Pursuant to Article 576 of the FCA Regulation requires all TSOs to develop a proposal for a methodology for sharing congestion income from forward capacity allocation, within six months after the approval of the congestion income distribution methodology in accordance with the CACM Regulation. The Article 61 of the FCA Regulation sets rules for establishing the FCA CID methodology, the TSOs were required to develop a methodology for sharing costs incurred to ensure firmness and remuneration of long-term transmission rights (hereafter referred to as “FCA (‘FRC methodology’) methodology”). The remuneration of long-term transmission rights (hereafter referred to as “LTTRs”) (‘LTTRs’) and the cost to ensure firmness of LTTRs are therefore outside the scope of the FCA CID methodology and covered by the FRC methodology.

According to Article 4 (8) of the FCA Regulation, The following recitals provide a description of the expected impact of the proposed FCA CID methodology on the objectives of the FCA Regulation has to be described and is presented below.
(11) The proposed FCA CID methodology generally contribute to the achievement, as required by Article 4(8) of the FCA Regulation. These objectives are listed in Article 3, points (a)-(g), of the FCA Regulation.

(9)(12) According to Article 3(a) and Article 3(c), the usage principles for congestion income set in FCA Regulation (EU) 2019/943. In particular, the FCA CID methodology serves the objective of promoting effective long-term cross-zonal trade with long-term transmission rights, cross-zonal hedging opportunities for market participants, and providing non-discriminatory access to long-term cross-zonal capacity. The FCA CID methodology serves these objectives as it lays down objective criteria and solutions for the distribution of congestion income to be applied by all involved TSOs, thus creating a solid basis for congestion income distribution at European level.

(10) Congestion income indicates how much market participants value the possibility for cross-border trade, how interconnections are used and where capacity should be increased. Via the possibility to consider investment costs in the sharing key, more certainty can be achieved for a more optimal sharing key for future investments and thus, long-term operation and development of the electricity transmission system and electricity sector in the European Union is supported.

(13) Furthermore, according to Article 3(b), the FCA Regulation aims at optimising the allocation of long-term cross-zonal capacity. The FCA CID methodology promotes this objective as it takes into account the results of the long-term capacity calculation methodology in accordance with Article 10 of the FCA Regulation and Article 21 of the CACM Regulation.

(14) According to Article 3(d), the FCA Regulation aims at ensuring fair and non-discriminatory treatment of TSOs, ACER, regulatory authorities and market participants. The FCA CID methodology ensures fair and non-discriminatory treatment of all affected parties, as it sets rules to be applied by all parties. Furthermore, the methodology takes into account congestion income derived by interconnections on bidding zone borders owned by legal entities other than TSOs, preventing exclusion of such congestion income from the application of the FCA CID methodology as long as provided that these interconnections are operated by certified TSOs and as long as congestion income is generated on those bidding zone borders.

(15) Regarding Article 3(e), the FCA Regulation aims at respecting the need for a fair and orderly forward capacity allocation and orderly price formation. The FCA CID methodology does not negatively affect the achievement of this objective as it does not impact the forward capacity price formation nor its allocation.

(16) According to Article 3(f), the FCA Regulation aims at ensuring and enhancing the transparency and reliability of information on forward capacity allocation. In that respect, the FCA CID methodology provides clear rules and a solid basis for congestion income distribution in a
transparent and reliable way. In addition, the FCA CID methodology, as well as the specific sharing keys, will be published by the TSOs, thus increasing transparency and reliability of information. Furthermore, the data used to calculate the congestion income is published by the SAP pursuant to Article 47 of the FCA Regulation.

(17) According to Article 3(g), the FCA Regulation aims at contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union. The FCA CID methodology is consistent with this objective. Congestion income indicates the value that market participants attach to the possibility of cross-border trade and the usage of interconnections and therefore shows where capacity should be increased. With the possibility to consider investment costs, the sharing key is optimal for future investments and thus, promotes long-term operation and development of the electricity transmission system and the EU electricity sector.

(18) In conclusion, the proposed FCA CID methodology contributes to the general objectives of forward capacity allocation listed in Article 3 of the FCA Regulation and the Regulation (EU) 2019/943 to the benefit of all market participants and electricity end consumers.

SUBMIT THE FOLLOWING FCA CID METHODOLOGY TO ACER:

TITLE 1
GENERAL PROVISIONS

Article 1 Article 1
Subject matter and scope

1. The FCA CID methodology shall be considered as the common proposal of all TSOs in accordance with Article 57 of the FCA Regulation and shall cover the distribution of congestion income from forward capacity allocation for all existing and future bidding zone borders and interconnectors, owned by TSOs or by other legal entities, within and between Member States, to which the FCA Regulation applies and where congestion income from forward capacity allocation is collected, in accordance with Article 57 of the FCA Regulation.

2. In the specific case where there are several TSOs on the same side of a bidding zone border, this CID methodology shall only apply to the TSO generating an income from capacity allocation on a bidding zone.

3. This FCA CID methodology shall not apply to the TSOs of the bidding zone borders where national regulatory authorities decide that long-term transmission rights shall not be issued by the respective TSOs or that other long-term cross-zonal hedging products shall be made available by the respective TSOs, according to Article 30(7) of FCA Regulation.
2. This FCA CID methodology shall apply to the TSOs listed in Annex 1 (hereafter referred to as ‘TSOs’).

4.3. Where congestion income derives from transmission assets owned by legal entities other than TSOs, these parties shall be treated in a transparent and non-discriminatory way. The TSOs operating these assets shall conclude the necessary agreements compliant with this FCA CID methodology with the relevant transmission asset owners to remunerate them for the congestion income from forward capacity allocation corresponding to the transmission assets they operate on behalf of the owners.

Article 2 Definitions and interpretation

1. For the purpose of the FCA CID methodology, terms used in this document shall have the meaning the definitions in Article 2 of the definitions included in HAR, Article 2 of the SAP methodology, Article 2 of the CACM CID methodology, Article 2 of the FCA Regulation, Article 2 of the CACM Regulation, the HAR, the SAP, the Article 2 of Regulation (EU) 2019/943, Article 2 of Directive (EU) 2019/944 and the Article 2 of Commission Regulation (EU) 543/2013, as amended from time to time, shall apply.

2. In addition, in this FCA CID methodology, the following term shall have the meaning below:

   a) “Long-Term Congestion Income” means the revenue accrued by the allocation of Long-Term Transmission Rights (LTTRs).

3. In addition, in this FCA CID methodology, unless the context requires otherwise:

   a) a bidding zone border may consist of one or more interconnector(s) for the purposes of the congestion income distribution;

   b) the singular also includes the plural and vice versa;

   c) the table of contents and headings are inserted for convenience only and do not affect the interpretation of this FCA CID methodology; and

   d) any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall consider any modification, extension or re-enactment of them when in force.
TITLE 2

COLLECTION AND CALCULATION OF LONG-TERM CONGESTION INCOME AND DISTRIBUTION TO THE BIDDING ZONE BORDERS

Article 3

Collection and Calculation of long-term congestion income per CCR

1. For each relevant day-ahead market time unit within (hereafter referred to as “MTU”) an auction Product Period the long-term congestion income generated on an oriented bidding zone border direction, shall be equal to the LTTR auction’s marginal price of the respective border direction auction multiplied by the LTTR auction’s sum of long-term transmission rights in MW allocated at that border direction in the relevant MTU, incorporating any reduction period where relevant.

\[ \text{LT } CI_{\text{gen}, \text{CCR}, \text{MTU}, \text{BZBD}} = P_{\text{LTTR}_\text{MTU}, \text{BZBD}} \times Q_{\text{LTTR}_\text{MTU}, \text{BZBD}} \]

Where

- \( LT CI_{\text{gen}, \text{CCR}, \text{MTU}, \text{BZBD}} \) congestion income generated per CCR per relevant day-ahead market time unit on an oriented bidding zone border
- \( P_{\text{LTTR}_\text{MTU}, \text{BZBD}} \) sum of relevant LTTR auction’s marginal price per relevant MTU issued on an oriented bidding zone border
- \( Q_{\text{LTTR}_\text{MTU}, \text{BZBD}} \) sum of long term transmission rights in MW per relevant MTU issued on an oriented bidding zone border

2. For CCRs applying the flow-based approach:
   a. First for LTTR allocation, the sum of the congestion income generated within a CCR shall be calculated for each MTU within the auction Product Period as sum of long-term congestion income generated on each oriented bidding zone border direction within the relevant CCR according to Article 3(1).

2. Congestion income assigned to the bidding zone one borders for each MTU shall be calculated as a proportional share from the sum of the congestion income calculated in previous paragraph (1).

3. The basis for this proportional distribution should be in accordance with the CACM CID long-term congestion income generated within the relevant CCRs according to paragraphs (1) and (2) can be reduced to cover remuneration costs of eligible LTTRs according to the FRC methodology i.e. final amount.
**Article 4 Distribution of day-ahead long-term congestion income to bidding zone borders**

1. For CCRs applying coordinated NTC approach, congestion income assigned to a bidding zone border shall be equal to the congestion income generated on the bidding zone border in the corresponding MTU with consideration of redistributions due to non-intuitive flows and allocation constraints. In CCRs where not all bidding zone borders issue LTTRs, only shares of according to Article 3(1).

2. For CCRs applying flow-based approach:
   a) Long-term congestion income assigned to bidding zone borders for each day-ahead MTU shall be calculated by proportionally distributing the sum of the congestion income pursuant to Article 3(2). The long-term congestion income shall be distributed in proportion to the results of the day-ahead congestion income distribution in the CCR for the relevant day-ahead MTU, according to the formula:

   \[ LT\ CI_{dis,CCR,MTU,BZB} = DASK_{CCR,MTU,BZB} \times LT\ CI_{gen,CCR,MTU} \]

   With
   - \(LT\ CI_{dis,CCR,MTU,BZB}\): congestion income distributed on a bidding zone border of a CCR per relevant day-ahead market time unit
   - \(DASK_{CCR,MTU,BZB}\): sharing key defined as the proportional distribution of the results of the day-ahead congestion income for a bidding zone border of a CCR per relevant day-ahead market time unit
   - \(LT\ CI_{gen,CCR,MTU}\): congestion income generated per CCR per relevant day-ahead market time unit

   b) In CCRs where national regulatory authorities decided that long-term transmission rights shall not be issued by the respective TSOs for certain bidding zone borders or that other long-term cross-zonal hedging products shall be made available by the respective TSOs according to Article 30(7) of FCA Regulation, only bidding zone borders where LTTRs are issued should be considered in the distribution. In CCRs where all bidding zone borders issue LTTRs, are issued on all bidding zone borders within a CCR, all bidding zone borders including external borders for which external flows can re-enter the relevant CCR within the same slack hub shall be considered in the distribution.

   c) In the case that price convergence occurs across the whole CCR, final bidding zone border day-ahead congestion income in a given MTU used as the basis for proportional distribution in previous paragraph 2(a) should be calculated in accordance with the CACM CID methodology with each market spread in the CCR set to 1.

   d) In the case that the single day-ahead coupling process is unable to produce results, i.e. the fallback procedures are triggered, as approved in accordance with Article 44 of the CACM
3. In accordance with the applicable HAR, the SAP, when determining the results of an auction, shall calculate the Long-Term Congestion Income generated by the accepted bids. The SAP shall collect the due amount (volume of accepted bids times the marginal price considering reduction periods, taxes and levies) from the Registered Participants and distribute the Long-Term Congestion Income, assigned to the bidding zone border according to Article 3(2) and 3(3), to TSOs pursuant to this FCA CID methodology.

4. The SAP shall distribute the Long-Term Congestion Income to the relevant TSOs based on the rules set forth in this FCA CID methodology.

TITLE 3
LONG TERM CONGESTION INCOME DISTRIBUTION ON THE BIDDING ZONE BORDER BORDERS

Article 4
Sharing keys

1. The TSOs on each side of the bidding zone border shall receive their share of long-term congestion income based on a 50%-50% sharing key.

2. In cases where the ownership shares or the shares of investments costs of TSOs on both sides of specific interconnectors on the concerned bidding zone border are different from a 50%-50% split, the concerned TSOs may also use a sharing key due to the different ownership shares, different shares of investments costs, exemption decisions¹ or decisions on cross-border cost allocation² by competent national regulatory authorities or the Agency ACER. The sharing keys for these specific cases shall be published in a common document by ENTSO for Electricity on its web page for information purposes only. This document shall list all these specific cases with the name of the interconnector, the bidding zone border, the involved TSOs/parties, the specific sharing key applied and the motivation / reasons for the deviation from the 50%-50% sharing key. The document shall be updated and published promptly as soon as any changes occur. Each publication shall be announced in ENTSO for Electricity’s newsletter and the website of the SAP operator.

3. For bidding zone borders consisting of several interconnectors where the capacity is auctioned/allocated separately for interconnectors, the long-term congestion income associated with each interconnector is directly allocated to the TSO(s) of that interconnector based on relevant auctions.

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¹ Decisions on exemptions pursuant to Article 63 of Regulation (EU) 2019/943.
² Decisions on cross-border cost allocation pursuant to Article 12(4) or (6) of Regulation (EU) 347/2013.
4. In case the bidding zone border consists of several interconnectors with different sharing keys or which are owned by different TSOs and where the capacity is auctioned jointly, the long-term congestion income shall be assigned first to the respective interconnectors on that bidding zone border based on each interconnector’s contribution to the allocated long-term capacity. The interconnector’s contribution to capacity allocation is determined according to the agreement between all relevant TSOs on the bidding zone border based on the technical evaluation of the capacity contribution of each interconnector to the capacity allocation or the availability of each interconnector. The principles of the technical evaluation for these specific cases shall be published in a common document by ENTSO for Electricity on its web page for information purposes only. The document shall be updated and published promptly as soon as any changes occur. Each publication shall be announced in an ENTSO’s newsletter and on the website of the SAP operator.

5. In case specific interconnectors are owned by entities other than TSOs, or entities other than TSOs have a share in the investment costs of an interconnector, the reference to TSOs in this Article shall be understood as referring to those entities. Where applicable, the sharing keys are calculated according to the exemption decision granted to these entities by relevant competent national regulatory authorities in accordance with Article 63 of Regulation (EU) 2019/943.

TITLE 4
FINAL PROVISIONS

Article 5
Publication and implementation of the FCA CID methodology

1. The TSOs shall publish the FCA CID methodology without undue delay after a decision has been taken by ACER in accordance with Article 4(10) and (4)(52)(b) of the FCA Regulation (EU) 2019/942.

2. The TSOs of each CCR shall implement the methodology at the date of implementation of the capacity calculation methodology within their respective CCR in accordance with Article 10 of the FCA Regulation or at the date of the implementation of the methodology for sharing costs incurred to ensure firmness and remuneration of long-term transmission rights in accordance with Article 61 of the FCA Regulation, whichever comes later.

Article 6
Amendment of the Congestion Income methodology

Any change of existing rules or methodologies related to and affecting the FCA CID methodology shall lead to an amendment of the present FCA CID methodology in accordance with Article 4(9) of FCA Regulation in due time.
The reference language for this FCA CID methodology shall be English. For the avoidance of doubt, where TSOs need to translate this FCA CID methodology 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, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of the FCA CID methodology.
ANNEX I

List of TSOs subject to the approved FCA CID methodology:

1. 50Hertz - 50Hertz Transmission GmbH
2. Amprion - Amprion GmbH
3. APG - Austrian Power Grid AG
4. BCAB - Baltic Cable AB
5. ČEPS - ČEPS a.s.
6. EirGrid - EirGrid plc
7. Elering - Elering AS
8. ELES - ELES, d.o.o.
9. Elia - Elia Transmission Belgium S.A.
10. Energinet - Energinet
11. ESO – Electroenergien Sistemen Operator EAD
12. Fingrid - Fingrid OyJ
13. HOPS d.d. - Croatian Transmission System Operator Plc
14. IPTO - Independent Power Transmission Operator S.A.
15. MAVIR ZRt. - MAVIR Magyar Villamosenergia-ipari Átviteli Rendszerirányító Zártkörűen Működő Részvénytársaság ZRt.
16. PSE - Polskie Sieci Elektroenergetyczne S.A.
17. REE - Red Eléctrica de España S.A.
18. REN - Rede Eléctrica Nacional, S.A.
19. RTE - Réseau de Transport d'Electricité S.A.
20. SEPS - Slovenská elektrizačná prenosová sústava, a.s.
21. SONI - System Operator for Northern Ireland Ltd
22. TenneT GER - TenneT TSO GmbH
23. TenneT TSO - TenneT TSO B.V.
24. Terna - Terna S.p.A.
25. Transelectrica - Compania Nationala de Transport al Energiei Electrice S.A.
26. TransnetBW - TransnetBW GmbH