
Baltic CCR's Methodology for a market-based allocation process of cross zonal capacity for the exchange of balancing capacity or sharing of reserves in accordance with Article 41 of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

Table of Contents

Whereas	3
Article 1 Subject matter and scope	5
Article 2 Definitions	5
Article 3 Principles for applying the market-based cross-zonal allocation	6
Article 4 Notification process for the use of the market-based allocation process.....	7
Article 5 Process and timeframe of market-based allocation	8
Article 6 Process to define the maximum volume of allocated cross zonal capacity for the exchange of balancing capacity or sharing of reserves.....	9
Article 7 Determination of the forecasted market value of cross zonal capacity for the exchange of energy for the market-based approach	10
Article 8 Determination of the actual market value of cross zonal capacity for the exchange of balancing capacity or sharing of reserves for the market-based approach.....	11
Article 9 Determination of the allocated volume of cross zonal capacity for the exchange of balancing capacity or sharing of reserves	11
Article 10 Pricing of cross zonal capacity	12
Article 11 Firmness regime of cross zonal capacity	12
Article 12 Sharing of congestion income from cross zonal capacity	13
Article 13 Publication.....	13
Article 14 Language	14

Baltic Capacity Calculation Region Transmission System Operators taking into account the following:

Whereas

1. This document is developed by AS Augstsprieguma tīkls, Elering AS, Fingrid Oyj, Litgrid AB, Polskie Sieci Elektroenergetyczne S.A. and Svenska Kraftnät Transmission System Operators (hereafter referred to as “**TSOs**”) of the **Baltic Capacity Calculation Region** Capacity Calculation Region (hereafter referred to as “**Baltic CCR**”). The document provides a methodology for a market-based allocation process of cross zonal capacity for the exchange of balancing capacity or sharing of reserves (hereafter referred to as “**MB CZCA Methodology**”) in accordance with Article 41 of Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing (hereafter referred to as the “**EB Regulation**”).
2. The MB CZCA Methodology takes into account the general principles and goals set in the EB Regulation, the Regulation (EC) 2017/1485 establishing a guideline on electricity transmission system operation (hereafter referred to as the “**SO Regulation**”), Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the “**CACM Regulation**”) as well as Regulation (EC) No 943/2019 of the European Parliament of the Council of 5 June 2019 on internal market for electricity (hereafter referred to as the “**Electricity Regulation**”) as well as Regulation (EC) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council (hereafter referred to as the “**Transparency Regulation**”).
3. The MB CZCA Methodology takes into account the general principles, goals and other methodologies set out in the EB Regulation. The goal of the EB Regulation is the integration of balancing markets while contributing to operational security. To facilitate this goal, while contributing to operational security, it is necessary to integrate balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security.
4. The MB CZCA Methodology generally contributes to achieving the objectives stated in Article 3 of the EB Regulation. In particular, this MB CZCA Methodology serves the following objectives of the EB Regulation:
 - (a) The MB CZCA Methodology answers the requirements set out in Article 41 of the EB Regulation;
 - (b) The MB CZCA Methodology serves the objective of fostering effective competition, non-discrimination and transparency in balancing markets as stated in Article 3(1)(a) of the EB Regulation by defining the principles necessary for establishing a balancing capacity cooperation, using the market-based allocation process, and how to notify it as described in articles 3 and 4 of this MB CZCA Methodology;
 - (c) The MB CZCA Methodology facilitates the objective for the integration of the balancing markets and for promoting the possibilities for the exchanges of balancing services while using market-based mechanisms and contributing to operational security as stated in Article 3(1)(c) and Article 3(2)(d) of the EB Regulation by means of defining the rules for the procurement of the balancing capacity, through the allocation of cross-zonal capacity for the balancing capacity market, together with and at the same time as the allocation of cross zonal capacity, as detailed in articles 5, 6 and 7 of this MB CZCA Methodology;

- (d) The MB CZCA Methodology ensures that the development of the day-ahead market is not compromised in accordance with Article 3(2)(e) of the EB Regulation as it is specified in articles 5 and 12 of this MB CZCA Methodology, the cross-zonal capacity allocated to the exchange of balancing capacity or sharing of reserves that is not used, shall be released for the exchange of balancing energy processes with shorter timeframes;
- (e) The MB CZCA Methodology ensures that the procurement of balancing services is done in a fair, objective, transparent way and uses the market-based mechanisms as stated in Article 3(1)(e) of the EB Regulation. This MB CZCA Methodology states in articles 7, 8, 9 and 10 how the market value and volume as well as the offered volumes and prices are determined;
- (f) The MB CZCA Methodology aims at respecting the responsibility assigned to the relevant TSOs in order to ensure system security, including as required by national legislation in accordance with Article 3(2)(f) of the EB Regulation by establishing the maximum limitations to be applied by the balancing capacity cooperation as is defined in article 8 of this MB CZCA Methodology;
- (g) The MB CZCA Methodology takes into consideration agreed European standards in accordance with Article 3(2)(h) of the EB Regulation and the optimization in this methodology uses the same market time unit as the single day-ahead market time unit defined within the CACM Regulation , as specified in articles 3, 5, 6, and 8-12 of this MB CZCA Methodology;
- (h) In conclusion, the MB CZCA Methodology meets the objectives of the EB Regulation.

SUBMIT THE FOLLOWING MB CZCA METHODOLOGY TO ALL REGULATORY AUTHORITIES:

Article 1 Subject matter and scope

1. This Baltic CCR's methodology for market-based allocation specifies how to allocate cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, which is based on the forecasted market values of cross-zonal capacity for the exchange of energy and the actual market values for the exchange of balancing capacity or sharing of reserves.
2. The scope of the MB CZCA Methodology does not extend to the assignment of roles and responsibilities to specific parties. Also, the governance framework for specific roles or responsibilities and TSO-TSO settlement rules are out of scope of the MB CZCA Methodology. The implementation of the allocation of cross-zonal capacity applying the market-based methodology is a voluntary initiative by two or more TSOs or at the request of their relevant regulatory authorities in accordance with Article 37 of Directive 2009/72/EC and is therefore not mandatory.
3. When developing the methodology for the implementation of the allocation of cross-zonal capacity applying the market-based methodology shall include the bidding zone borders, the market timeframe, the duration of application and the detailed description of a methodology to be applied in accordance with Article 38(2)(a) of the EB Regulation.
4. Two or more TSOs exchanging balancing capacity by applying market-based cross-zonal allocation shall use a common and harmonised set of rules and processes for the exchange and procurement of balancing capacity in accordance with Article 33 of the EB Regulation, and respecting the requirements set out in Article 32 of the EB Regulation
5. According to Article 38(4) of the EB Regulation, cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves shall be used exclusively for the product where it was reserved for, being frequency restoration reserve with automatic activation (aFRR), frequency restoration reserve with manual activation mFRR, or replacement reserve (RR). The reliability margin calculated pursuant to the CACM Regulation shall be used for operating and exchanging frequency containment reserves, except on Direct Current (hereafter referred to as "DC") interconnectors for which cross-zonal capacity for operating and exchanging frequency containment reserves may also be allocated in accordance with Article 38(1) of the EB Regulation.
6. The list of standard products for balancing capacity for frequency restoration reserves and replacement reserves is subject to the methodology pursuant to Article 25(2) of the EB Regulation and out of the scope of this methodology for market-based allocation.

Article 2 Definitions

1. For the purposes of this Baltic CCR's methodology for market-based allocation, the terms used shall have the meaning given to them in Article 2 of the Electricity Regulation, Article 2 of the Transparency Regulation, Article 2 of the CACM Regulation, Article 3 of the SO Regulation and Article 2 of the EB Regulation.
2. The following definitions shall also apply:
 - (a) 'Cross-zonal capacity allocation optimisation function' means the algorithm applied for the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves

within the balancing capacity cooperation in which balancing capacity is exchanged or reserves are shared.

- (b) 'Balancing capacity cooperation' means two or more TSOs that apply the exchange of balancing capacity or sharing of reserves in a geographical area divided into two or more bidding zones.
 - (c) 'Allocation of cross zonal capacity' means cross-zonal capacity that is allocated for the exchange of balancing capacity or sharing of reserves .
 - (d) 'Use of cross zonal capacity' means allocated cross-zonal capacity used for the exchange of balancing capacity or sharing of reserves, either for the exchange of balancing capacity in terms of dimensioning and compliance or for physical use of cross-zonal capacity for the actual transfer of balancing energy.
 - (e) 'Release of cross zonal capacity' means cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves that is no longer needed and is released as soon as possible and returned in the subsequent capacity allocation timeframes.
 - (f) 'Market value of cross zonal capacity for the exchange of energy in SDAC' means the change in the economic surplus of the single day-ahead coupling (hereafter referred to as "**SDAC**") (the sum of the producer surplus, consumer surplus and congestion income) resulting from the incremental increase of the cross-zonal capacity allocated for the exchange of energy.
 - (g) 'Market value of cross zonal capacity for the exchange of balancing capacity or sharing of reserves' means the change in the economic surplus of the balancing capacity market (the sum of consumer surplus and if applicable producer surplus and congestion income) resulting from the incremental increase of the cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves.
3. In this MB CZCA Methodology, unless the context requires otherwise:
- (a) the singular indicates the plural and vice versa;
 - (b) the table of contents and headings are inserted for convenience only and do not affect the interpretation of this MB CZCA Methodology;
 - (c) any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it when in force;
 - (d) any reference to an Article without an indication of the document shall mean a reference to this MB CZCA Methodology.

Article 3 Principles for applying the market-based cross-zonal allocation

1. Each balancing capacity cooperation applying this MB CZCA Methodology shall use standard balancing capacity products pursuant to Article 25(1) of the EB Regulation.
2. Within each balancing capacity cooperation, the relevant regulatory authorities could approve an exemption to separate procurement of upward and downward balancing capacity pursuant to Article 5(4)(f) of the EB Regulation.

3. In case of a TSO applying the central dispatching model the TSO-BSP pricing rules of the standard balancing capacity products procured within balancing capacity cooperation are defined by the TSO in the national terms and conditions related to balancing service providers (hereafter referred to as “BSPs”) in accordance with Article 18 of the EB Regulation and shall include conversion rules of integrated scheduling process bids into standard balancing capacity products defined pursuant to Article 27 of the EB Regulation.
4. The contracting period of standard balancing capacity bids exchanged with the application of market based cross-zonal allocation shall be equal to or a multiple of the day-ahead market time unit and shall be less or equal to the total amount of day-ahead market time units of the concerned day.
5. The validity period of bids from standard balancing capacity products used for market-based cross-zonal allocation shall be equal to the day-ahead market time unit.
6. The TSO-BSP pricing rules shall be:
 - (a) based on cross-border marginal pricing (pay-as-cleared)
 - (b) defined in the terms and condition related to BSPs pursuant to Article 18 of the EB Regulation,
 - (c) pursuant to Article 32(2) of the EB Regulation,
 - (d) harmonised within each balancing capacity cooperation.
7. Cross-zonal capacities for the exchange of standard balancing capacity products or sharing of reserves from market based cross-zonal allocation shall be exclusively provided to the respective platform, pursuant to Articles 19 to 21 of the EB Regulation, of the product they were allocated for.
8. The cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves that has not been used for the associated exchange of balancing energy, shall be released for the exchange of balancing energy with shorter activation times or for operating the imbalance netting process in accordance with Article 38(9) of the EB Regulation.

Article 4 Notification process for the use of the market-based allocation process

1. Each TSO intending to apply market-based cross-zonal allocation shall notify TSOs of the same synchronous area three (3) months prior to entering into operation in accordance with Article 150 of the SO Regulation and inform all stakeholders and all TSOs through an announcement on the ENTSO-E website, at least three months prior to entering into operation. The announcement on the ENTSO-E website shall include a detailed description of the specifications in accordance with EB Article 38(2) as well as the type of standard balancing capacity product which will be exchanged or shared and foreseen date of entry into operation.
2. Each balancing capacity cooperation implementing the MB CZCA Methodology shall share the applied cross-zonal capacity allocation optimisation function with TSOs of Baltic CCR.

Article 5 Process and timeframe of market-based allocation

1. The market-based approach is a market-based allocation methodology to allocate cross-zonal capacity for the exchange of balancing capacity or sharing of reserves that is based on a comparison of the actual market value of cross zonal capacity for the exchange of balancing capacity or sharing of reserves and the forecasted market value of cross zonal capacity for the exchange of energy. The cross-zonal capacity allocation optimisation is performed during the procurement of balancing capacity bids and before the SDAC.
2. The objective of the cross-zonal capacity allocation optimisation is to maximize economic surplus from the balancing capacity market taking into account the forecasted market value of cross-zonal capacity for the exchange of energy in order to allocate the cross-zonal capacity for the process for which it brings the most socioeconomic welfare. During the optimisation the market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves is compared with the forecasted market value of cross-zonal capacity for SDAC. Cross-zonal capacity allocation optimisation algorithm determines how much capacity is allocated for the exchange of balancing capacity and sharing of reserves.
3. The market-based allocation process to allocate cross-zonal capacity for the exchange of balancing capacity and sharing of reserves shall include the following consecutive timings:
 - a. The TSO-BSP gate closure time (hereafter referred to as “GCT”) of standard upward balancing capacity bids and of standard downward balancing capacity bids shall be equal within a balancing cooperation and shall be organised in between week-ahead and before the final the results of the capacity calculation for cross-zonal capacity of the SDAC. Such TSO-BSP GCT shall be described in the proposal pursuant to Article 33(1) of the EB Regulation taking into account that procurement shall not be made earlier than one day ahead, unless a derogation has been approved according the Article 6 (9) of Electricity Regulation.
 - b. For TSOs applying a central dispatching model and applying market-based cross-zonal capacity allocation process, the GCT for the submission of the integrated scheduling process bids that are converted to the standard balancing capacity bids shall be defined in the national terms and conditions pursuant to Articles 24(5) and 24(6) of the EB Regulation
 - c. Notification to balancing responsible parties of selected upward balancing capacity bids or downward balancing capacity bids shall be done not later than one hour before the GCT of the SDAC.
4. The market-based allocation process to allocate cross-zonal capacity for the exchange of balancing capacity and sharing of reserves shall include the following steps:
 - a. BSPs submit the standard upward and standard downward balancing capacity bids to their connecting TSO.
 - b. For TSOs of the balancing capacity cooperation who are applying a central dispatching model, BSPs may submit only integrated scheduling process bids (instead of standard balancing capacity bids), which may be converted where possible into standard upward and/or standard downward balancing capacity bids by the connecting TSO in accordance with Article 27 of the EB Regulation.
 - c. TSOs of the balancing capacity cooperation shall perform the cross-zonal capacity allocation optimisation function after the TSO-BSP GCT of standard balancing capacity bids and determine

the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves based on:

- i. the actual bids of balancing capacity submitted to the capacity procurement optimisation function of the balancing capacity cooperation;
 - ii. the balancing capacity demand for each LFC area or bidding zone included in the balancing capacity cooperation;
 - iii. the forecasted market value of cross-zonal capacity for the exchange of energy;
 - iv. the actual or forecasted cross-zonal capacity to be used for the SDAC;
 - v. the limits to the maximum volume of cross-zonal capacity to be allocated for the exchange of balancing capacity or sharing of reserves according to Article 6.
- d. The TSOs of the balancing capacity cooperation shall establish the common merit order list of balancing capacity bids.

Article 6 Process to define the maximum volume of allocated cross zonal capacity for the exchange of balancing capacity or sharing of reserves

1. The exchange of balancing capacity or sharing of reserves as determined by the cross-zonal capacity allocation optimisation function shall comply with the limits:
 - a. Limits for the exchange of balancing capacities between TSOs within the same synchronous area pursuant to Article 167 and Article 169 of the SO Regulation;
 - b. Limits for the sharing of balancing capacities between TSOs within the same synchronous area pursuant to the Article 168 and Article 170 of the SO Regulation;
 - c. Limits on the amount of exchange of FRR between synchronous areas defined in accordance with Article 176(1) and are approved by concerned NRAs pursuant to Article 6(3)d,ix of SO Regulation;
 - d. Limits on the amount of sharing of FRR between synchronous areas defined in accordance with Article 177(1) and are approved by concerned NRAs pursuant to Article 6(3)d,ix of SO Regulation;
 - e. Limits on the amount of exchange of RR between synchronous areas defined in accordance with Article 178(1) and are approved by concerned NRAs pursuant to Article 6(3)d,x of SO Regulation;
 - f. and limits on the amount of sharing of RR between synchronous areas defined in accordance with Article 179(1) and are approved by concerned NRAs pursuant to Article 6(3)d,x of SO Regulation.
2. Until Baltic TSOs in accordance with Article 2(4) of SO Regulation are exempted from the application of the provisions of Articles 167 to 170 and Articles 176 to 179 of SO Regulation, Baltic TSOs shall follow the SO Regulation requirements for introduction of limits for exchange and sharing of balancing capacities.

3. No additional limitations other than referred in paragraph 1 shall be applied by the balancing capacity coordination in case the allocation of the cross-zonal capacity is done not more than two days in advance of the provision of the balancing capacity.

Article 7 Determination of the forecasted market value of cross zonal capacity for the exchange of energy for the market-based approach

1. The initial forecasted market value of cross-zonal capacity used for the exchange of energy, defined for each direction, for each bidding zone border and for each day-ahead market time unit, shall be:
 - a) equal to the positive market spread for each day-ahead market time unit of the reference day for the direction of the positive market spread; or
 - b) equal to zero for each day-ahead market time unit of the reference day for the direction of the negative market spread or in case of zero market spread.
2. A mark-up will be added to the initial forecasted market value of cross-zonal capacity calculated in accordance with paragraph 1, in order to take into account the uncertainty of the forecasted market value of cross-zonal capacity. This mark-up is defined for each direction as follows:
 - a) if there is a negative or zero market spread for the initial forecasted market value of cross-zonal capacity in accordance with paragraph 1, the mark-up will be 0.1 EUR/MWh; and
 - b) if there is a positive market spread, for the initial forecasted market value of cross-zonal capacity in accordance with paragraph 1, the mark-up will be 1 EUR/MWh.
3. If the average positive forecast error over the last 30 days, per bidding zone border and per direction, excluding the 5% hours with the highest positive forecast errors, is 1 EUR/MWh higher or lower than the mark-up applied the day before, the TSOs of this bidding zone border shall respectively increase or decrease the mark-up pursuant to paragraph 2(b) with 1 EUR/MWh for the respective direction. The mark-up for a positive market spread, can never be lower than the default value pursuant to paragraph 2(b) and never higher than 5 EUR/MWh. The updated mark-ups shall be published pursuant to Article 12(1).
4. The forecasted market value for the exchange of energy for each direction shall be equal to the sum of the initial forecasted market value pursuant to paragraph 1 and the mark-up pursuant to paragraph 2.
5. The reference day shall be:
 - a) the previous working day whenever cross-zonal capacity is allocated for a working day;
 - b) the previous weekend day whenever cross-zonal capacity is allocated for a weekend day; and
 - c) the previous Sunday or bank holiday whenever cross-zonal capacity is allocated for a bank holiday in the respective bidding zone.
6. TSOs shall perform analysis on forecasted market value methodology and no later than 14 (fourteen) months after entry into force of this methodology shall provide the proposals for the amendments of this methodology.

Article 8 Determination of the actual market value of cross zonal capacity for the exchange of balancing capacity or sharing of reserves for the market-based approach

1. The actual market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves between all bidding zones where market-based cross-zonal allocation is applied shall be:
 - a. the change of economic surplus from the exchange of balancing capacity or sharing of reserves;
 - b. defined per the day-ahead market time unit;
 - c. calculated per product and per direction, separately;
 - d. calculated based on the standard upward balancing capacity bids or standard downward balancing capacity bids submitted to the capacity procurement optimisation function pursuant to Article 33(3) of the EB Regulation; and
 - e. calculated based on TSOs' demand;
2. The actual market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves between the bidding zones of the balancing capacity cooperation shall be calculated as the change in total economic surplus of the balancing capacity cooperation resulting from the incremental increase of cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves.
2. The TSOs shall not put a price on their demand used for market-based cross-zonal allocation. TSOs may increase their demand to include the capacity from an indivisible bid, if such an increase would decrease the overall procurement costs for the respective standard balancing capacity product.
3. If the demand for a standard balancing capacity product of TSOs in a region where market-based cross-zonal capacity allocation is applied exceeds the available amount of bids for the relevant standard balancing capacity product, while taking into account the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves in accordance with Article 6, a fallback procedure shall apply. Such fallback procedure shall be described in the proposal pursuant to Article 33(1) of the EB Regulation. If a TSO demand for a standard balancing capacity product per bidding zone exceeds the available amount of locally submitted bids in the bidding zone for the respective standard balancing capacity product but the fallback procedure is not required, the market-based cross-zonal allocation shall be performed. To calculate the change of economic surplus from the exchange of balancing capacity or sharing of reserves in such a case, the technical price limit shall be used as a fictional clearing price in case of insufficient local bids.

Article 9 Determination of the allocated volume of cross zonal capacity for the exchange of balancing capacity or sharing of reserves

1. For the market-based approach, the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves is determined simultaneously with the selection of balancing capacity bids by the capacity procurement optimisation function.
2. The objective function for the allocation of cross-zonal capacity between SDAC and the exchange of balancing capacity or sharing of reserves shall be the maximisation of the sum of expected economic surplus for SDAC and the economic surplus from the exchange of balancing capacity or sharing of reserves per trading day.
3. The time interval for the determination of the allocation of cross-zonal capacity for the exchange of balancing capacity and sharing of reserves is the same the time interval as for the resolution of the SDAC
4. Each marginal volume of cross-zonal capacity shall be allocated to the exchange of energy in case the marginal economic surplus of cross-zonal capacity for the exchange of balancing capacity or sharing of

reserves is lower or equal to the expected marginal economic surplus of cross-zonal capacity for the exchange of energy.

5. Netting of cross-zonal capacity allocated to the exchange of balancing capacity or sharing of reserves is not possible between:
 - (a) standard upward and downward balancing capacity bids;
 - (b) standard balancing capacity bids from different balancing capacity products;
 - (c) a standard balancing capacity bid and a day-ahead market bid; and
 - (d) bidding zone border directions in case of sharing of reserves.

Article 10 Pricing of cross zonal capacity

1. Each balancing capacity cooperation allocating cross-zonal capacity for the exchange of balancing capacity or sharing of reserves applying the market-based methodology shall calculate the cross-zonal capacity price for the volume of cross-zonal capacity that is allocated for the exchange of balancing capacity or sharing of reserves.
2. The cross-zonal capacity price for the exchange of balancing capacity or sharing of reserves applying the market-based methodology shall be 0 EUR/MW within an uncongested area.
3. The cross-zonal capacity price resulting from the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves applying the market-based methodology with pay-as-cleared for the TSO-BSP pricing shall correspond for each direction to the difference between the marginal prices of the standard product balancing capacity in each direction on each side of the border.

Article 11 Firmness regime of cross zonal capacity

1. The allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves shall be firm after the selection of standard upward balancing capacity bids or standard downward balancing capacity bids by the capacity procurement optimisation function pursuant to Article 33(3) of the EB Regulation.
2. According to Article 38(4) of the EB Regulation, cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves shall be used exclusively for the product where it was allocated for, being frequency restoration reserves with automatic activation, frequency restoration reserves with manual activation or replacement reserves. In accordance with Article 38(9) of the EB Regulation, if the cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves has not been used for the associated exchange of balancing energy, it shall be released for the exchange of balancing energy with shorter activation times or for operating the imbalance netting.
3. The procured balancing capacity bids, pursuant to Article 33(3) of the EB Regulation, shall be firm after the capacity procurement optimisation function operated by TSOs.
4. In the event of force majeure or emergency situations, curtailment of cross-zonal capacities which were allocated using the cross-zonal capacity allocation optimisation function shall be proportionally distributed between the affected cross-zonal capacities allocated for the exchange of energy and for the exchange of balancing capacity or sharing of reserves in accordance with Article 40(3) of the EB Regulation. TSOs can deviate from this principle by proposing a more cost efficient, non-discriminatory solution in the proposal pursuant to Article 33(1) of the EB Regulation.
5. Costs of ensuring firmness of cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves shall include follow up costs of ensuring firmness of procured balancing capacity bids in accordance with paragraph 3, which are caused by the curtailment of firm cross-zonal capacity in the

event of force majeure or emergency situations. These costs also include the additional costs from the procurement of balancing capacity due to the non-availability of the balancing capacity given the curtailment of cross-zonal capacity.

6. The costs of ensuring firmness shall be shared in accordance with the regional methodologies developed in accordance with Article 74 of the CACM Regulation and Article 76 of the SO Regulation for cases which are within the scope of these methodologies and proposal pursuant to Article 33(1) of the EB Regulation.
7. Any costs of ensuring firmness which are outside the scope of the methodologies referred to in paragraph 6, shall be borne by the TSO requesting the curtailment.

Article 12 Sharing of congestion income from cross zonal capacity

1. For each bidding zone border the congestion income is calculated as the difference between the TSO payment for the balancing capacity exchanged on the bidding zone border and the BSPs remuneration for the balancing capacity exchanged on the bidding zone border. In case of applying the market-based methodology with pay-as-cleared for the TSO-BSP pricing the congestion income for a given bidding zone border shall be equal to the price of cross-zonal capacity pursuant to Article 11 multiplied with the volume of balancing capacity that have been exchanged for the relevant product and direction on that bidding zone border.
2. The TSOs on each side of a bidding zone border with cross-zonal capacity allocated for balancing capacity shall receive their share of congestion income based on a 50%-50% sharing key.

Article 13 Publication of information

1. The TSOs applying this market-based allocation process shall publish the following information on the allocation of cross-zonal capacity for the exchange of balancing capacity per bidding zone border at the latest one hour before the single day-ahead coupling gate closure time, as defined in accordance with Article 47(2) of the CACM Regulation, pursuant to Article 12(3)(h) of the EB Regulation:
 - a) date and time when the decision on allocation was made;
 - b) period of the allocation;
 - c) volumes allocated; and
 - d) market values used as a basis for the allocation process, in accordance with Article 39 of the EB Regulation.
2. The TSOs applying this market-based allocation process shall publish the following information on the use of allocated cross-zonal capacity for the exchange of balancing capacity at the latest one week after the use of allocated cross-zonal capacity, pursuant to Article 12(3)(i) of the EB Regulation:
 - a) volume of allocated and used cross-zonal capacity per day-ahead market time unit and bidding zone border;
 - b) estimated realised costs and benefits of the allocation process. The TSOs will, based on the bid data for the respective standard balancing capacity product, estimate the reduction in procurement costs and estimated welfare gains compared to fulfilling the TSO demand without allocating cross-zonal

capacity for exchange of the respective standard balancing capacity product. These estimated costs and benefits will be published as values for each bidding zone, day ahead market time unit and each standard balancing capacity product for the balancing capacity market where this methodology is applied.

3. The TSOs applying this market-based allocation process shall publish the description of the requirements of any algorithm developed and amendments to it referred to in Article 58 of the EB Regulation at least one month before their application pursuant to Article 12(3)(k) of the EB Regulation. The document shall be publicly available on the TSOs webpage.

Article 14 Publication and implementation of the methodology for market-based capacity allocation

1. The TSOs shall publish the methodology for market-based capacity allocation without undue delay after concerned regulatory authorities have approved this methodology or a decision has been made by the European Union Agency for the Cooperation of Energy Regulators.
2. This methodology shall be considered implemented when the concerned regulatory authorities have approved this methodology or a decision has been made by the European Union Agency for the Cooperation of Energy Regulators.

Article 15 Language

The reference language for this MB CZCA Methodology shall be English. For the avoidance of doubt, where TSOs need to translate this MB CZCA Methodology into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 7 of the EB Regulation and any version in another language, the relevant TSOs shall be obliged to dispel any inconsistencies by providing a revised translation of this MB CZCA Methodology thito their relevant national regulatory authorities.