



Mr. Carsten Pflanz
Chairman
Core TSOs

cc: Mr. Alberto Pototschnig
Director
ACER

cc: Mr. Klaus-Dieter Borchardt
Director
IEM, DG ENER
European Commission

cc: Mr. Garrett Blaney
Chairman
Energy Regulators' Forum

6 October 2017,

Dear Mr. Pflanz,

I write on behalf of all Core Regulatory Authorities regarding the Core TSOs' proposal for the regional design of long-term transmission rights in accordance with Article 31 of Regulation (EU) 2016/1719 of the Commission of 26 September 2016 establishing a guideline on forward capacity allocation.

The attached document elaborates an agreement of all Core Regulatory Authorities, agreed by the Core Energy Regulators' Regional Forum (CERRF) on 3 October 2017, on the Core TSOs' proposal for the regional design of long-term transmission rights.

This agreement of all Core Regulatory Authorities shall provide evidence that a decision on the proposal for the regional design of long-term transmission rights does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of Regulation 2016/1719. This agreement is intended to constitute the basis on which all Core Regulatory Authorities will each subsequently adopt a decision to the proposal for regional design of long-term transmission rights, pursuant Article 4(7)(c) of Regulation 2016/1719.

Please find enclosed the position paper of all Core Regulatory Authorities in which further details are provided.

Yours sincerely,

Mathieu Fransen
Chairman of the Core Energy Regulators' Regional Forum



**Agreement by all Core Regulatory Authorities
agreed at the Core Energy Regulators' Regional Forum**

on

**the “Core CCR TSOs’ proposal for the regional design of
long-term transmission rights in accordance with Article 31
of Commission Regulation (EU) 2016/1719”**

3 October 2017

I. Introduction and legal context

The Commission regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereafter referred to as “Regulation 2016/1719”) entered into force on 17 October 2016. Regulation 2016/1719 sets out detailed rules on cross-zonal capacity allocation in the forward markets, on the establishment of a common methodology to determine long-term cross-zonal capacity, on the establishment of a single allocation platform at European level offering long-term transmission rights, and on the possibility to return long-term transmission rights for subsequent forward capacity allocation or transfer long-term transmission rights between market participants.

This document elaborates an agreement of all Regulatory Authorities of the Core Capacity Calculation Region (hereafter referred to as “Core CCR”) on 3 October 2017, on the **Core CCR TSOs’ proposal for the regional design of long-term transmission rights in accordance with Article 31 of Commission Regulation (EU) 2016/1719** (hereafter referred to as “the LT TR Proposal”), as submitted in April 2017.

This agreement of all Core Regulatory Authorities shall provide evidence that a decision on the LT TR Proposal does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of Regulation 2016/1719. This agreement is intended to constitute the basis on which all Core Regulatory Authorities will each subsequently adopt a decision on the LT TR Proposal pursuant Article 4(7)(c) of Regulation 2016/1719.

The legal provisions relevant to the submission and approval of the LT TR Proposal can be found in Articles 3, 4 and 31 of Regulation 2016/1719.

Article 3 of Regulation 2016/1719:

This Regulation aims at:

- (a) promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants;*
- (b) optimising the calculation and allocation of long-term cross-zonal capacity;*
- (c) providing non-discriminatory access to long-term cross-zonal capacity;*
- (d) ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants;*
- (e) respecting the need for a fair and orderly forward capacity allocation and orderly price formation;*
- (f) ensuring and enhancing the transparency and reliability of information on forward capacity allocation;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.*

Article 4 of Regulation 2016/1719:

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.*
2. (...)
3. (...)
4. (...)
5. *Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7.*
6. (...)
7. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:*

(...)

(c) the regional design of long-term transmission rights pursuant to Article 31;

(...)
8. (...)
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 to 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. *Where the regulatory authorities have not been able to reach an agreement within the period referred to in paragraph 9, or upon their joint request, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009.*
11. (...)
12. (...)
13. (...)

Article 31 of Regulation 2016/1719

1. *Long-term cross-zonal capacity shall be allocated to market participants by the allocation platform in the form of physical transmission rights pursuant to the UIOSI principle or in the form of FTRs — options or FTRs — obligations.*
2. *All TSOs issuing long-term transmission rights shall offer long-term cross-zonal capacity, through the single allocation platform, to market participants for at least annual and monthly time frames. All TSOs in each capacity calculation region may jointly propose to offer long-term cross-zonal capacity on additional time frames.*
3. *No later than six months after the entry into force of this Regulation, TSOs in each capacity calculation region where long-term transmission rights exist shall jointly develop a proposal for the regional design of long-term transmission rights to be issued on each bidding zone border within the capacity calculation region.*

No later than six months after the coordinated decisions of the regulatory authorities of the bidding zone border to introduce long-term transmission rights pursuant Article 30(2), TSOs of the concerned capacity calculation region, shall jointly develop a proposal for the regional design of long-term transmission rights to be issued on each bidding zone border within the concerned capacity calculation region.

Regulatory authorities of Member States in which the current regional design of long-term transmission rights is part of a TSO cross-border re-dispatch arrangement for the purpose of ensuring that operation remains within operational security limits may decide to maintain physical long-term transmission rights on its bidding zone borders.

4. *The proposals referred to in paragraph 3 shall include a time schedule for implementation and at least the description of the following items specified in the allocation rules:*
 - (a) type of long-term transmission rights;*
 - (b) forward capacity allocation time frames;*
 - (c) form of product (base load, peak load, off-peak load);*
 - (d) the bidding zone borders covered.*
5. *The proposals shall be subject to consultation in accordance with Article 6. For the proposed long-term transmission rights to be issued, each TSO shall duly consider the result of the consultation.*
6. *The allocation of physical transmission rights and FTRs — options in parallel at the same bidding zone border is not allowed. The allocation of physical transmission rights and FTRs — obligations in parallel at the same bidding zone border is not allowed.*
7. *A review of long-term transmission rights offered on a bidding zone border may be launched by:*
 - (a) all regulatory authorities of the bidding zone border, at their own initiative; or*
 - (b) all regulatory authorities of the bidding zone border based upon a recommendation from the Agency or joint request by all TSOs of the concerned bidding zone border.*

8. *All TSOs in each capacity calculation region shall be responsible for undertaking the review as provided for in paragraph 9.*
9. *Each TSO involved in the review of long-term transmission rights shall:*
 - (a) assess the offered long-term transmission rights taking into account the characteristics in paragraph 4;*
 - (b) if considered necessary, propose alternative long-term transmission rights, taking into account the result of the assessment in subparagraph (a);*
 - (c) carry out a consultation in accordance with Article 6 regarding:*
 - (i) the results of the assessment of the offered long-term transmission rights;*
 - (ii) if applicable, the proposal for alternative long-term transmission rights.*
10. *Following the consultation referred to in paragraph 9(c) and within three months of the issuance of the decision to launch a review, the TSOs of the capacity calculation region concerned shall jointly submit a proposal to the competent regulatory authorities to maintain or amend the type of long-term transmission rights.*

II. The proposal for regional design of long-term transmission rights

Article 31(3) of Regulation 2016/1719 requires that all TSOs in each CCR shall jointly develop a proposal for the regional design of long-term transmission rights to be issued of on each bidding zone border within the CCR, by six months after entry into force of Regulation 2016/1719. By 20 April 2017, all TSOs in the Core CCR submitted the LT TR Proposal to their respective Regulatory Authority. Within six months following the receipt of the LT TR Proposal by the last Regulatory Authority concerned, on 20 October 2017, each Core Regulatory Authority shall take a decision concerning the LT TR Proposal.

All Core TSOs organized, from 10 March 2017 until 10 April 2017, a public consultation on the draft LT TR Proposal, in accordance with the requirements in Article 31 and Article 6 of Regulation 2016/1719. This public consultation has been organized by ENTSO-E on behalf of all Core TSOs, via the online ENTSO-E Consultation Hub. During the public consultation, Core TSOs received responses from two stakeholders as well as an informal shadow opinion agreed by all Core Regulatory Authorities. Core TSOs attached to the LT TR Proposal, for the information of the Core Regulatory Authorities, an explanatory note including an assessment of the remarks made by stakeholders during the public consultation.

The Core TSOs' LT TR Proposal includes, as required by Article 4(8) of Regulation 2016/1719, a proposed timescale for the implementation and a description of the expected impact of the objectives of Regulation 2016/1719.

III. All Core NRAs' position

a) In general

All Core Regulatory Authorities consider, following the provisions in Article 31 of Regulation 2016/1719, that the LT TR Proposal should contain – and does contain – a description of the following characteristics of the long-term transmission rights: the type of long-term transmission rights, the applicable timeframes, the product form and the bidding zone borders on which these long-term transmission rights shall be issued.

The coverage of the bidding zones and the corresponding type of long-term transmission rights are described in Article 5 and Table 1 of the LT TR Proposal. The applicable timeframes are covered by Article 6 of the LT TR Proposal and the form of the transmission rights are described in Article 7 of the LT TR Proposal.

All Core Regulatory Authorities consider that the LT TR Proposal contains all the minimum requirements described in Article 31 of Regulation 2016/1719.

b) On the types of long-term transmission rights

Core TSOs describe, for each bidding zone border of the Core CCR, the type of long-term transmission rights to be issued. Core TSOs limit the implementation of the long-term transmission rights to either physical transmission rights with use-it-or-sell-it (UIOSI) principle or financial transmission rights – options (FTR-options) No financial transmission rights – obligations (FTR-obligations) will be offered to the market participants.

Core Regulatory Authorities approve the proposed long-term transmission rights and clarify that, in case new or other types of long-term transmission rights need to be implemented, thus modifying Table 1, all Core TSOs shall follow the procedures foreseen in Article 4(12) of Regulation 2016/1719, which can be preceded by a review of long-term transmission rights according to Articles 31(7) to (10) of Regulation 2016/1719. Core Regulatory Authorities foresee this will happen once TSOs decide to implement financial transmission rights – options or obligations instead of physical transmission rights pursuant to UIOSI principle, or where – as foreseen in Article 30(1) and 30(2) of Regulation 2016/1719 - the competent Regulatory Authorities adopt coordinated decisions to introduce long-term transmission rights and trigger the Core TSOs to amend the LT TR Proposal in the future.

c) On the forward capacity time frames

All Core TSOs propose to offer the products, specified in Article 5 of the LT TR Proposal for each bidding zone border, for the monthly and annual time frames. Core Regulatory Authorities consider this to be compliant with Article 31(2) of Regulation 2016/1719 but urge Core TSOs to regularly evaluate market needs and to consider whether it is desirable, as future development of the long-term transmission rights, to offer products for other time frames (weekly, quarterly, ...) as well.

d) On the form of the products

All Core TSOs propose to offer baseload products with fixed volumes only. Core Regulatory Authorities consider this to be compliant with Article 31(4)(c) of Regulation 2016/1719 but ask Core TSOs to regularly evaluate market needs and to consider whether it is desirable, as future development of the long-term transmission rights, to offer peak and off-peak load products as well.

e) On the implementation timeline

Article 8 of the LT TR Proposal states that all Core TSOs shall implement the long-term transmission rights, specified by Articles 5, 6 and 7, at the latest for the time frame 2019. With regards to the statement in Article 8(2) of the LT TR Proposal, all Core Regulatory Authorities consider that, while the description of the implementation of long-term transmission rights on new bidding zone borders is factually correct, there is an intermediate step between the coordinated decision of the competent Regulatory Authorities following Article 30(2) of Regulation 2016/1719 and the implementation of those long-term transmission rights. This is described in Article 31(3), second paragraph of Regulation 2016/1719: all Core TSOs shall be required to request an amendment to the LT TR Proposal within 6 months following the coordinated decision described in Article 30(2) of Regulation 2016/1719.

f) On the expected impact on the objectives of the Regulation

All Core Regulatory Authorities take note of the description of the expected impact on the objectives of Regulation 2016/1719, as laid out by Core TSOs in points (5) and (6) of the Preamble to the LT TR Proposal. Based on their own assessment, Core Regulatory Authorities do not consider the LT TR Proposal to hinder the fulfilment of the Regulation's objectives listed in Article 3 of Regulation 2016/1719.

IV. Conclusion

All Core Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach the agreement that the LT TR Proposal meets the requirements of Regulation 2016/1719 and as such can be approved by all Core Regulatory Authorities.

All Core Regulatory Authorities must therefore make their decisions, on the basis of this agreement, by 20 October 2017. The approval of the LT TR Proposal will be effective upon the decision of the last Core Regulatory Authority concerned.

Following the national decisions by all Core Regulatory Authorities, all Core TSOs will be required to publish the LT TR Proposal as approved, in line with Article 4(13) of Regulation 2016/1719. All Core TSOs must respect the implementation deadlines provided in Article 8 of the LT TR Proposal.