
**All TSOs' Proposal for sharing costs incurred to
ensure firmness and remuneration of long-term
transmission rights (FRC) methodology in accordance
with Article 61 of the Commission Regulation (EU)
2016/1719 of 26 September 2016**

23 April 2020

ACER decision on FCA-FRC methodology: Annex I

Methodology for sharing costs incurred to ensure firmness and remuneration of long-term transmission rights

in accordance with Article 61 of Commission Regulation (EU) 2016/1719 of 26 September 2016

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23 October 2020

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All TSOs, taking into account the following,

Whereas

- (1) This document is a common proposal developed by all Transmission System Operators (hereafter referred to as "TSOs") regarding ('FRC methodology') establishes a methodology for sharing costs incurred to ensure firmness and remuneration of long-term transmission rights, in accordance with Article 61 of Commission Regulation (EU) 2016/1719 establishing a guideline on Forward Capacity Allocation (hereafter referred to as the "forward capacity allocation ('FCA Regulation)'). This proposal is hereafter referred to as "FCA FRCM", which stands for Firmness and Remuneration Costs Methodology Regulation).
- (2) The FCA FRCM methodology takes into account and applies the requirements set out in Article 74 of Commission Regulation (EU) 2015/1222 establishing a guideline on Capacity Allocation and Congestion Management (hereafter referred to as the "CACM Regulation"), capacity allocation and congestion management ('CACM Regulation').
- (3) The FCA FRCM methodology takes into account the Congestion congestion income distribution methodologies methodology pursuant to the CACM Regulation ('CACM CIDM'), in accordance with Article 73 of the CACM Regulation (hereafter referred to as the "CACM CIDM") and the congestion income distribution methodology pursuant to the FCA Regulation ('FCA CIDM'), in accordance with Article 57 of the FCA Regulation (hereafter referred to as the "FCA CIDM"). The FCA FRCM methodology follows the principles set out in the FCA CIDM for sharing of congestion income on a bidding zone border ("BZB") ('BZB') by applying the same sharing keys. In case a flow-based approach ("FB approach") will be applied for long-term capacity calculation ("LT-CC") by a Capacity Calculation Region ("CCR"), or if the implementation of a Capacity Calculation Method ("CCM") based on the Coordinated Net Transmission Capacity approach ("CNTC approach") requires, the FCA CIDM shall be amended and submitted on time for regulatory approval according to Article 4(12) of the FCA Regulation. If necessary, this FCA FRCM shall be amended accordingly.
- (4) Furthermore, this FCA FRCM methodology takes into account the general principles, goals and other methodologies set out in the FCA Regulation. The goal of the FCA Regulation is the coordination and harmonisation of forward capacity calculation and allocation in the long-term capacity markets, and it sets requirements for the TSOs to co-operate on a pan-European level, on the level of the capacity calculation regions, ('CCRs') and across bidding zone borders ("BZBs"). The. Moreover, it takes into account Article 51 of the FCA Regulation in Article 51 also that sets the rules for establishing the European Harmonised Allocation Rules ("HAR") and harmonised allocation rules ('HAR') with regional/ or border specific annexes. In addition, and Articles 49 and 59 of the FCA Regulation in Articles 49 and 59 sets that set out the rules for the establishment, the functioning and the cost sharing of a Single Allocation Platform single allocation platform for long-term capacity allocation ("SAP"), ('SAP'). The FCA Regulation also specifies rules for establishing capacity calculation methodologies based on either the FB flow-based approach or the CNTC coordinated net transmission capacity ('CNTC') approach.
- (5) Article 61 of the FCA Regulation requires all TSOs to develop a proposal for a methodology for sharing costs incurred to ensure firmness and remuneration of long-term transmission rights within six months after the approval of the congestion income distribution from forward capacity allocation methodology in accordance with the FCA Regulation.

- ~~(6)~~(5) A regional application of sharing the costs incurred to ensure firmness and remuneration of long-term transmission rights is needed because the sharing of congestion income pursuant to the FCA CIDM and the CACM CIDM is applicable at the CCR-level ~~and therefore~~. Therefore, the sharing of congestion remuneration costs must be kept at the same geographical level as stipulated in the CACM CIDM ~~recital 6~~. Further, the revenue adequacy of each TSO as stipulated in CACM CIDM ~~recital 7~~ should be ensured ~~meaning~~. It means that in each market time unit (~~"MTU"~~) ('MTU') as used for the day-ahead capacity calculation, the final congestion income distributed to each TSO according to the CACM CIDM ~~shall~~should not become negative.
- ~~(7)~~(6) The congestion income as resulting from the FCA CIDM and the CACM CIDM also contains the congestion income generated by the allocation of the long-term transmission rights (~~"LTTRs"~~) ('LTTRs'). Parts of such LTTRs are subject to remuneration (i.e. the non-nominated physical transmission rights or the financial transmission rights) and the TSOs have the obligation to remunerate the holders of those rights in accordance with Article 35 of the FCA Regulation. Thus, in a situation where LTTRs have been issued in a CCR, the costs for the remuneration of those LTTRs should be borne by the same TSOs which receive the congestion income in the day-ahead (~~"DA"~~)-timeframe that is generated by the capacity corresponding to these ~~non-nominated~~ LTTRs.
- ~~(8)~~(7) The remuneration of LTTRs is in the scope of this ~~FCA-FRCM~~FRC methodology and includes situations where the remuneration of LTTRs exceeds the total congestion income generated in a respective MTU by ~~DA~~day-ahead and ~~LT~~long-term capacity allocation on bidding zone border level pursuant to the CACM CIDM and the FCA CIDM.
- ~~(9)~~(8) The ~~FCA-FRCM~~FRC methodology generally contributes to the achievement of the objectives of Article 3 of the FCA Regulation and, according to Article 4-(8) of the FCA Regulation, the expected impact of the proposed ~~FCA-FRCM~~FRC methodology on the particular objectives of the FCA Regulation is presented below.
- ~~(10)~~(9) This ~~FCA-FRCM~~FRC methodology fulfils the objectives of Article 3(a) of the FCA Regulation, because it serves the objective of promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants as it lays down objective criteria and solutions for the ~~distributions~~sharing of costs to be applied by all involved TSOs, thus creating a solid basis for European cost sharing principles applied at CCR level.
- ~~(11)~~(10) This ~~FCA-FRCM~~FRC methodology fulfils the objectives of Article 3(b) of the FCA Regulation, i.e. the objectives of optimising the calculation and allocation of long-term cross-zonal capacity, because it takes into account the results of the long-term capacity calculation methodology in accordance with ~~article~~Article 10 of the FCA Regulation and ~~article~~Article 21 of the CACM Regulation which duly considers the provisions and limitations related to secure system operation.
- ~~(12)~~(11) This ~~FCA-FRCM~~FRC methodology fulfils the objectives of Article 3(c) and 3(e) of the FCA Regulation, i.e. the objectives of providing non-discriminatory access to long-term cross-zonal capacity and of respecting the need for a fair and orderly forward capacity allocation and orderly price formation because it ~~does not apply barriers for access to the auctioning of LTTRs via the SAP~~ensures full remuneration and firmness of LTTRs as required by the FCA Regulation. Consequently, it is fully compliant with the HAR.

~~(13)~~(12) The ~~FCA-FRC~~FRC methodology fulfils the objectives of Article 3(d) of the FCA Regulation, i.e. it ensures fair and non-discriminatory treatment of all affected parties, because it sets out cost sharing keys that are based on objective and fair principles and it secures full transparency and involvement in the preparation phase as well as in the adoption process of TSOs, ACER, regulatory authorities and market participants.

~~(14)~~(13) The ~~FCA-FRC~~FRC methodology fulfils the objectives of Article 3(f) of the FCA Regulation, because it provides clear rules and a solid basis for cost sharing in a transparent and reliable way, since the ~~FCA-FRC~~FRC methodology, in common with the interrelated methodologies, will be published by TSOs.

~~(15)~~(14) ~~In conclusion, the FCA-FRC~~The FRC methodology fulfils the objectives of Article 3(g) of the FCA Regulation ~~and contributes, i.e. contributing~~ to the efficient long-term operation and development of the electricity transmission system and the electricity sector in the Union, because it maintains and guarantees the remuneration and firmness principles established by the FCA Regulation, which are facilitating efficient cross-zonal hedging that is needed for efficient market functioning and price signals.

SUBMIT THE FOLLOWING FCA-FRCM TO THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS:

TITLE 1 General Provisions

Article 1 Subject matter and scope

- ~~The FCA-FRCM shall be considered as the common proposal of all TSOs in~~ accordance with Article 61 of ~~the FCA Regulation and shall cover, this FRC methodology determines~~ the sharing of costs incurred to ensure firmness and remuneration of eligible LTTRs ~~for all existing and future bidding zone borders and interconnectors, within and between Member States, to~~ all BZBs where LTTRs are allocated. For the avoidance of doubt, the FRC methodology does not apply on BZBs on which the LTTRs do not exist, in accordance with Article 30 of the FCA Regulation ~~applies and where Congestion Income from Forward Capacity Allocation is collected.~~
- Where cost sharing considers 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-FRCM~~FRC methodology with the relevant transmission asset owners to contribute to sharing costs incurred to ensure firmness and remuneration of long-term transmission rights on assets they operate on their behalf.
- If costly remedial actions are used to ensure firmness of capacity allocated in the form of LTTRs, the provisions set by Article 74(1) of the CACM Regulation shall apply ~~to the sharing of these costs.~~
- Imbalance costs associated with compensating market participants do not occur when long-term transmission rights have been curtailed before the day-ahead firmness deadline and the holders of curtailed long-term transmission rights are compensated pursuant to Article 53(2) of the FCA Regulation. Sharing rules for the compensation of costs due to curtailment of long-term transmission rights are described in Article 5.

Article 2 Definitions and interpretation

- For the purpose of the ~~FCA-FRCM~~FRC methodology, terms used in this document shall have the meaning of the definitions included in Article 2 of the FCA Regulation, Article 2 of the CACM Regulation, Article 2 of the HAR, the SAP methodology according to Article 49(1)2 of the FCA Regulation, SAP, Article 2 of the Regulation (EU) 2019/943/EC of the European Parliament and the Commission of the Council on the internal market for electricity and Article 2 of the Directive (EU) 2019/944/EC of the European Parliament and of the Council on common rules for the internal market for electricity.
- ~~Eligible LTTRs are to be understood as~~ In addition, in this FRC methodology, the following terms shall have the meaning below:
 - ~~'eligible LTTRs' means~~ either non-nominated physical ~~LTTRs~~ transmission rights or financial ~~LTTRs~~ transmission rights; and
 - ~~BZB stands also for 'bidding zone border' or 'BZB'~~ means one or several interconnectors ~~which are between two bidding zones having a direct network connection (regardless of whether the interconnector is owned by TSOs a TSO or by other another legal entities.entity)~~

- ~~2. Imbalance costs associated with compensating market participants occur when long-term transmission rights have been curtailed and the holders of curtailed long-term transmission rights have been compensated pursuant to Article 53((2) of FCA Regulation. Sharing rules for compensation cost due to curtailment of long-term transmission rights are described in Article 6.~~
3. In addition, in this FCA FRCMFRC methodology, unless the context requires otherwise:
 - a. the terms used apply in the context of the CACM Regulation and the FCA Regulation;
 - b. the singular indicates the plural and vice versa, unless otherwise explicitly specified;
 - c. the table of contents and headings are inserted for convenience only and do not affect the interpretation of this FCA FRCMFRC 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

~~Distribution~~ Sharing of remuneration costs to the bidding zone borders

Article 3

~~Costs~~ Sharing of remuneration costs of eligible LTTRs attributed to the implicit daily allocation process based on flow-based capacity calculation among BZBs

- ~~1. For each MTU, where costs of~~ The remuneration of costs of eligible LTTRs on a given BZB are incurred, those costs shall be covered via the DA congestion income assigned in that MTU to that BZB.
- ~~2. If within a MTU the day-ahead congestion income assigned to a BZB according to CACM-CIDM is insufficient and MTU constitutes an obligation of the relevant TSO(s) on that BZB to remunerate the eligible LTTRs on that BZB due to welfare optimisation in the daily allocation process, the resulting deficit shall then be covered pro-rata from the DA income generated in that MTU on BZBs that have positive DA income after covering costs of eligible LTTRs remuneration pursuant to Article 3(1).~~
- ~~3. Before applying the cost sharing process of Article 3(2), the costs of remuneration of eligible LTTRs on a particular BZB shall be reduced by income generated on that BZB in all preceding allocation processes:~~
LTTR holders in
- ~~1. In case the DA congestion income cannot be assigned to the BZBs due to extraordinary situations, including but not limited to DA market decoupling, a lack of a DA price, auction cancellation and/or shadow auction introduction, the costs of difference is positive in the direction of the LTTR, in accordance with Article 35 of the FCA Regulation and the HAR. The remuneration of eligible LTTRs attributed to the implicit daily allocation process need to be covered by the TSOs on the affected BZB pursuant to Article 5. shall be covered in four consecutive steps determined in paragraphs 0 to 5 below.~~

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Article 4

~~Costs of~~ In the first step, the remuneration costs of eligible LTTRs attributed to the implicit daily allocation process based on CNTC capacity calculation

- ~~1. For each MTU costs of remuneration of eligible LTTRs incurred on a given BZB and MTU shall be covered by the day-ahead congestion income generated in that MTU on¹ assigned to that BZB in the DA allocation process.~~
- ~~2. In case eligible LTTRs in and MTU. If the implicit DA allocation process were allocated resulting day-ahead congestion income on a subset of BZBs given BZB and within a MTU remains positive after this step, it constitutes the 'remaining income' for the purpose of paragraph (3).~~
- ~~3. In DA~~ the second step, the remuneration costs of eligible LTTRs on a given BZB and MTU that were not covered by the day-ahead congestion income pursuant to paragraph (1) shall be covered as follows:
 - (a) In CCRs which apply the flow-based approach in the day-ahead capacity calculation, the remuneration costs on a given BZB and MTU, which were not covered by the day-ahead

¹ Including the income resulting from day-ahead fallback procedures.

~~congestion income assigned to a BZB according to CACM-CIDM is insufficient to remunerate the eligible LTRs on that BZB, the resulting deficit paragraph (1), shall then be covered pro rata from by all BZBs in the respective CCR with the use of the DA remaining income generated and in that MTU on proportion to the remaining income on these BZBs. If the costs to be shared in such a way exceed the total remaining income on all BZBs in that subset that have positive DA income after covering a CCR, these shared costs of eligible LTRs remuneration pursuant to Article 4((1)). The subsets of BZBs on a given BZB and MTU shall be decreased proportionally to match the total remaining income on all BZBs in the CCR.~~

~~(a)(b) In CCRs which apply the coordinated net transmission capacity approach in the day-ahead capacity calculation, the remuneration costs on an interdependent BZBs and MTU, which were not covered by the day-ahead congestion income pursuant to paragraph (1), shall be covered by all interdependent BZBs in the respective CCR with the use of the remaining income and in proportion to the remaining income on these interdependent BZBs. If the costs to be shared in such a way exceed the total remaining income on all interdependent BZBs in a CCR, these shared costs on a given interdependent BZB and MTU shall be decreased proportionally to match the total remaining income on all interdependent BZBs in the CCR. The list of interdependent BZBs and the TSOs (or related parties) of those BZBs for each CCR applying the coordinated net transmission capacity approach in the day-ahead capacity calculation shall be published in a common document by ENTSO-E on its web page for information purposes only. This document shall list all these specific subsets with the BZBs contained and the involved TSOs/Parties. The document shall be updated and published promptly as soon as any changes occur. Each publication shall be announced in an ENTSO-E's newsletter and on the website of the ~~Single Allocation Platform - SAP.~~~~

~~2. Before applying the cost sharing process of Article 4((2)), the costs of remuneration of eligible LTRs on a particular BZB shall be reduced by income generated on that BZB in all preceding allocation processes.~~

~~3. In case congestion income cannot be assigned to the BZBs due to extraordinary situations, including –but not limited to– DA market decoupling, a lack of DA price, auction cancellation and/or shadow auction introduction, the costs of remuneration of eligible LTRs attributed to the implicit daily allocation process need to be covered by the TSOs on the affected BZB pursuant to Article 5.~~

TITLE 3

Distribution of costs on the bidding zone border

Article 5

Costs of remuneration of long-term transmission rights on BZB level

~~Costs of~~ In this step, the BZBs, which do not issue LTRs, shall not be considered in sharing of the remuneration costs.

4. In the third step, the remuneration of long-term transmission rights assigned costs of eligible LTRs on a given BZB and MTU that were not covered pursuant to paragraphs 1 and 3 shall be covered by the long-term congestion income generated on that BZB and MTU.

5. In the fourth step, the remuneration costs of eligible LTTRs on a given BZB and MTU that were not covered pursuant to paragraphs 0 to 4, shall be covered by any other congestion income (e.g. from other MTUs, intraday timeframe etc.) assigned to the TSOs on that BZB and, eventually, by any other financial resources of a TSO responsible for that BZB, in accordance with Article 4.
6. 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 Regulation, the second step determined by paragraph 3 above does not apply on the decoupled BZBs.

Article 4

Sharing of remuneration costs of eligible LTTRs among TSOs on a BZB

Costs of remuneration of LTTRs resulting from Article 3 to a particular BZB pursuant to Article 3 and Article 4 shall be ~~distributed~~ shared among the TSOs on that BZB according to the sharing keys defined ~~by~~ in the FCA CIDM for that BZB.

TITLE 3

Sharing of compensation costs

Article 6

Compensation

Sharing of compensation costs due to curtailment of long-term transmission rights LTTRs

1. In case ~~the~~ curtailment of LTTRs occurs to ensure ~~that the~~ operation remains within operational security limits prior to the ~~the DA~~ day-ahead firmness deadline, the compensation costs arising from the application of that curtailment shall be ~~distributed pursuant to Article 5~~ shared at the BZB level ~~by the same sharing key as defined in Article 4~~ unless involved parties, as referred to in Article 1(2)), have made specific cost sharing arrangements.
2. In case curtailment of LTTRs occurs due to force majeure or an emergency situation after the ~~DA~~ day-ahead firmness deadline, the costs arising from the application of that curtailment shall be ~~distributed~~ shared according to the provisions set out in Article 72 of the CACM Regulation.
3. Compensation costs resulting from ~~the~~ curtailment of LTTRs ~~shall~~ can be subject to ~~the~~ a cap applied to the compensations on ~~a~~ specific BZB ~~if, as~~ specified in the relevant annexes to ~~the~~ HAR for LTTRs.

TITLE 4

Final provisions

Article 7

Publication, ~~Implementation~~ implementation and ~~Revision~~ revision of the FCA FRCM FRC methodology

1. The TSOs shall publish the ~~FCA FRCM FRC methodology~~ without undue delay after a decision has been taken by ~~the Agency for the Cooperation of Energy Regulators~~ ACER, in accordance with Article 4(6) of the FCA Regulation and with Article 5 of ~~the~~ Regulation (EU) 2019/942 of the

European Parliament and of the Council establishing a European Union Agency for the Cooperation of Energy Regulators.

2. The TSOs of each ~~capacity calculation region~~ CCR shall implement the FRC methodology at the date of implementation of the long-term capacity calculation methodology within their respective ~~capacity calculation region~~ CCR in accordance with Article 10 of the FCA Regulation and the ~~Congestion income distribution methodology in accordance with Article 57 of the~~ FCA Regulation CIDM.
3. ~~This methodology shall be revised and amended if needed when:~~
 - a) ~~a BZB (existing BZB or new BZB) gains exemption from issuing LTTRs~~
 - b) ~~a BZB being exempted from issuing LTTRs is part of a CCR configuration change~~
 - e) ~~the FCA CIDM is changed~~

Article 97 **Language**

The reference language for this ~~FCA-FRCM~~ FRC methodology shall be English. For the avoidance of doubt, where TSOs need to translate this ~~FCA-FRCM~~ FRC 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 NRAs with an updated translation of the ~~FCA-FRCM~~ FRC methodology.