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## ACER Decision on the Baltic CCR's CCR methodology for market-based allocation: Annex I

# Methodology for ~~at the~~ market-based allocation process of cross-zonal capacity for the exchange of balancing capacity ~~or sharing of reserves~~ for the Baltic CCR

in accordance with Article 41(1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017

establishing a guideline on electricity balancing

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**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**

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

**13 August 2021**[Date]

**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**

**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**" the "methodology for market-based capacity allocation") in accordance with Article 41(1) of Commission Regulation (EU) 2017/2195 of 23 November establishing a guideline on electricity balancing (hereafter referred to as the "EB-Regulation").

2.(1) The MB CZCA Methodology takes into account for the general principles and goals set in the EB-Regulation, geographic area covering the Baltic capacity calculation region (hereinafter referred to as the Regulation (EC) 2017/1485 establishing a guideline on electricity transmission system operation (hereafter referred to as the "SO Regulation"), "Baltic CCR") as defined in accordance with Article 15 of 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").

(2) The MB CZCA Methodology methodology for market-based capacity allocation takes into account the general principles, and goals and other methodologies set out in the EB Regulation. The goal of the EB as well as Commission Regulation is the integration (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as the "SO Regulation"), the CACM Regulation and Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (hereafter referred to as the "Electricity Regulation").

(3) The Transmission System Operators of the Baltic CCR (hereafter referred to as the "TSOs") intend to exchange balancing capacity and plan for that reason to develop common and harmonised rules and processes for this exchange and procurement in accordance with Article 33 of the EB Regulation. To secure this exchange of balancing capacity, the TSOs intend to submit an application proposal in accordance with Article 38(1) of the EB Regulation to allocate cross-zonal capacity across timeframes using the market-based allocation process pursuant to Article 41 of the EB Regulation. This methodology shall define the details of a market-based cross-zonal capacity allocation process.

(4) This methodology for market-based capacity allocation is based on an optimisation process that seeks to maximise the sum of actual economic surplus from the procurement of balancing capacity or sharing of reserves and the forecasted estimation of economic surplus for the single day-ahead coupling. Consistent with the EB Regulation's aims as stated in its Article 3, this optimisation process enhances the efficiency of balancing and of European and national balancing markets while contributing to. The pricing method, the firmness regime and the sharing of congestion income for cross-zonal capacity that has been allocated for the exchange of balancing capacity ensures equal treatment with cross-zonal capacity allocated for the exchange of energy.

(5) The optimisation process used to allocate cross-zonal capacity effectively trades off the use of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves with the use of cross-zonal capacity for the exchange of energy in the day-ahead market. The forecasted market value of cross-zonal capacity for the exchange of energy that is used in this process is calculated based on the latest available day-ahead energy prices in the connecting bidding zones. The value of cross-zonal capacity for the exchange of balancing capacity is calculated within the optimisation process itself and formed

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by the actual balancing capacity bids submitted by the balancing service providers ("BSPs"). The TSOs will, as part of this allocation processes' implementation, collect information on and review the accuracy and efficiency of the forecasting methodology used. This review will include a comparison of the forecasted and actual market values of cross-zonal capacity for the exchange of energy.

- (6) This methodology for market-based capacity allocation generally contributes to the achievement of the objectives of Article 3 of the EB Regulation. In particular, the methodology for market-based capacity allocation serves the following objectives:

3.(a) This methodology for market-based capacity allocation enables the allocation of cross-zonal capacity for the exchange of balancing capacity to a region with common and harmonised rules and processes for the exchange and procurement of balancing capacity developed in accordance with Article 33 of the EB Regulation, and therefore facilitates the coupling of local balancing capacity markets. By doing so, this methodology contributes to an efficient utilisation of balancing capacity resources across bidding zone borders in order to secure the volume of balancing capacity needed to maintain operational security. To facilitate this goal, while contributing to operational security, it is necessary to integrate The market-based cross-zonal capacity allocation process is using submitted bids from BSPs and a transparent forecasting method for estimating the value of cross-zonal zonal capacity for the single day-ahead coupling to allocate cross-zonal capacity for balancing capacity procurement in the respective region. Hence, this methodology for market-based capacity allocation fosters effective competition in a non-discriminatory and transparent way in balancing markets (Article 3(1)(a) of the EB Regulation), enhances the efficiency of balancing as well as the efficiency of European and national balancing markets (Article 3(1)(b) of the EB Regulation) and contributes to the objective of integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security (Article 3(1)(c) of the EB Regulation).

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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;

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- (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;
- (b) The MB-CZCA Methodology This methodology for market-based capacity allocation takes into account the impact on the day-ahead market by using the forecasted market value of cross-zonal capacity in the day-ahead market for the objective to maximise the total economic surplus of both the day-ahead energy and balancing capacity markets. By allowing the exchange of balancing capacity, leading to a more efficient balancing capacity market and price formation, it also contributes to efficient investment signals in new capability for providing balancing capacity. Therefore, the methodology for market-based capacity allocation contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of the day-ahead, intraday and balancing markets (Article 3(1)(d) of the EB Regulation).
- (e) The methodology for market-based capacity allocation ensures that the procurement of balancing services is done in a fair, objective, transparent way and uses the market based mechanisms as stated in and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity (Article 3(1)(e) of the EB Regulation. This MB-CZCA Methodology states in articles 7, 8, 9 and 10 how), since it will foster liquidity for 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) procurement 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;
- (e)(c) in integrated balancing capacity markets while taking into account the impacts on the day-ahead market. The MB-CZCA Methodology takes into consideration agreed European standards in accordance with Article 3(2)(h) of the EB Regulation and the optimization allocation of cross-zonal capacities by the market-based capacity allocation process provides a transparent input for the procurement of balancing capacity 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; an objective way and is based on market inputs from the balancing capacity and day-ahead energy markets.
- (h)(d) In conclusion, the MB-CZCA Methodology meets This methodology for market-based capacity allocation does not negatively impact the objectives in accordance with Articles 3(1)(f) and (g) of the EB Regulation.

**SUBMIT THE FOLLOWING MB-CZCA METHODOLOGY TO ALL REGULATORY AUTHORITIES:**

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**TITLE 1  
General provisions**

**Article 1**

**Subject matter and scope**

1. This Baltic CCR's document is the methodology for the market-based allocation specifies how to allocate process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, which in accordance with Article 41(1) of the EB Regulation for the Baltic CCR. It is based on the comparison of the forecasted market values value of cross-zonal capacity for the exchange of energy and the actual market values value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.
- 2.1. 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 in accordance with Article 39 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 EB Regulation.
2. When developing the This methodology also includes the algorithm principles for the cross-zonal capacity allocation function.
3. This methodology for market-based capacity allocation covers the implementation bidding zone borders of the allocation of cross-zonal capacity applying the market based Baltic CCR.
- 3.4. The application of this methodology shall include be subject to the methodology pursuant to Article 38(1)(b) of the EB Regulation, which shall define the bidding zone borders, the market timeframe, and 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.
- 4.5. Two or more TSOs exchanging willing to exchange balancing capacity and/or willing to perform sharing of reserves by applying the market-based cross-zonal capacity 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(1) of the EB Regulation, and respecting the requirements set out in Article 32 of the EB Regulation.
5. According to Article 38(1) 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 A TSO applying a central dispatching model and the market-based cross-zonal allocation process shall convert as far as possible the integrated scheduling process bids into standard balancing capacity product bids, pursuant to Article 27(3) of the EB Regulation. In this case, each reference to the standard balancing capacity bids in this market-based methodology, shall be understood for this TSO as a reference to the integrated scheduling process bids converted into standard balancing capacity bids.

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**Article 2  
Definitions and interpretation**

6. For the purposes of the methodology for market-based allocation:

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**Article 2 Definitions**

1. For the purposes of this Baltic CCR's methodology for market based capacity allocation, the terms used in this methodology shall have the meaning given to them in of the definitions included in Article 2 of the EB Regulation, Article 3 of the SO Regulation and Article 2 of the CACM Regulation, Article 2 of the Commission Regulation (EU) 2016/1719 of 26 September establishing a guideline on forward capacity allocation (hereafter referred to as the "FCA Regulation"), Article 2 of the Electricity Regulation, Article 2 of the Transparency Regulation, Article 2 of the CACM Regulation, Article 3 of the SO Commission Regulation (EU) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and Article 2 of the EB amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council (hereafter referred to as "Transparency Regulation") and Directive (EU) 2019/944.
2. The following additional definitions shall also apply:
  - (a) 'cross-zonal capacity allocation optimisation function' means the algorithm applied for functionality that optimises the allocation of cross-zonal capacity across the day-ahead market timeframe and the market timeframe for the exchange of balancing capacity or sharing of reserves;

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

- (i) '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;
- (ii) 'Allocation of cross zonal capacity' means cross zonal capacity that is allocated for the exchange of balancing capacity or sharing of reserves;
- (iii) '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;
- (iv) '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;
- (v) '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;
- (vi) 'Market value of cross zonal capacity for the exchange of balancing capacity or sharing of reserves' means the change in the economic surplus for the relevant time period of (i) the TSOs' surplus for the exchange of balancing capacity or sharing of reserves, (ii) the BSPs' surplus for the exchange of balancing capacity or sharing of reserves and (iii) the congestion income. The surplus of the balancing capacity market (the sum of consumerfor BSPs is the difference between the balancing capacity price and the prices of the accepted balancing capacity bids multiplied by the accepted volume of the balancing capacity bids. The 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 for TSOs is the difference between the technical price limit and the balancing capacity price multiplied by the volume of the TSO demand;
- (c) 'mark-up' means an addition in EUR/MWh per day ahead market time unit to the forecasted market value of cross-zonal capacity for the exchange of energy, calculated in order to take into account the uncertainty in the forecasted market value of cross-zonal capacity for the exchange of energy during the allocation of the cross-zonal capacity for the exchange of balancing capacity or sharing of reserves;
- (d) 'positive forecast error' means an underestimation in EUR/MWh per day ahead market time unit of the initial forecasted market value of cross-zonal capacity for the exchange of energy;
- (e) 'reference day' means the day which is used to define the forecasted market value of cross-zonal capacity for the exchange of energy; and
- (f) 'TSO demand' means the balancing capacity volume to be procured within the scope of the methodology pursuant to Article 33(1) of the EB Regulation by the connecting TSO and defined per scheduling area and bidding zone in accordance with Article 32(1) of the EB Regulation.

3. In this MB CZCA Methodologymethodology, unless the context requires otherwise:

- (a) the singular indicates also includes 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 Methodologymethodology;

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- (c) any reference to cross-zonal capacities shall include also the reference to allocation constraints as applied in the respective capacity calculation methodology pursuant to Article 20 of the CACM Regulation;
- (d) any reference to legislation, regulations, directives, orders, instruments, codes regulation, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it ~~when then~~ in force; and
- (e) any reference to an Article without an indication of the document shall mean a reference to this MB-CZCA Methodology methodology.

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**TITLE 2**

**Market-based allocation process of cross-zonal capacity for the exchange of balancing capacity or  
sharing of reserves**

**Article 3**

**Principles for applying the market-based cross-zonal capacity allocation process**

1. ~~Each balancing capacity cooperation applying this MB CZCA Methodology~~ The market-based capacity allocation process shall be executed by the cross-zonal capacity allocation function and shall determine the amount of cross-zonal capacities to be allocated to the exchange of standard balancing capacity products or sharing of reserves for each day ahead markettimetime unit following the objective in Article 8(4).  
~~+ TSOs shall use standard balancing capacity products for frequency restoration reserves and replacement reserves pursuant to Article 25(12) of the EB Regulation.~~
2. ~~Within each and submit all balancing capacity cooperation, bids from standard balancing capacity products to the relevant regulatory authorities could approve an exemption to separate capacity procurement of upward and downward balancing capacity optimisation function pursuant to Article 5(4)(f3) of the EB Regulation.~~

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- 3.2. 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 TSOs. TSOs shall not modify or withhold any balancing capacity bids and shall include them in the national terms and procurement process, except under 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 set out in Article 26 and Article 27 of the EB Regulation.
4. The contracting period of a single gate closure time shall apply for all balancing capacity markets where this methodology is applied irrespective of time zone differences, such that one gate closure time shall be applied for the submission of all 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. This gate closure time shall be set D-1 after the pre-final capacity calculation and before the final 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:
- (i) based on cross border marginal pricing (pay as cleared)
  - (ii) defined in the terms and condition related to BSPs pursuant to Article 18 of the EB Regulation,
  - (iii) pursuant to Article 32(2) of the EB Regulation;
  - (iv) 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.

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**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.3. calculation. For TSOs applying a central dispatching model and applying this market-based cross zonal capacity allocation process methodology, the GCT gate closure time 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. For each application of the market-based methodology, the validity period of standard balancing capacity bids shall be equal 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 unit of the concerned day.
5. The pricing principle used for the settlement of standard balancing capacity bids for each application of this methodology for market-based allocation process to allocate between TSOs and BSPs shall be based on cross-zonal capacity for the marginal pricing (pay-as-cleared).
6. The cross-zonal capacity allocation function shall allow linking of bids which participate in the market-based cross-zonal capacity allocation process, in accordance with the defined linking provisions pursuant to the methodology pursuant to Article 33(1) of the EB Regulation. Besides the exemption pursuant to Article 7(4)(b), such links shall only be allowed within the market-based allocation process.
7. All TSOs applying this market-based process shall ensure compatibility between the cross-zonal capacity allocation function and the capacity procurement optimisation function, including the selection of

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standard balancing capacity bids which determine the output of the cross-zonal capacity allocation function in accordance with Article 8(5).

4.8. According to Article 38(4) of the EB Regulation, cross-zonal capacities allocated to the exchange of standard balancing capacity and products or sharing of reserves where this market-based allocation process is applied, shall include the following steps:

a. BSPs submit the standard upward and standard downward balancing capacity bids exclusively provided to their connecting TSO.

b. (a) 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/the cross-border FRR control processes in accordance with Article 27149 of the SO Regulation until all TSOs of a bidding zone border are connected to the respective platform pursuant to Articles 20 and 21 of the EB Regulation;

c. TSOs exclusively provided to the respective platform, pursuant to Articles 19 to 21 of the balancing capacity cooperation shall perform the cross zonal capacity allocation optimisation function after EB Regulation of the TSO-BSP-GCT of standard balancing capacity bids and determine

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(b) product it was allocated for, starting from the allocationconnection of the TSOs from the concerned bidding zone border to the respective platform.

9. The process of releasing allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves based on, pursuant to Article 38(9) of the EB Regulation, shall be:

- (a) coordinated by the actual bidscross-border control process in accordance with Article 149 of the SO Regulation until the connection of the TSOs to the platforms pursuant to Article 19 to 21 of the EB Regulation;
- (b) coordinated between the platforms for balancing energy pursuant to Articles 19 to 21 of the EB Regulation, starting from the connection of the TSOs to these platforms.

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

1. Each TSO intending to apply this market-based allocation process shall notify all TSOs of the same synchronous area(s) 3 (three) 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 3 (three) months prior to entering into operation. This announcement on the ENTSO-E website shall include:

- (a) the TSOs involved;
- (b) the expected date for the exchange of balancing capacity submitted to the and/or sharing of reserves pursuant to Article 33(1) of the EB Regulation with the market-based allocation process to enter into operation;
- (c) the detailed description of the specifications, including the market timeframe, in accordance with article 38(2) of the EB Regulation;
- (d) the forecast of the average expected amount of frequency restoration power interchange due to the cross-zonal FRR activation process or reserve replacement power interchange due to the cross-zonal RR activation process;
- (e) the maximum limit(s) of cross-zonal capacity procurement optimisation function of the for exchange of balancing capacity cooperation as defined pursuant to Article 5(1) and maximum amount of exchange or sharing of reserves pursuant to Article 5(3); and
- (f) the type and direction of standard balancing capacity demand for each LFC area or bidding zone included in the balancing capacity cooperation product which will be exchanged or shared.

2. the forecasted All TSOs applying this market value-based methodology, shall share the algorithm applying the cross-zonal capacity allocation function with all Baltic TSOs.

3. The TSOs intending to apply this methodology of market-based allocation shall publish 3 (three) months ahead of the application of this methodology for market-based allocation on the ENTSO-E website the expected costs and benefits of such an application of the methodology of market-based allocation.

**Article 5**

**Process to define the maximum volume of allocated cross-zonal capacity for the exchange of energy; balancing capacity or sharing of reserves**

iv. In accordance with Article 41(1)(d) of the actual or forecasted cross zonal capacity to be used forEB Regulation, the SDAC;

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v. the limits process to define the maximum volume of cross-zonal capacity to be allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves according to Article 6;

d.1 The TSOs offer the balancing cross-zonal capacity cooperation shall establish the common merit order list of balancing capacity bids allocation function shall be as follows:

— Article 6 Process to define by default the maximum volume of allocated cross-zonal capacity allocated for the exchange of balancing capacity or sharing shall be 20% of reserves

1.(a) The exchange of balancing capacity or sharing of reserves as determined by the cross-zonal capacity allocation optimisation function shall comply calculated for the day-ahead timeframe in accordance with the limits capacity calculation methodologies developed pursuant to Article 20(2) of the CACM Regulation;

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 to resolve a situation where the limit for the maximum volume of cross-zonal capacity allocated for the exchange of balancing capacity in accordance with paragraph 1(a) is not sufficient to satisfy TSO demand in a bidding zone, a TSO may increase the percentage limit pursuant to paragraph 1(a) on the relevant bidding zone borders or critical network elements for the relevant day-ahead market time units. The limit for the maximum volume of cross-zonal capacity allocated for the exchange of balancing capacity shall only be increased to the point until the TSO demand is satisfied and maximum up to 50% of the calculated cross-zonal capacity calculated for day ahead market timeframe. If this maximum limit is still not sufficient to satisfy a TSO demand, a fall-back procedure pursuant to Article 7(6) shall be initiated. TSOs shall notify the regulatory authorities of the Baltic CCR about each increase of the limit for the maximum volume of cross-zonal capacity allocated for the exchange of balancing capacity above the threshold set in paragraph 1(a). This notification shall include at least the final volume percentage and value in MW of cross-zonal capacity allocated for the exchange of balancing capacity and the reasons for the shortage of balancing capacity bids in the importing bidding zone. The annual impact of such increases shall be reported pursuant to Article 12(8)(b);

(c) if increases pursuant to paragraph (1)(b) occur due to a structural local shortage of BSPs' bids for a standard balancing capacity product in a bidding zone, the limit for the maximum volume of cross-zonal capacity allocated for the exchange of balancing capacity in accordance with paragraph 1(a) may be increased by 2 percentage points. Such increase of the default limit shall be reported to stakeholders and the regulatory authorities of the Baltic CCR at least two weeks in advance of application. This process can be performed repeatedly until the maximum limit of 50% is reached. The applied default limits shall be published in accordance with Article 12(7).

2. Depending on the outcome of the assessment envisaged in Article 6(4), which would accompany the submission of the amendment to this methodology, in accordance to the same Article, the TSOs may in this amendment propose also new values for the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity, to replace the values set in paragraph 1.

b.— The exchange 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, e of SO

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Regulation;

- d. Limits on the amount of capacity or 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;

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e.3. Limits on the amount of exchange of RR between synchronous areas reserves shall, in addition to the limit defined in accordance with Article 178(paragraph 1), be limited by the rules for the exchange and ~~are approved by concerned NRAs pursuant to Article 6(3)d,xsharing of reserves in accordance with Title 8, Chapter 1 and 2 of the SO Regulation; through the:~~

- (a) and limits on the amount of sharing of RR between synchronous areas maximum procurement volume of balancing capacity per direction for a specific bidding zone, or a set of bidding zones due to operational security requirements pursuant to Article 165(3)(g) of the SO Regulation;

- (b) minimum procurement volume of balancing capacity per direction for a specific bidding zone, or a set of bidding zones defined in accordance with Article 179(1) and are approved by concerned NRAs the dimensioning process pursuant to Article 6(3)d,x157(2)(g) of the 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.

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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 Article 6**

**Determination of the forecasted market value of cross-zonal capacity for the exchange of energy  
for the market-based approach in single day-ahead coupling**

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)(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)(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~~ shall 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)(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)(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(4).

4. No later than 12 months after the approval of this methodology, the TSOs shall submit an amendment to this methodology based on one of the alternative principles pursuant to Article 39(5) of the EB Regulation. This amendment shall be supported by an assessment that shows at least:

(a) the overall accuracy of the forecasted market value achieved with the proposed forecasting methodology;

(b) the necessity and effectiveness of the mark-up including its adjustment process;

(c) the accuracy of the forecasted market value when applying additional relevant factors influencing demand and generation patterns in the different bidding zones; and

(d) the accuracy of the forecasted market value when applying a dynamic forecasted market value taking into account the allocated volume for the exchange of balancing capacity and sharing of reserves.

- 4.5. The forecasted market value for the exchange of energy ~~or sharing of reserves per product, per day ahead market time unit, for each direction and per bidding zone border~~ shall be equal to the sum of the initial

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forecasted market value pursuant to paragraph ~~1 and 1~~ and the mark-up pursuant to paragraph paragraphs ~~2 and 3~~.

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7. pursuant to Article 12(8).

**Article 7**

**Determination of the actual market value of cross-zonal capacity for the exchange of balancing capacity or and 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 this market-based cross-zonal capacity allocation methodology is applied shall be:

- a.(a) equal to the change of economic surplus from the exchange of balancing capacity or sharing of reserves per MW of cross-zonal capacity allocated;
- b.(b) defined per the day-ahead market time unit;
- c.(c) calculated per standard balancing capacity product and per direction, separately;
- d.(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.(e) calculated based on TSOs TSO 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, where this market-based capacity cooperation allocation methodology is applied, shall be calculated as based on the change in total of economic surplus due to the exchange of balancing capacity cooperation or sharing of reserves, resulting from the incremental increase change of available cross-zonal capacity capacities, allocated to the market timeframe for the exchange of balancing capacity or sharing of reserves.

3. The TSOs shall not put a price on their the TSO demand used for in the market-based cross-zonal allocation process.

4. TSOs may increase their the TSO demand to include the of a certain standard balancing capacity product to:

- a.(a) select an indivisible bid, if such an increase would decrease the overall procurement costs for the respective standard balancing capacity product; or
- b.(b) substitute an lower quality standard balancing capacity product if such substitution is based on firm bid(s) from BSPs during the time of the market-based process and would decrease the combined overall procurement costs for both standard balancing capacity product or in case of volume shortage of the lower quality standard balancing capacity product and if there is no possibility for a similar lower quality standard balancing capacity product to participate directly in the market-based process.

5. TSOs may decrease the TSO demand of a certain standard balancing capacity product in case of sharing of reserves.

6. 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 65, a

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**Baltic CCR's Methodology for a market based allocation process  
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~~fall-back-fall-back~~ procedure shall apply. Such ~~fall-back-fall-back~~ procedure shall be described in the ~~proposal methodology~~ pursuant to Article 33(1) of the EB Regulation.

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**3.7.** If a TSO demand for a standard balancing capacity product per bidding zone exceeds the available amount of locally submitted ~~BSP bids~~ in the bidding zone for the respective standard balancing capacity product but the ~~fall-back procedure maximum volume of allocated capacity~~ is not required enough to cover the deficit, the market-based ~~cross-zonal capacity~~ 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 difference between the technical price limit and the marginal price of the importing BSP bids shall be considered as the change of economic surplus of the TSO of the bidding zone with insufficient bids. In case of insufficient local bids to meet the local TSO demand and a simulations scarcity situation in SDAC, the maximum between technical price limit applied in SDAC and the highest local BSP's bid price shall be used as the technical price limit for the market-based cross-zonal capacity allocation.~~

**Article 9—8**

**Determination of the allocated volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves**

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1. For the market based approach, the allocation of ~~The cross-zonal capacity allocation function shall determine the allocated volume of cross-zonal capacity for the exchange of balancing capacity, or sharing of reserves, is determined simultaneously with considering the selection of balancing capacity bids by via~~ the capacity procurement optimisation function.

2. The inputs to the algorithm for the cross-zonal capacity allocation function are:

- (a) the forecasted market value of cross-zonal capacity for the exchange of energy for each marginal MW;
- (b) the list of balancing capacity bids from balancing service providers for each bidding zone, day-ahead market time unit and standard balancing capacity product sorted in order of their bid prices;
- (c) the TSO demand for each bidding zone, day-ahead market time unit and standard balancing capacity product; and
- (d) optionally, possible costs associated to the congestion income assessment pursuant to Article 11(4).

3. The constraints to the algorithm for the cross-zonal capacity allocation function are:

- (a) the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves defined pursuant to Article 5(1);
- (b) the minimum and maximum procurement volume of balancing capacity defined pursuant to Article 5(3); and
- (c) the tolerance band for the reduced/increased TSO demand as a function of the available cross-zonal capacities, based on:
  - i. sharing of reserves agreement of two or more TSOs to be applied with market-based allocation pursuant to Article 7(5);
  - ii. substitution of reserves for volume shortage by another standard balancing capacity product pursuant to Article 7(4)(b);
  - iii. substitution of reserves for cost minimisation by another standard balancing capacity product pursuant to Article 7(4)(b).



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6. reserves pursuant to Article 7(2) is lower or equal to the expected marginal economic surplus forecasted market value of cross-zonal capacity for the exchange of energy pursuant to Article 6(5).

5.7. 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 standard balancing capacity products;
  - (i) a standard balancing capacity bid and a day-ahead market bid; and
  - (ii) bidding zone border directions in case of sharing of reserves.

## Article 10 Pricing<sup>9</sup>

### Firmness regime for the allocation 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 The cross-zonal capacity 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-deared 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 by the cross-zonal capacity allocation 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.

4.2. 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) 41(4) 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 standard balancing capacity bids in accordance with paragraph 31 which are caused by the curtailment of firm cross-zonal capacity in the

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3. 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.
- 6-4. 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 the cases which ~~are that fall~~ within the scope of these methodologies and proposal pursuant to Article 33(1) of the EB Regulation.
- 7-5. Any costs of ensuring firmness which are outside the scope of the methodologies referred to in paragraph 6-4 shall be borne by the TSO requesting the curtailment.

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**Article 12 10  
Pricing of cross-zonal capacity**

1. TSOs allocating cross-zonal capacity for the exchange of balancing capacity or sharing of reserves applying this methodology for market-based capacity allocation within the Baltic CCR 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 price of cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves shall be calculated separately for each market time unit and each standard balancing capacity product.
3. The prices in EUR/MW of cross-zonal capacity per day ahead market time unit in each direction shall be equivalent to the difference in cross-zonal marginal prices of a standard balancing capacity product in bidding zones applying the market-based allocation process pursuant to Article 38(1) of the EB Regulation.

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**Article 11**

**Sharing of congestion income from cross-zonal capacity**

1. For each bidding zone border the congestion income is calculated as shall be calculated per application of the market-based process pursuant to Article 38(1) of the EB Regulation and day-ahead market time unit and shall be equal to the difference between the TSO payment for the balancing capacity exchanged on the price multiplied by TSO demand in the respective bidding zone border and the BSPs remuneration for the balancing capacity exchanged on the bidding zone border. In case price multiplied by the volume of applying the market based methodology with pay as cleared for the TSO accepted BSP pricing the bids in a bidding zone.
2. The congestion income for a given bidding zone border shall pursuant to paragraph 1 will be equal to shared in accordance with the methodology of cross-zonal capacity pursuant to Article 11 multiplied of the CACM Regulation and in accordance with Article 41(4) of the volume of balancing capacity that EB Regulation.
3. On a monthly basis TSOs of a cooperation applying the market-based process in accordance with Article 38(1) of the EB Regulation shall compare the monthly congestion income calculated in accordance with paragraph 1 with the congestion income which could have been exchanged for generated for the amount of cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves if allocated to the single day ahead coupling instead. The TSOs of a cooperation applying the market-based process

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in accordance with Article 38(1) of the EB Regulation shall inform all TSOs and regulatory authorities of the CCR and ACER of the outcome of this assessment.

- 1-4. If the comparison pursuant to paragraph 3 shows a deficit on a monthly basis of generated congestion income following the allocation of cross-zonal capacities for the exchange of balancing capacity and sharing of reserves, the TSOs of a cooperation applying the market-based process in accordance with Article 38(1) of the EB Regulation should pay a compensation to the single day ahead coupling to cover such deficit. The costs of such compensation shall be split among the TSOs of a cooperation applying the market-based process in accordance with Article 38(1) of the EB Regulation in accordance with the distribution of shares of overall decreased procurement costs per TSO from the application of the market-based process in the relevant product and direction on that bidding zone border/month. The compensation to the single day-ahead coupling should be shared among all TSOs in accordance with the shares of decreased congestion income pursuant to the comparison in accordance with paragraph 3.
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 12  
Publication of information**

1. The TSOs applying this market-based capacity allocation process shall publish the following all relevant and required information on the transparency website of ENTSO-E according to Article 12(5) of the EB Regulation.

- 1-2. The TSOs applying this market-based capacity 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 or sharing of reserves as soon as possible but no later than 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:

- ④(a) date and time when the decision on allocation was made;
- ④(b) period of the allocation;
- ④(c) volumes allocated, including the actual percentage limit applied in accordance with Article 5 (1)(a) to (c); and
- ④(d) market values used as a basis for the allocation process, in accordance with Article 39 of the EB Regulation, Articles 6(5) and 7(2).

- 2-3. The TSOs applying this market-based capacity allocation process shall publish the following information on the use of allocated cross-zonal capacity for the exchange of balancing capacity at the latest or sharing of reserves as soon as possible but no later than 1 (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;
- ④(b) volume of released cross-zonal capacity for subsequent time frames per day ahead market time unit in accordance with Article 38(8) of the EB Regulation;

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- 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

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(c) 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.

4. Each TSO applying this market-based allocation process and increased the TSO demand in accordance with Article 7(4)(b) shall publish information at least on the amount of the increase and the anonymised bid curve from the standard balancing capacity not participating in the market-based process on which basis the TSO demand was increased by no later than one day after the performed market-based allocation process.
5. The TSOs applying this market-based allocation process shall publish the description of the requirements of ~~any~~ the algorithm developed and amendments to it referred to in Article 58 of the EB Regulation for the cross-zonal capacity allocation function at least one month before their application pursuant to Article 12(3)(k) of the EB Regulation.
- 3.6. The document shall be publicly available on the TSOs webpage applying this market-based allocation process and using the option of Article 8(2)(d) shall publish a detailed description how the possible costs associated to the congestion income assessment pursuant to Article 11(4) are considered in the determination of the allocated volume of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves at least one month before the option is used.
7. Article 14 The TSOs applying this market-based allocation process shall publish an overview of the applicable default limits for the maximum volume of cross-zonal capacity allocated for the exchange of balancing capacity pursuant to Article 5(1)(a) and (c).
8. The TSOs shall monitor the efficiency of the forecasting methodology and shall, by three months after the go-live of the market-based allocation process and subsequently at least once a year, submit a report to the relevant regulatory authorities. This report shall include at least:
  - (a) a comparison of the forecasted and actual market values of cross-zonal capacity for the exchange of energy;
  - (b) assessment of occurred increases of the limits for the maximum volume of cross-zonal capacity allocated for the exchange of balancing capacity in accordance with Article 5(1)(b), including statistics on the amount of incidents, increased volumes and percentages, reasons for the incidents and an analysis of the economic surplus effects on the SDAC;
  - (c) assessment of the impact on the price formation of the single day-ahead coupling due to the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves;
  - (d) assessment of impacts on the economic surplus of the SDAC and economic surplus from the exchange of balancing capacity from the application of the market-based allocation process and the specific impact following an increase of a default limit for the maximum volume of cross-zonal capacity allocated for the exchange of balancing capacity pursuant to the process described in Article 5(1)(c); and

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- (e) where necessary, proposals to improve the accuracy of the forecasted market values, including a different limit for the maximum volume of cross zonal capacity pursuant to Article 5(1) or different mark-up values per bidding zone border pursuant to Article 6(2).

9. During implementation pursuant to Article 13(2), the TSOs shall inform regulatory authorities about the progress and the outcome of the performed verification processes for implementing the market-based allocation process.

### **TITLE 3** **Final provisions**

#### **Article 13**

##### **Publication and implementation of the methodology for market-based capacity allocation**

###### **allocation**

1. The TSOs shall publish ~~this~~ methodology for market-based capacity allocation without undue delay after concerned regulatory authorities have approved this methodology ~~on the ENTSO-E website~~ after a decision has been made by the European Union Agency for the Cooperation of Energy Regulators in accordance with Article 6(2) of the EB Regulation.  
~~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.~~
2. The TSOs shall implement this methodology by the time the cross zonal capacity on all bidding zone borders of the Baltic CCR is calculated in accordance with the capacity calculation methodology developed pursuant to the CACM Regulation, by establishing the cross-zonal capacity allocation function to be ready for application of the market-based allocation process for the exchange of balancing capacity or sharing of reserves, where two or more TSOs intend to commonly procure balancing capacity.

#### **Article 15 – 14** **Language**

The reference language for this ~~MB-CZCA Methodology~~ methodology for market-based capacity allocation shall be English. For the avoidance of doubt, where the TSOs need to translate this ~~MB-CZCA Methodology~~ methodology for market-based capacity allocation into their national language(s), in the event of inconsistencies between the English version published by the 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~~ ~~to their~~, in accordance with national legislation, provide the relevant national regulatory authorities ~~with an updated translation of the methodology for market-based capacity allocation.~~

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