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All TSOs' of the Nordic CCR proposal for amendment to the methodology for the market-based allocation process of cross-zonal capacity for the exchange of balancing capacity for the Nordic CCR in accordance with Article 41(1) of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

August 2023

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## Whereas

- (1) This document provides an amendment to the methodology for a market-based allocation process of cross-zonal capacity for the exchange of balancing capacity (hereafter referred to as 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”) for the geographic area covering the Nordic capacity calculation region (hereafter referred to as the “Nordic 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”).
- (2) The amendment to the methodology for market-based capacity allocation takes into account the general principles and goals set out in the EB Regulation as well as Commission Regulation (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 Nordic CCR (hereafter referred to as the “TSOs”) intend to exchange balancing capacity and have for that reason developed 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 also submitted in accordance with Article 38(1) of the EB Regulation an application to allocate cross-zonal capacity across timeframes using the market-based allocation process pursuant to Article 41 of the EB Regulation. The methodology pursuant to Article 41 of the EBGL Regulation defines the details of a market-based cross-zonal capacity allocation process including forecasted market value of cross-zonal capacity for the exchange of energy in the day-ahead market. ACER made decisions on these three methodologies in August 2020.
- (4) The forecasted market value of cross-zonal capacity for the exchange of energy that is used in the allocation process is calculated based on the latest available day-ahead energy prices in the connecting bidding zones. As requested by the ACER decision no 22/2020, the TSOs have reviewed the accuracy and efficiency of the approach used to forecast the value of cross-zonal capacity for the exchange of energy in preparing this amendment proposal. TSOs will, as part of the allocation processes' implementation, collect information on and review the efficiency of the forecasting methodology used. This future efficiency monitoring will include among others a comparison of the forecasted and actual market values of cross-zonal capacity for the exchange of energy.
- (5) The amended methodology for market-based capacity allocation generally contributes to the achievement of the objectives of Article 3 of the EB Regulation. In particular, the amended methodology for market-based capacity allocation serves the following objectives:
  - (a) 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 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).

- (b) The 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 energy and balancing capacity market while safeguarding day-ahead markets with applications of dynamic mark-up. 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).
- (c) The amended methodology for market-based capacity allocation does not negatively impact the objectives in accordance with Articles 3(1)(e), (f) and (g) of the EB Regulation.

SUBMIT THE FOLLOWING PROPOSAL FOR AMENDMENT TO ALL REGULATORY AUTHORITIES OF CCR NORDIC:

**TITLE 1**  
**Amendments**

**Article 1**

**Amendment to Article 6 on determination of the forecasted market value of cross-zonal capacity  
for the exchange of energy in single day-ahead market**

1. The initial forecasted market value of cross-zonal capacity used for the exchange of energy, defined for each direction, for each bidding zone border and for each day-ahead market time unit, shall be:
  - (a) equal to the positive market spread for each day-ahead market time unit of the reference day for the direction of the positive market spread; or
  - (b) equal to zero for each day-ahead market time unit of the reference day for the direction of the negative market spread or in case of zero market spread.
2. A mark-up will be added to the initial forecasted market value of cross-zonal capacity calculated in accordance with paragraph 1, in order to take into account, the uncertainty of the forecasted market value of cross-zonal capacity. This mark-up is defined for each direction as follows:
  - (a) if there is a negative or zero market spread for the initial forecasted market value of cross-zonal capacity in accordance with paragraph 1, the mark-up will be 0.1 EUR/MWh; and
  - (b) if there is a positive market spread, for the initial forecasted market value of cross-zonal capacity in accordance with paragraph 1, the mark-up will be 5 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.
4. The updated mark-ups shall be published pursuant to Article 12(1).
5. The forecasted market value for the exchange of energy for each direction shall be equal to the sum of the initial forecasted market value pursuant to paragraph 1 and the mark-up pursuant to paragraph 2.
6. The reference day shall be the previous day for which the clearing prices for each day-ahead market timeframe are available for each bidding zone.
7. The TSOs shall monitor the efficiency of the forecasting methodology pursuant to Article 12(5).

**TITLE 2**  
**Final provisions**

**Article 2**  
**Publication and implementation of the amended methodology for market-based capacity allocation**

1. The TSOs shall publish the amendment to the methodology for market-based capacity allocation without undue delay after all NRAs in the Nordic CCR have approved the proposal for amendment or after a decision has been made by the European Union Agency for the Cooperation of Energy Regulators in accordance with Article 6 of the EB Regulation.
2. The TSOs shall implement this amendment to the methodology no later than 6 months after all NRAs in the Nordic CCR have approved the proposal for amendment or a decision has been made by the European Union Agency for the Cooperation of Energy Regulators in accordance with Article 6 of the EB Regulation or as soon as the cross zonal capacity on all bidding zone borders of the Nordic CCR is calculated in accordance with the capacity calculation methodologies developed pursuant to the CACM Regulation. The application of this amended methodology in the processes for the exchange of balancing capacity shall be subject to the methodology for the application of a capacity allocation process in accordance with Article 38(1) of the EB Regulation.

**Article 3**  
**Language**

The reference language for this amended methodology for market-based capacity allocation shall be English. For the avoidance of doubt, where TSOs need to translate this amended methodology for market-based capacity allocation into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 7 of the EB Regulation and any version in another language, the relevant TSOs shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of the amended methodology for market-based capacity allocation.