

Position paper by the Baltic States National Regulatory
Authorities of Estonia, Finland and Latvia

on

Finnish, Estonian and Latvian TSOs of Baltic CCR TSOs' Common
Methodology for Splitting Long-Term Cross-Zonal Capacity in
Accordance with Article 16 of Commission Regulation (EU)
2016/1719 of 26 September 2016 Establishing a Guideline on
Forward Capacity Allocation

7 October 2025

1. INTRODUCTION AND LEGAL CONTEXT

Pursuant to Articles 4(1), 4(7)(b), and 16(1) of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereinafter - Regulation 2016/1719), the transmission system operators of the Baltic capacity calculation region (CCR) are required to jointly develop a proposal for a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different long-term time frames within the respective region. The methodology for splitting long-term cross-zonal capacity applies to the Finnish-Estonian and Estonian-Latvian bidding zone borders.

This document elaborates an agreement, between National Regulatory Authorities of Estonia, Finland and Latvia (hereinafter – NRAs)¹, agreed on 7 October 2025, on the Finnish, Estonian and Latvian transmission system operators (hereinafter – the TSOs)² proposal on the Baltic Capacity Calculation Region (hereinafter – Baltic CCR) Common Methodology for Splitting Long-Term Cross-Zonal Capacity in Accordance with Article 16 of Regulation 2016/1719 (hereinafter – LTCS Proposal).

The TSOs submitted the LTCS Proposal in accordance with Article 16(1) of the Regulation 2016/1719 and the last concerned NRA received the proposal on 18 February 2025.

Article 4(9) of the Regulation 2016/1719 requires NRAs to consult and closely cooperate and coordinate with each other in order to reach an agreement and take a decision within six months following receipt of submission of the proposal to the last Baltic NRA.

On 19 June 2025 in accordance with Article 4(11) of the Regulation 2016/1719 the NRAs jointly requested an amendment to the LTCS Proposal. On 20 August 2025 the TSOs submitted an amended LTCS Proposal for approval within 2 months following the request from NRAs.

The NRAs shall decide on the amended LTCS Proposal within 2 months following from its submission, no later than 21 October 2025.

This agreement of the NRAs shall provide evidence that the LTCS Proposal, does not, at this stage, need to be adopted by the Agency for the Cooperation of Energy Regulators (hereinafter ACER or Agency) pursuant to Article 4(10) of the Regulation 2016/1719. It is intended to constitute the basis on which the NRAs will each subsequently issue a national decision to approve the LTCS Proposal, pursuant to Article 4(9) of the Regulation 2016/1719.

The legal provisions that lie at the basis of the LTCS Proposal, and this NRAs' agreement on the LTCS Proposal can be found in Articles 3, 4 and 16 of the Regulation 2016/1719, and in Article 5 of the Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators (hereinafter – Regulation 2019/942). These articles are set out below for reference.

¹ Estonian Competition Authority, Energy Authority of Finland, Public Utilities Commission of Latvia

² Elering AS, Fingrid Oyj, AS "Augstsprieguma tīkls"

Article 3

Objectives of forward capacity allocation

This Regulation aims at:

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

Article 4

Adoption of terms and conditions or methodologies (...)

1. TSOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the Agency or the competent regulatory authorities within the respective deadlines set out in this Regulation. In exceptional circumstances, notably in cases where a deadline cannot be met due to circumstances external to the sphere of TSOs, the deadlines for terms and conditions or methodologies may be prolonged by the Agency in procedures pursuant to paragraph 6, and jointly by all competent regulatory authorities in procedures pursuant to paragraph 7. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of the ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of those terms and conditions or methodologies.

(...)

5. Each regulatory authority or where applicable the Agency, as the case may be, shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7. Before approving the terms and conditions or methodologies, the Agency or the competent regulatory authorities shall revise the proposals where necessary, after consulting the respective TSOs, in order to ensure that they are in line with the purpose of this Regulation and contribute to market integration, non-discrimination, effective competition and the proper functioning of the market.

(...)

7. The proposals for the following terms and conditions or methodologies and any amendments thereof shall be subject to approval by all regulatory authorities of the concerned region:

(...)

b) the methodology for splitting cross-zonal capacity pursuant to Article 16;

(...)

9. Where the approval of the terms and conditions or methodologies in accordance with paragraph 7 or the amendment in accordance with paragraph 11 requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order to reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities or, where competent, the Agency shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6 and 7, within 6 months following the receipt of the terms and conditions or methodologies by the Agency or, where applicable, by the last regulatory authority concerned. The period shall begin on the day following that on which the proposal was submitted to the Agency in accordance with paragraph 6 or to the last regulatory authority concerned in accordance with paragraph 7.

10. Where the regulatory authorities have not been able to reach an agreement within the period referred to in paragraph 9, or upon their joint request, or upon the Agency's request according to the third subparagraph of Article 5(3) of Regulation (EU) 2019/942, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within 6 months, in accordance with Article 5(3) and the second subparagraph of Article 6(10) of Regulation (EU) 2019/942.

11. In the event that the Agency or all competent regulatory authorities jointly request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6 and 7, the relevant TSOs shall submit a proposal for amended terms and conditions or methodologies for approval within 2 months following the request from the Agency or the regulatory authorities. The Agency or the competent regulatory authorities shall decide on the amended terms and conditions or methodologies within 2 months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraph 7 within the 2-month deadline, or upon their joint request, or upon the Agency's request according to the third subparagraph of Article 5(3) of Regulation (EU) 2019/942, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within 6 months, in accordance with Article 5(3) and the second subparagraph of Article 6(10) of Regulation (EU) 2019/942. If the relevant TSOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 shall apply.

(...)

13. TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the Agency or the competent regulatory authorities or, if no such approval is required,

after their establishment, except where such information is considered as confidential in accordance with Article 7.

Article 16

Methodology for splitting long-term cross-zonal capacity

1. No later than the submission of the capacity calculation methodology referred to in Article 10, the TSOs of each capacity calculation region shall jointly develop a proposal for a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different long-term time frames within the respective region. The proposal shall be subject to consultation in accordance with Article 6.

2. The methodology for splitting long-term cross-zonal capacity shall comply with the following conditions:

(a) it shall meet the hedging needs of market participants;

(b) it shall be coherent with the capacity calculation methodology;

(c) it shall not lead to restrictions in competition, in particular for access to long-term transmission rights.

REGULATION 2019/942

Article 5

Tasks of ACER as regards the development and implementation of network codes and guidelines

(...)

3. Where one of the following legal acts provides for the development of proposals for terms and conditions or methodologies for the implementation of network codes and guidelines which require the approval of all the regulatory authorities of the region concerned, those regulatory authorities shall agree unanimously on the common terms and conditions or methodologies to be approved by each of those regulatory authorities:

(a) a legislative act of the Union adopted under the ordinary legislative procedure;

(b) network codes and guidelines that were adopted before 4 July 2019 and subsequent revisions of those network codes and guidelines; or

(c) network codes and guidelines adopted as implementing acts pursuant to Article 5 of Regulation (EU) No 182/2011.

(...)

6. Before approving the terms and conditions or methodologies referred to in paragraphs 2 and 3, the regulatory authorities, or, where competent, ACER, shall revise them where necessary, after consulting the ENTSO for Electricity, the ENTSO for Gas or the EU DSO entity, in order to ensure that they are in line with the purpose

of the network code or guideline and contribute to market integration, non-discrimination, effective competition and the proper functioning of the market. ACER shall take a decision on the approval within the period specified in the relevant network codes and guidelines. That period shall begin on the day following that on which the proposal was referred to ACER.

2. THE PROPOSAL AND PROCESS

The NRAs have conducted a thorough and coordinated assessment of the amended LTCS Proposal. Having assessed the amended LTCS proposal, the NRAs came to the conclusion that even though the amendments are largely in line with the request for amendments, there still are some places to improve. As a result, the NRAs decided to revise parts of the LTCS Proposal before the approval, in accordance with Article 5(6) of Regulation 2019/942 and Article 4(5) of the Regulation 2016/1719. On 23 September 2025, the NRAs sent a letter to the TSOs' representatives to consult the TSOs on the planned revisions to the methodology and to provide their opinion on the proposed corrections within 14 calendar days. On 25 September 2025 the TSOs informed that they have reviewed the NRAs proposal and find it fully acceptable.

3. NRAS' REVISIONS ON THE AMENDED LTCS PROPOSAL

NRAs decided to revise the LTCS Proposal by making the following changes:

(Added corrections are marked in red and removed parts are crossed out.)

Whereas (13):

(13) The LTCS does not hinder an efficient long-term operation in Baltic CCR and adjacent CCRs, and the development of the transmission system in the European Union (Article 3(g) of the FCA Regulation). The LTCS serves the objective of efficient long-term operation and development of the electricity transmission system and electricity sector in the European Union (Article 3 (g) of the FCA Regulation) by taking into account **Long – term CCM developed in accordance with Article 10 of the FCA Regulation and approved pursuant to Article 4(7)(a) of FCA Regulation** when determining the capacities for the purpose of allocating LTTRs, and by contributing to the hedging opportunities of the market participants.

Whereas (15):

(15) The calculation of the LTTR volumes on the Finland–Estonia bidding zone border takes into account the technical capabilities of the two HVDC interconnectors (i.e. ESTLINK 1 and ESTLINK 2) of this border by limiting the volumes of the FI-EE LTTRs to reflect the maximum physical flow of electricity in a situation where only one interconnector is in use. Initially, the TSOs active on this border considered it feasible to limit the sum of yearly and monthly LTTRs to 650 MW, which corresponds to the maximum physical electricity flow hosted by the larger of the two interconnectors (i.e. ESTLINK 2). ~~Due to procedural reasons, this approach is still maintained in this proposal although the concerned TSOs after the launch of the public consultation of this proposal identified a clear need to limit the sum of the yearly and monthly FI-EE LTTR volumes to reflect the actual observed technical capability of the interconnectors. Therefore, following the submission of this current proposal, the concerned TSOs are planning to submit a new proposal in near future to take into account this obtained new information. In the new proposal, the concerned TSOs will~~

~~propose a change that is expected to primarily alleviate the impacts of the observed underselling of the FI-EE LTTRs, thus preventing a transfer of wealth from tariff payers to traders.~~

Other corrections on:

- The title page – **October 2025**
- Whereas (5) - **FCA Regulation** instead of Regulation FCA
- in Article 9(2) - ... in accordance with Article 4(9), Article 4(10) and Article **4**(11) ...

4. CONCLUSIONS

The NRAs have consulted, closely cooperated and coordinated to reach an agreement on the LTCS Proposal which after the NRAs revision meets the requirements of the Regulation 2016/1719 and can thus be approved by the NRAs. Thereby, the NRAs shall take their respective national decisions to approve the LTCS proposal, based on this agreement.