

**POSITION PAPER BY ALL BALTIC CAPACITY
CALCULATION REGION NATIONAL REGULATORY
AUTHORITIES**

ON

**THE ALL BALTIC CAPACITY CALCULATION REGION
TRANSMISSION SYSTEM OPERATORS' PROPOSAL
FOR CAPACITY CALCULATION METHODOLOGY FOR
THE DAY-AHEAD AND INTRADAY MARKET
TIMEFRAMES WITHIN THE BALTIC CAPACITY
CALCULATION REGION**

21 November 2024

I. Introduction and legal context

The three Baltic countries will synchronize with the Continental Europe Synchronous Area (CESA) in the **first quarter of 2025**. In addition, considering the Baltic capacity calculation region, (Estonia, Finland, Latvia, Lithuania, Poland and Sweden) (CCR) the National Regulatory Authorities (NRAs) (i.e. Estonian Competition Authority (ECA), Energy Authority of Finland (EV)), Public Utilities Commission of Latvia (PUC), National Energy Council of Lithuania (NERC), Energy Regulatory Office of Poland (ERO) and Swedish Energy Markets Inspectorate (Ei))¹, Agreement by all Regulatory Authorities of Baltic CCR on the implementation of a common capacity calculation methodology in accordance with Article 20 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management on the 29 January 2021, the Baltic CCR NRAs encouraged the Baltic CCR transmission system operators (TSOs) (i.e. AS “Augstsprieguma tīkls”, Elering AS, Fingrid Oy, Litgrid AB, PSE S.A. and Svenska Kraftnät)² to develop a new day-ahead (DA) and intraday (ID) capacity calculation methodology (CCM). The Baltic CCR TSOs will therefore submit a new DA and ID CCM proposal to the Baltic CCR NRAs in accordance with Article 20(2) of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereinafter - CACM Regulation 2015/1222).

Considering these circumstances and pursuant to Articles 9(1), 9(7)(c) and 35(1) of the CACM Regulation 2015/1222, the Baltic CCR TSOs are required to jointly develop an updated proposal of the CCM for DA and ID market timeframes within the Baltic CCR and submit it to all the Baltic CCR NRAs for approval.

In accordance with Article 9(10) of the CACM Regulation 2015/1222, all Baltic CCR NRAs receiving the CCM proposal should reach an agreement and take a decision on that proposal, within six months after the receipt of the proposal by the last Baltic CCR NRA. The date of the receipt of the proposal by the last NRA is 24 January 2024. If the Baltic CCR NRAs request an amendment to approve the CCM proposal, pursuant to Article 9(12) of the CACM Regulation 2015/1222, the relevant Baltic CCR TSO shall submit an amended proposal for approval within two months following the Baltic CCR NRAs' request. Subsequently, all Baltic CCR NRAs shall reach an agreement and take a decision on the CCM proposal, within two months after the receipt of the amended proposal by the last Baltic CCR NRA.

This document elaborates an agreement of all Baltic CCR NRAs on all Baltic CCR TSOs CCM proposal in accordance with Article 20(2) of CACM Regulation 2015/1222.

The agreement of all Baltic CCR NRAs on all Baltic CCR TSOs CCM proposal is intended to constitute the basis on which each NRA should subsequently make legally binding national level decision regarding approval of the CCM proposal pursuant to Article 9(7)(a) of CACM Regulation 2015/1222.

¹ Hereinafter – Baltic CCR NRAs.

² Hereinafter – Baltic CCR TSOs.

Each of the national decision should reflect Baltic CCR NRAs agreement reached between TF members and be made within the deadline specified for approval, in this case, until 25 November 2024. NRAs have obligation to inform the relevant TSO about the results.

The Baltic CCR TSOs, in accordance with the CACM Regulation 2015/1222, have prepared an updated CCM for the DA and ID market timeframes within the Baltic CCR.

The Baltic CCR NRAs, in accordance with the CACM Regulation 2015/1222, have prepared a request for amendments and sent it the 24 July 2024.

The Baltic CCR TSOs, in accordance with the CACM Regulation 2015/1222, have prepared an updated CCM for the DA and ID market timeframes regarding the request for amendments within the Baltic CCR and sent 23 September 2024.

The Baltic CCR NRAs need to make a decision concerning the updated CCM proposal by the 25 November 2024.

The legal provisions relevant to the submission and approval of the CCM proposal and Baltic CCR NRAs agreement on the CCM proposal, can be found in Articles 3, 9, 12, and 20, 21, 23 of the CACM Regulation 2015/1222.

Article 3 of CACM Regulation 2015/1222

This Regulation aims at:

- (a) Promoting effective competition in the generation, trading and supply of electricity;
- (b) Ensuring optimal use of the transmission infrastructure;
- (c) Ensuring operational security;
- (d) Optimising the calculation and allocation of cross-zonal capacity;
- (e) Ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;
- (f) Ensuring and enhancing the transparency and reliability of information;
- (g) Contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;
- (h) Respecting the need for a fair and orderly market and fair and orderly price formation;
- (i) Creating a level playing field for NEMOs;
- (j) Providing non-discriminatory access to cross-zonal capacity

Article 9 of CACM Regulation 2015/1222

1. TSOs and NEMOs 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 or NEMOs, the deadlines for terms and conditions or methodologies may be prolonged by the Agency in procedures pursuant to paragraph 6, jointly by all competent regulatory authorities in procedures pursuant to paragraph 7, and by the competent regulatory authority in procedures pursuant to paragraph 8.

Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of the ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing those terms and conditions or methodologies.

[...]

5. Each regulatory authority or where applicable the Agency, as the case may be, shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8. 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 or NEMOs, 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:

(a) the common capacity calculation methodology in accordance with Article 20(2).

[...]

9. The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals for terms and conditions or methodologies subject to the approval by several regulatory authorities in accordance with paragraph 7 shall be submitted to the Agency within 1 week of their submission to regulatory authorities. Proposals for terms and conditions or methodologies subject to the approval by one regulatory authority in accordance with paragraph 8 may be submitted to the Agency within 1 month of their submission at the discretion of the regulatory authority while they shall be submitted upon the Agency's request for information purposes in accordance with Article 3 paragraph 2 of the Regulation (EU) 2019/942 if the Agency considers the proposal to have a cross-border impact. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within 3 months on the proposals for terms and conditions or methodologies.

10. Where the approval of the terms and conditions or methodologies in accordance with paragraph 7 or the amendment in accordance with paragraph 12 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, 7 and 8, within 6 months following the receipt of the terms and conditions or methodologies by the Agency or the regulatory authority 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, to the last regulatory authority concerned in accordance with paragraph 7 or, where applicable, to the regulatory authority in accordance with paragraph 8.

[...]

12.

In the event that the Agency, or all competent regulatory authorities jointly, or the competent regulatory authority request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6, 7 and 8 respectively, the relevant TSOs or NEMOs shall submit a proposal for amended terms and conditions or methodologies for approval within 2 months following the request from the Agency or the competent regulatory authorities or the competent regulatory authority. The Agency or the competent regulatory authorities or the competent regulatory authority 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 or NEMOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in paragraph 4 of this Article shall apply.

13. TSOs and NEMOs 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 13.

Article 12 of CACM Regulation 2015/1222

1. TSOs and NEMOs responsible for submitting proposals for terms and conditions or methodologies or their amendments in accordance with this Regulation shall consult stakeholders, including the relevant authorities of each Member State, on the draft proposals for terms and conditions or methodologies where explicitly set out in this Regulation. The consultation shall last for a period of not less than one month.

2. [...] Proposals submitted by the TSOs and NEMOs at regional level shall be submitted to consultation at least at regional level. [...]

3. The entities responsible for the proposal for terms and conditions or methodologies shall duly consider the views of stakeholders resulting from the consultations undertaken in accordance with paragraph 1, prior to its submission for regulatory approval if required in accordance with Article 9 or prior to publication in all other cases. In all cases, a clear and robust justification for including or not the views resulting from the consultation shall be developed in the submission and published in a timely manner before or simultaneously with the publication of the proposal for terms and conditions or methodologies.

Article 20 of CACM Regulation 2015/1222

1. For the day-ahead market time-frame and intraday market time-frame the approach used in the common capacity calculation methodologies shall be a flow-based approach, except where the requirement under paragraph 7 is met.

2. [...], all TSOs in each capacity calculation region shall submit a proposal for a common coordinated capacity calculation methodology within the respective region. The proposal shall be subject to consultation in accordance with Article 12. [...]

[...]

7. TSOs may jointly request the competent regulatory authorities to apply the coordinated net transmission capacity approach in regions and bidding zone borders other than those referred to in paragraphs 2 to 4, if the TSOs concerned are able to demonstrate that the application of the capacity calculation methodology using the flow-based approach would not yet be more efficient compared to the coordinated net transmission capacity approach and assuming the same level of operational security in the concerned region.

[...]

Article 21 of CACM Regulation

1. The proposal for a common capacity calculation methodology for a capacity calculation region determined in accordance with Article 20(2) shall include at least the following items for each capacity calculation time-frame:

(a) methodologies for the calculation of the inputs to capacity calculation, which shall include the following parameters:

[...]

(ii) the methodologies for determining operational security limits, contingencies relevant to capacity calculation and allocation constraints that may be applied in accordance with Article 23.

[...]

Article 23 of CACM Regulation

[...]

3. If TSOs apply allocation constraints, they can only be determined using:

- (a) constraints that are needed to maintain the transmission system within operational security limits and that cannot be transformed efficiently into maximum flows on critical network elements; or
- (b) constraints intended to increase the economic surplus for single day-ahead or intraday coupling.

II. The CCM proposal

The Baltic CCR TSOs: AS “Augstsprieguma tīkls”, Elering AS, Fingrid Oy, Litgrid AB, PSE S.A. and Svenska Kraftnät submitted the initial CCM proposal and CCM Explanatory Document on 24 January 2024, as well as the amended CCM proposal on 23 September 2024 to the Baltic CCR NRAs: Estonian Competition Authority, Public Utilities Commission of Latvia, National Commission for Energy Control and Prices of Lithuania, Energy Regulatory Office of Poland, Swedish Energy Markets Inspectorate and Energy Authority of Finland.

The CCM proposal cover cross-zonal capacity calculation, provision and allocation for day-ahead and intraday time horizons. This CCM also takes into account and acts upon the fact that the Baltic States are foreseen to be synchronized with the Continental Europe Synchronous Area by double circuit line connecting Poland and Lithuania. Upon synchronisation, the capacity of this interconnector will be determined considering principles described in whereas (54) of Regulation (EU) 2024/1747.

III. Agreed Baltic CCR NRAs’ position

By 25 January 2024 all Baltic CCR NRAs received the CCM proposal. On 24 July 2024, after careful evaluation of the CCM proposal and mutual consultations, due to several issues related to inaccurate provisions and insufficiently detailed descriptions of them, Baltic CCR NRAs reached an agreement to a request for amendment on the CCM proposal. The relevant letters expressing Baltic CCR NRAs common view (Request for amendment document agreed by all Baltic CCR NRAs on 24th July 2024) were sent to all Baltic CCR TSOs requesting TSOs to amend the CCM proposal.

The Baltic CCR TSOs, in accordance with the CACM Regulation 2015/1222, have prepared an updated CCM for the DA and ID market timeframes within the Baltic CCR.

By 23 September 2024, TSOs submitted to all Baltic CCR NRAs the amended CCM proposal in accordance with the Baltic CCR NRAs request, together with additional conditions regarding implementation time of the proposed CCM.

Having assessed the TSOs' amended proposal, the Baltic CCR 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 Baltic CCR NRAs decided to revise parts of the Baltic DA/IC CCM before the approval, in accordance with Art. 5(6) of Regulation 2019/942 (hereinafter ACER regulation) and Art. 9(5) of the CACM. On 15 November 2024, the Baltic CCR NRAs sent a letter to the Baltic CCR TSOs' representatives to consult the TSOs on the planned revisions to the methodology.

Baltic CCR NRAs decided to revise the methodology by making the following changes:

1. Add 4.5. paragraph in Article 4: **"In accordance with Article 29 and 30 of the CACM Regulation, capacity calculation shall be performed by the Capacity Calculator whereas the TSOs shall provide required input data and perform validation"** and align with 15.1 paragraph in Article 15, 17.1. paragraph in Article 17, and 18.1. paragraph in Article 18.
2. Update the 5.2 paragraph in Article 5: "The CNEs for capacity calculation shall be defined considering impact computation principles defined in CSA methodology annex 1 and factor determining impact for CNE shall be cross zonal power flow exchange. Internal CNEs which power flow filtering influence factor is less than defined in annex 1 of CSA methodology shall be excluded from capacity calculation process. The TSO shall update the CNE list in case of significant change in grid topology when influence value for CNE element significantly changed from average value. **If an internal CNE constitutes structural congestion the TSO shall ensure that cross-border capacities are not impacted by the CNE.**"
3. Amendment in paragraph 9.1 in Article 9: "TSOs shall provide for Capacity Calculator information on available and applicable non-costly **and costly** remedial actions that shall be used in capacity calculation process."
4. Amendment in paragraph 9.4 in Article 9: **"Countertrading and redispatching possibilities along with other remedial actions shall be fully exploited in the DA and ID capacity calculation in accordance with Article 16(4) of the Electricity Market Regulation 2019/943. Thus, the TSOs shall ensure that Article 16(8) of the Electricity Market Regulation 2019/943 is adhered to."**
5. Amendment in Article 14.6: "For initial operation period after Baltic TSOs synchronisation with CESA, fixed TRM values shall be applied to LT-LV, LV-EE, and LT-PL Cross-Borders. These values shall be applied **during a transitory period of at least 1 month**. After this period, **the TSOs shall calculate the TRMs according to principles set out in 14.4 and 14.5. Before applying the calculated TRMs, TSOs shall demonstrate to the NRAs that the calculated TRMs do not violate the requirement set in Article 16(8) of the Electricity Market Regulation 2019/943.** Fixed values provided in Table 1."
6. Amendment in paragraph 15.1 in Article 15: **"Capacity Calculator calculates** NTC value for Internal Baltic AC interconnectors and Available Transmission Capacity (ATC) for both interconnection directions. ATC would represent capacity allocations for day ahead timeframe. Calculation shall be performed using following equations:"
7. Amendment of Article 17.1: "TTCs on cross-border Estonia-Finland **are calculated by the Capacity Calculator** using CGMs that represent the AC-networks of observable areas of

synchronous areas that each belong to and **validated by the respective TSO on both sides of the interconnector.**"

8. Amendment of Article 18.1: "TTCs on cross-border Lithuania-Sweden **are calculated by the Capacity Calculator** using CGMs that represent the AC-networks of observable areas of synchronous areas that each belong to and **validated by the respective TSO on both sides of the interconnector.**"
9. Following paragraphs have been updated in Article 26:

- a. 26.1: "When defining appropriate network areas in and between which congestion management is to apply, TSOs shall be guided by the principles of cost-effectiveness and minimisation of negative impacts on the internal market in electricity. Specifically, TSOs shall not limit interconnection capacity in order to solve congestion inside their own control area, save for the abovementioned reasons and reasons of operational security. **To ensure that potential congestions inside a control area do not affect the interconnection capacity the TSO shall exploit all available remedial actions such that cross-border capacities is at least as high as prescribed in Article 16(8) of the Electricity Market Regulation 2019/943.**

If cross-border capacities are limited below the level as prescribed in Article 16(8) of the Electricity Market Regulation 2019/943, this shall be described, motivated, communicated, and transparently presented by the TSOs to all the system users without undue delay. The TSOs shall find a long-term solution as soon as possible to correct such a situation and do so in a timely and transparent way. The TSOs shall also inform all system users of actions taken in order to find and execute the long-term solution."

- b. 26.2: "The methodology, projects, **and actions taken** for achieving the long-term solution shall be described, **motivated, communicated,** and transparently presented by the TSOs to all the system users **without undue delay.**

The methodology, projects, and actions taken for achieving the long-term solution can be described, **motivated, communicated, and transparently presented** in existing TSOs' documents:

- TSOs' individual power transmission system development documents.
- TSOs' common power transmission system development documents, e.g. ENTSO- E "Ten years network development plan".

In case the methodology, projects, **and actions taken** for achieving the long-term solution is described, **motivated, communicated, and transparently presented** in existing TSOs' documents, creation of additional explanatory document(-s) **or other relevant document(-s)** is not required, **unless deemed necessary by the NRAs in the Baltic CCR.**"

10. Add 27.3. paragraph in Article 27: "**The TSOs shall within 24 months after the implementation of this Methodology perform an evaluation of this Methodology and submit it to the NRAs in the Baltic CCR. If needed, the TSOs shall propose a revised version of the Methodology to the NRAs in the Baltic CCR.**"
11. Some editorial corrections (updating the list of abbreviations and introducing alphabetical order, editing the listing of paragraphs, unifying some notations etc.).

After revising the methodology by NRAs, the Baltic CCR NRAs have come to the common opinion that the methodology proposal meets the requirements of the CACM. The revised version of Baltic DA/ID CCM can be approved by the Baltic CCR NRAs.

The Baltic CCR NRAs sent the Baltic CCR DA/ID CCM with amendments to the TSOs on 15 November 2024 and informed them that these are the changes the NRAs are making during the revision in accordance with Article 9(5) of the CACM and Article 5(6) of ACER regulation.

The Baltic CCR NRAs need to make a decision concerning the updated CCM proposal by the 25 November 2024.

IV. Conclusions

The Baltic CCR NRAs welcome the submitted Methodology proposal. The Baltic CCR NRAs have assessed, consulted and closely cooperated and coordinated to reach an agreement on the Methodology proposal which after the NRA revision meets the requirements of the CACM and can thus be approved by the Baltic CCR NRAs. Thereby, the Baltic CCR NRAs shall take their respective national decisions to approve the proposal regarding Article 9(7)(a) and Article 20(2) of the CACM, based on this agreement, by the 25 November 2024 at the latest.