
**All TSOs' Proposal for a Congestion Income
Distribution (CID) methodology in accordance with
Article 57 of the Commission Regulation (EU)
2016/1719 of 26 September 2016 establishing a
guideline on forward capacity allocation**

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All TSOs, taking into account the following,

Whereas

- (1) This document is a common proposal developed by all Transmission System Operators (hereafter referred to as “TSOs”) regarding a methodology for congestion income distribution in accordance with Article 57 of Commission Regulation (EU) 2016/1719 establishing a guideline on Forward Capacity Allocation (hereafter referred to as the “FCA Regulation”). This proposal is hereafter referred to as “CID-FCA methodology Proposal”.
- (2) The CID-FCA methodology Proposal applies the requirements set out in Article 73 of Commission Regulation (EU) 2015/1222 establishing a guideline on Capacity Allocation and Congestion Management (hereafter referred to as the “CACM Regulation”). In particular, the Proposal takes into account the congestion income distribution methodology in accordance with Article 73 of the CACM Regulation and the general principles of congestion income use in Article 16 (6) of Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity (hereafter referred to as “Regulation (EC) No 714/2009”).
- (3) Furthermore this CID-FCA methodology Proposal takes into account the general principles, goals and other methodologies set in the FCA Regulation. The goal of the FCA Regulation is the coordination and harmonisation of forward capacity calculation and allocation in the long term capacity markets, and it sets requirements for the TSOs to co-operate on a pan-European level; on the level of capacity calculation regions, and across bidding zone borders. The FCA Regulation in Article 51 also sets rules for establishing European Harmonised Allocation Rules and regional/border specific annexes (hereafter referred to as “HAR”). In addition, the FCA Regulation in Articles 49 and 59 sets out rules for the establishment, the functioning and the cost sharing of a Single Allocation Platform for long-term capacity allocation (hereafter referred to as “SAP”). The FCA Regulation sets out also rules for establishing capacity calculation methodologies based either on the flow-based approach (“FB approach”) or the coordinated net transmission capacity approach (“coordinated NTC approach”). The present CID-FCA methodology Proposal addresses congesting income distribution under a coordinated NTC approach as it is currently the only approach applied by the capacity calculation regions.
- (4) Article 57 of the FCA Regulation requires all TSOs to develop a proposal for a methodology for sharing congestion income from forward capacity allocation within six months after the approval of the congestion income distribution methodology in accordance with the CACM Regulation. The remuneration of LTTRs is outside the scope of this CID-FCA methodology, but it is important to maintain the revenue adequacy of each TSO which principle is appropriate to implement through methodology laid down in Article 61 of the FCA Regulation rather than through the present Proposal.
- (5) According to Article 4 (8) of the FCA Regulation, the expected impact of the proposed CID-FCA methodology on the objectives of the FCA Regulation has to be described and is presented below.

- (6) The proposed CID-FCA Methodology generally contributes to the achievement of the objectives of Article 3 of the FCA Regulation and the usage principles for congestion income set in Regulation (EC) No 714/2009. In particular, the CID-FCA methodology serves the objective of promoting effective long-term cross-zonal trade with long term transmission rights, non-discriminatory access to cross-zonal capacity as it lays down objective criteria and solutions for the distribution of congestion income to be applied by all involved TSOs, thus creating a solid basis for congestion income distribution at European level. One default solution is provided for all bidding zone borders whereas the CID-FCA methodology also allows for specific sharing keys in limited specific cases under the conditions described herein. This limited room for flexibility under certain conditions allows capturing appropriately the specificities of different interconnectors and national frameworks (e.g. legal framework on congestion management for exempted interconnectors).
- (7) Congestion income indicates how much market participants value the possibility for cross-border trade, how interconnections are used and where capacity should be increased. Via the possibility to consider investment costs in the sharing key, more certainty can be achieved for a more optimal sharing key for future investments and thus, long-term operation and development of the electricity transmission system and electricity sector in the European Union is supported.
- (8) Related to FCA Regulation Article 31 for the CID-FCA methodology there shall be no difference if long term cross-zonal capacity will be allocated in the form of physical transmission rights pursuant to the UIOSI principle, in the form of FTRs-options or FTRs-obligations
- (9) Furthermore, the CID-FCA methodology ensures fair and non-discriminatory treatment of all affected parties, as it sets rules to be applied by all parties. Further, the methodology takes into account congestion income derived by interconnections on bidding zone borders owned by legal entities other than TSOs, preventing exclusion of such congestion income from the application of the CID-FCA methodology as long as these interconnections are operated by certified TSOs.
- (10) Regarding the objective of transparency and reliability of information, the CID-FCA methodology provides clear rules and a solid basis for congestion income distribution in a transparent and reliable way. In addition, the CID-FCA methodology, as well as the specific sharing keys, will be published by TSOs, thus increasing transparency and reliability of information. Furthermore, the data used to calculate the congestion income is published by the Single Allocation Platform pursuant to Article 47 of the FCA Regulation.
- (11) In conclusion, the proposed CID-FCA methodology Proposal contributes to the general objectives of the FCA Regulation to the benefit of all market participants and electricity end consumers.

SUBMIT THE FOLLOWING CID-FCA METHODOLOGY TO ALL REGULATORY AUTHORITIES:

TITLE 1

General Provisions

Article 1

Subject matter and scope

1. The CID-FCA methodology shall be considered as the common proposal of all TSOs in accordance with Article 57 of FCA Regulation and shall cover the distribution of congestion income from Forward Capacity Allocation for:
 - a. all existing and future Bidding Zone borders and interconnectors within and between Member States, to which the CACM and the FCA Regulations apply and where Congestion Income from Forward Capacity Allocation is collected;
 - b. Interconnectors which are owned by TSOs or by other legal entities.
2. Where congestion income derives from transmission assets owned by legal entities other than TSOs, these parties shall be treated in a transparent and non-discriminatory way. The TSOs operating these assets shall conclude the necessary agreements compliant with this CID-FCA methodology with the relevant transmission asset owners to remunerate them for the congestion income from Forward Capacity Allocation corresponding to the transmission assets they operate on their behalf.

Article 2

Definitions and interpretation

1. For the purpose of the CID-FCA methodology, terms used in this document shall have the meaning of the definitions included in Article 2 of the FCA Regulation, CACM Regulation, the HAR, the SAP proposal, the Regulation (EC) 714/2009, the Directive 2009/72/EC and the Commission Regulation (EU) 543/2013.
2. In addition, in this CID-FCA methodology, the following terms shall have the meaning below:
 - a. “Long Term Congestion Income” means the revenue accrued by the allocation of Long Term Transmission Rights.
3. In addition, in this CID-FCA methodology, unless the context requires otherwise:
 - a. a bidding zone border may consist of one or more interconnector(s) for the purposes of the congestion income distribution;
 - b. unless specified otherwise, the terms used apply in the context of the CACM Regulation and the FCA Regulation;
 - c. the singular indicates the plural and vice versa;
 - d. the table of contents and headings are inserted for convenience only and do not affect the interpretation of this CID-FCA methodology; and
 - e. any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall consider any modification, extension or re-enactment of them when in force.

TITLE 2

Collection and distribution of long-term congestion income to the bidding zone borders

Article 3

Process and calculation of long-term congestion income

1. In accordance with the applicable HAR, the Single Allocation Platform when determining the results of an auction shall calculate the congestion income generated by the accepted bids. The collection of the congestion income shall follow the rules stipulated in the HAR.
2. For each relevant market time unit within an auction Product Period the congestion income generated on a Bidding Zone border, direction of utilisation and auction shall be equal to the

marginal price of the respective auction multiplied by the sum of long term transmission rights in MW allocated in the relevant market time unit incorporating any Reduction Period where relevant.

3. The final congestion income attributed to each Bidding Zone border shall consist of congestion income calculated pursuant to paragraph 2 reduced by the costs for return of long term transmission rights to be paid in accordance with Article 43 of the FCA Regulation
4. The Single Allocation Platform shall distribute the, long-term congestion income to the relevant TSOs based on the rules set forth in this methodology.

TITLE 3

Congestion income distribution on the bidding zone border

Article 4

Sharing keys

1. For the bidding zone borders where congestion income was calculated based on allocated long term capacities, the TSOs on each side of the bidding zone border shall receive their share of long term congestion income based on a 50%-50% sharing key. In specific cases the concerned TSOs may also use a sharing key different from 50%-50%. Such cases may involve, but are not limited to, different ownership shares or different investment costs. The percentages for these specific cases, as well as the underlying reasons are defined in Annex 1 to this methodology.
2. Subject to paragraph 3, in case the bidding zone border consists of several interconnectors with different sharing keys, or which are owned by different TSOs, the long term congestion income shall be assigned first to the respective interconnectors on that bidding zone border based on each interconnector's contribution to the allocated long term capacity. The parameters defining the contribution of each interconnector will be agreed by the TSOs on the bidding zone border. They shall be published in a common document by ENTSO-E on its web page. The congestion income assigned to each interconnector shall subsequently be shared between the TSOs on each side of the interconnector using the principles described in paragraph 1 whereas the exemptions for specific interconnectors are also defined in Annex 1 to this methodology.
3. For bidding zone borders consisting of several interconnectors where the capacity is auctioned separately for each individual interconnector, the long term congestion income associated with each interconnector is directly allocated to the TSO(s) of that interconnector.
4. In case specific interconnectors are owned by entities other than TSOs, the reference to TSOs in this article shall be understood as referring to those entities.

TITLE 4

Final provisions

Article 5

Publication and Implementation of the CID-FCA methodology

1. The TSOs shall publish the CID-FCA methodology without undue delay after all NRAs have approved the proposed CID-FCA methodology or a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 4(10) and 4(11) of the FCA Regulation.
2. The TSOs of each capacity calculation region shall implement the methodology at the date of implementation of the capacity calculation methodology within their respective capacity calculation region in accordance with Article 10 of the FCA Regulation or at the date of the implementation of the methodology for sharing costs incurred to ensure firmness and remuneration of long- term transmission rights in accordance with Article 61 of the FCA Regulation, whichever comes later.

Article 6

Language

The reference language for this CID-FCA methodology shall be English. For the avoidance of doubt, where TSOs need to translate this CID-FCA methodology into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 4 (13) of the FCA Regulation and any version in another language the relevant TSOs shall, in accordance with national legislation, provide the relevant NRAs with an updated translation of the CID-FCA methodology.