European Network of
Transmission System Operators
for Electricity

All TSOs' Proposal for a Congestion Income Distribution (CID) methodology in accordance with Article 73 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management

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Contents

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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 (hereafter referred to as "CID Methodology") in accordance with Article 73 of Commission Regulation (EU) 2015/1222 establishing a guideline on Capacity Allocation and Congestion Management (hereafter referred to as the "CACM Regulation"). This proposal is hereafter referred to as "CID Methodology Proposal".

(2) The CID Methodology Proposal takes into consideration the provisions on general principles of Congestion Income 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) This CID Methodology Proposal takes into account the general principles, goals and other methodologies set in the CACM Regulation. The goal of the CACM Regulation is the coordination and harmonisation of capacity calculation and Capacity Allocation in the day-ahead and intraday cross-border markets, and it sets requirements for the TSOs to co-operate on the level of capacity calculation regions (hereinafter referred to as "CCRs"), on a pan-European level and across bidding zone borders. The CACM Regulation sets also rules for establishing capacity calculation methodologies based either on the Coordinated Net Transmission Capacity Approach ("Coordinated NTC Approach") or the Flow-Based Approach ("FB Approach").

(4) According to Article 9 (9) of the CACM Regulation, the expected impact of the proposed CID Methodology on the objectives of the CACM Regulation has to be described and is presented below.

(5) The proposed CID Methodology generally contributes to the achievement of the objectives of Article 3 of CACM Regulation or the usage principles for Congestion Income set in Regulation (EC) No 714/2009. In particular, the CID Methodology serves the objective of promoting effective competition in the trading and supply of electricity, 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 for the first time at European level. Principles for sharing keys are provided for all bidding zone borders under the conditions described herein.

(6) 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.

(7) Furthermore, the CID Methodology ensures 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 Methodology as long as these Interconnections are operated by certified TSOs.

(8) Regarding the objective of transparency and reliability of information, the CID methodology provides clear rules and a solid basis for Congestion Income distribution in a transparent and reliable way.

(9) In conclusion, the proposed CID Methodology contributes to the general objectives of the CACM Regulation to the benefit of all market participants and electricity end consumers.

SUBMIT THE FOLLOWING CID METHODOLOGY TO ALL REGULATORY AUTHORITIES:

TITLE 1
General Provisions

Article 1
Subject matter and scope

1. The CID Methodology shall be considered as the common proposal of all TSOs in accordance with Article 73 of CACM Regulation and shall cover the Congestion Income distribution for:
   a. all existing and future Bidding Zone borders and Interconnectors within and between Member States, to which the CACM Regulation applies and where Congestion Income is collected;
   b. Interconnectors which are owned by TSOs or by other legal entities;
   c. Congestion Income derived from Capacity Allocation based on Coordinated NTC Approach and FB Approach; and
   d. Congestion Income derived from Capacity Allocation in the Day-Ahead and Intraday Market Timeframes.

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 Methodology with the relevant transmission asset owners to remunerate them for the transmission assests they operate on their behalf.

Article 2
Definitions and interpretation

1. For the purpose of the CID Methodology, terms used in this document shall have the meaning of the definitions included in Article 2 of the CACM Regulation, of the Comission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereinafter referred to as the "FCA Regulation"), of Regulation (EC) 714/2009, Directive 2009/72/EC and Commission Regulation (EU) 543/2013.

2. In addition, in this CID Methodology the following terms shall apply:
   a. "Commercial Flow" means the flow over a Bidding Zone border resulting from Single Day-Ahead Coupling or Single Intraday Coupling where it is distinguished as follows:
      i. for CCRs applying Coordinated NTC Approach it means the allocated flows over the Bidding Zone border; and
      ii. for CCRs applying the FB Approach it means:

a) either the additional aggregated flow (AAF) between two adjacent Bidding Zones where the AAF means the flow between two Bidding Zones and is calculated based on the FB parameters and the results of the Capacity Allocation within respective day-ahead or intraday market timeframe; or
b) a calculated value per Bidding Zone border where the sum of these values per Bidding Zone are equal to the respective net position of the same Bidding Zone to the extent this net position is a result of the Capacity Allocation based on the FB Approach;

b. External Flow means the flow resulting from exchanges within a CCR from the Single Day-Ahead Coupling and Single Intraday Coupling that cannot be directly assigned to a Bidding Zone border of that CCR and is calculated as the flow needed in order to balance the net position resulting from exchanges within the CCR and the sum of AAFs over each Bidding Zone border within the CCR in case where:
   i. AAF is used within a CCR applying the FB Approach; and
   ii. at least two Bidding Zones are connected to an alternative current (AC) Interconnector which, as indicated by the FB Approach, carries flows over Bidding Zone borders not included in the same CCR;
c. External Flow Value means the Congestion Income allocated to the External Flow or the External Flow times the Market Spread and it equals the difference between the Congestion Income available for the entire CCR and the Congestion Income allocated to each Bidding Zone border;
d. "Net Border Income" means the Congestion Income allocated per Bidding Zone Border as defined in Article 3.1 of this methodology.

3. In addition, in this CID 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. the singular indicates the plural and vice versa;
   c. the table of contents and headings are inserted for convenience only and do not affect the interpretation of this CID Methodology; and
   d. any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it when in force.

TITLE 2
Collection and distribution of Congestion Income to the Bidding Zone Borders

Article 3
Process and calculation of Congestion Income

1. For the Day-Ahead Market Time-frame, the Congestion Income generated on a Bidding Zone border shall be calculated as the absolute values of the product of the Commercial Flow multiplied by the Market Spread. For the Intraday Market Time-Frame, the Congestion Income shall be calculated as the sum of all revenues from the Capacity Allocation per market time unit (hereinafter referred to as "MTU"). The result of the calculation of the Congestion Income shall be the Net Border Income that reflects what is stipulated in paragraphs 3 and 4 of this Article, where appropriate.

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2. In accordance with Article 68(7) and (8) of CACM Regulation, the relevant Central Counter Parties or Shipping Agents shall collect the Congestion Income arising from the Single Day-Ahead Coupling and from the Single Intraday Coupling and shall ensure that collected Congestion Incomes are transferred to the TSOs or entities appointed by TSOs no later than two weeks after the date of the settlement.

3. Before the Congestion Income, calculated in accordance with paragraph 1 and, where appropriate, taking into account the conditions set out in paragraph 4, is allocated to each Bidding Zone border pursuant to paragraph 2, any remunerations of Long Term Transmission Rights (LTRs) to be paid by the relevant TSOs in accordance with Article 61(3) the FCA Regulation shall be deducted from the income of the relevant Bidding Zone border.

4. Where relevant, in the calculation of the Congestion Income the following may be taken into account:

    a. Allocation constraints within a CCR and between CCRs: an allocation constraint which covers the interdependencies of capacity allocation across different bidding zone borders, and which is taken into account in the capacity allocation of cross zonal capacity shall be taken into account in calculating the Congestion Income by allocating the relative impact of this capacity allocation constraint among the affected TSOs.

    b. External Flow Value: A 50% share of the External Flow Value that may be allocated to the TSOs of the CCR which use the External Flow to balance their net position resulting from exchanges within the CCR and the sum of AAFs over each Bidding Zone border within the CCR . This Exernal Flow Value shall be taken into account in calculating the Congestion Income by allocating this External Flow Value proportionally (pro rata) to the External Flows hosted by each TSO (in MW). The remaining 50% of the External Flow Value may be allocated among all Bidding Zone borders within the CCR, proportionally (pro rata) to the Commercial Flow on each Bidding Zone border within the CCR and the External Flow.

    c. Non-intuitive Commercial Flow: Under the FB Approach where AAF has been used to determine the Commercial Flow applied within a CCR, the Non-intuitive Commercial Flow shall be taken into account in calculating the Congestion Income by proportionally adjusting the absolute values of all Congestion Incomes for all Bidding Zone borders and External Flow Values to ensure that their sum matches the Congestion Income which is available for distribution within the entire CCR.

    d. Non-negative Net Border Income: to avoid a situation where the remuneration for Long Term Transmission Rights would exceed the Congestion Income assigned to a Bidding Zone border, the Non-negative Net Border Income within a CCR—and where relevant, between CCRs—shall be taken into account in calculating the Congestion Income by allocating the share of the remuneration of Long Term Transmission Rights—which exceeds the Congestion Income of a Bidding Zone border—among the relevant TSOs proportionally to their Net Border Income from the respective CCR, in order to ensure that all Net Border Incomes within the same CCR are non-negative under the following conditions:

- the determination of offered long term cross-zonal capacity has been coordinated and agreed by the TSOs within the CCR; and
- the amount of long term cross-zonal capacity which is subject to remuneration (for example FTRs or PTRs with UIOSI) does not exceed the day ahead capacity for the respective MTU.

TITLE 3
Congestion Income Distribution on the Bidding Zone border

Article 4
Sharing keys

1. After the calculation of the Net Border Income to be shared by relevant TSOs on the Bidding Zone border, the TSOs on both sides of the Bidding Zone borders shall assign the Net Border Income first to the respective Interconnectors on that Bidding Zone border based on a parameter which takes into account the Interconnector's contribution to the allocated capacity. This parameter will be agreed by the TSOs on the Bidding Zone border and approved by the relevant National Regulatory Authorities (hereafter referred to as "NRAs").

2. After the assignment of Congestion Income to each Interconnector, the TSOs on each side of the Bidding Zone border shall receive their share of this Congestion Income based on:
    a. a 50%-50% sharing key; or
    b. if an Interconnector is 100% owned by a single TSO, the TSO shall retain 100% of the Congestion Income assigned to that Interconnector. If an Interconnector is 100% owned by another legal entity and is operated by a TSO or if this Interconnector has an exemption in accordance with Article 17 of Regulation (EC) No 714/2009, the owner of such an Interconnector shall retain 100% of the Congestion Income assigned to that Interconnector; or
    c. sharing key reflecting the investment costs or the ownership share upon agreement between the relevant TSOs and the owners of an Interconnector. If there is a difference in the investment costs borne by the owners of an Interconnector or the ownership share, the Congestion Income assigned to the respective Interconnector may be distributed to the owners of the Interconnector proportionate to their share in investment costs or ownership.

TITLE 4
Final provisions

Article 5

Publication and Implementation of the CID Methodology

1. The TSOs shall publish the CID Methodology without undue delay after all NRAs have approved the proposed CID Methodology or a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 9(11) and 9(12) of the CACM Regulation.

2. The TSOs shall implement the methodology in accordance with the applicable national regulatory regime and at the latest within six (6) months after the approval as referred to in paragraph 1.

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3. In case TSOs agree to change the sharing key they have originally implemented in accordance with Article 4 due to a change in the circumstances, they shall submit such an agreement to the relevant NRAs within six (6) months after their decision.

4. The implementation dates mentioned in paragraphs 2 and 3 of this Article shall be postponed and existing CID sharing keys between the relevant TSOs shall remain applicable on Bidding Zone borders until the capacity calculation and Capacity Allocation takes place based on the Coordinated NTC Approach or the FB Approach in accordance with the CACM Regulation.

Article 6
Language

The reference language for this CID Methodology shall be English. For the avoidance of doubt, where TSOs need to translate this CID Methodology into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 9 (14) of the CACM 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 Methodology.

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