

FI-EE border LTTRs implementation project

2nd TSOs open webinar

05.05.2022

14:30 -16:00 EET

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FI-EE border LTTRs implementation project

Agenda

5th of May 14:30- 16:00 EET

Topic	Presenter
Welcoming words and intro	Marja Eronen (Fingrid)
Explanation on the Baltic CCR's regional design of LTTRs	Airi Noor (Elering)
Explanation on the Baltic CCR's regional specific annex to the harmonised allocation rules and FTRs firmness	Satu Viljainen (Fingrid)
Questions and discussion	Open for all
Project update and TSOs next steps	Airi Noor (Elering)

Explanation on the Baltic CCR's regional design of LTTRs

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05.05.2022

Airi Noor



Baltic CCR's regional design of LTTRs

(FCA NC art 31)

Bidding zone border and responsible TSOs			Type of LTTRs	Timeframe	Product
Estonia (EE) Elering	->	Latvia (LV) AST	FTR-option	Yearly Quarterly Monthly	Base
Finland (FI) Fingrid	->	Estonia (EE) Elering	FTR-option	Yearly Monthly	Base

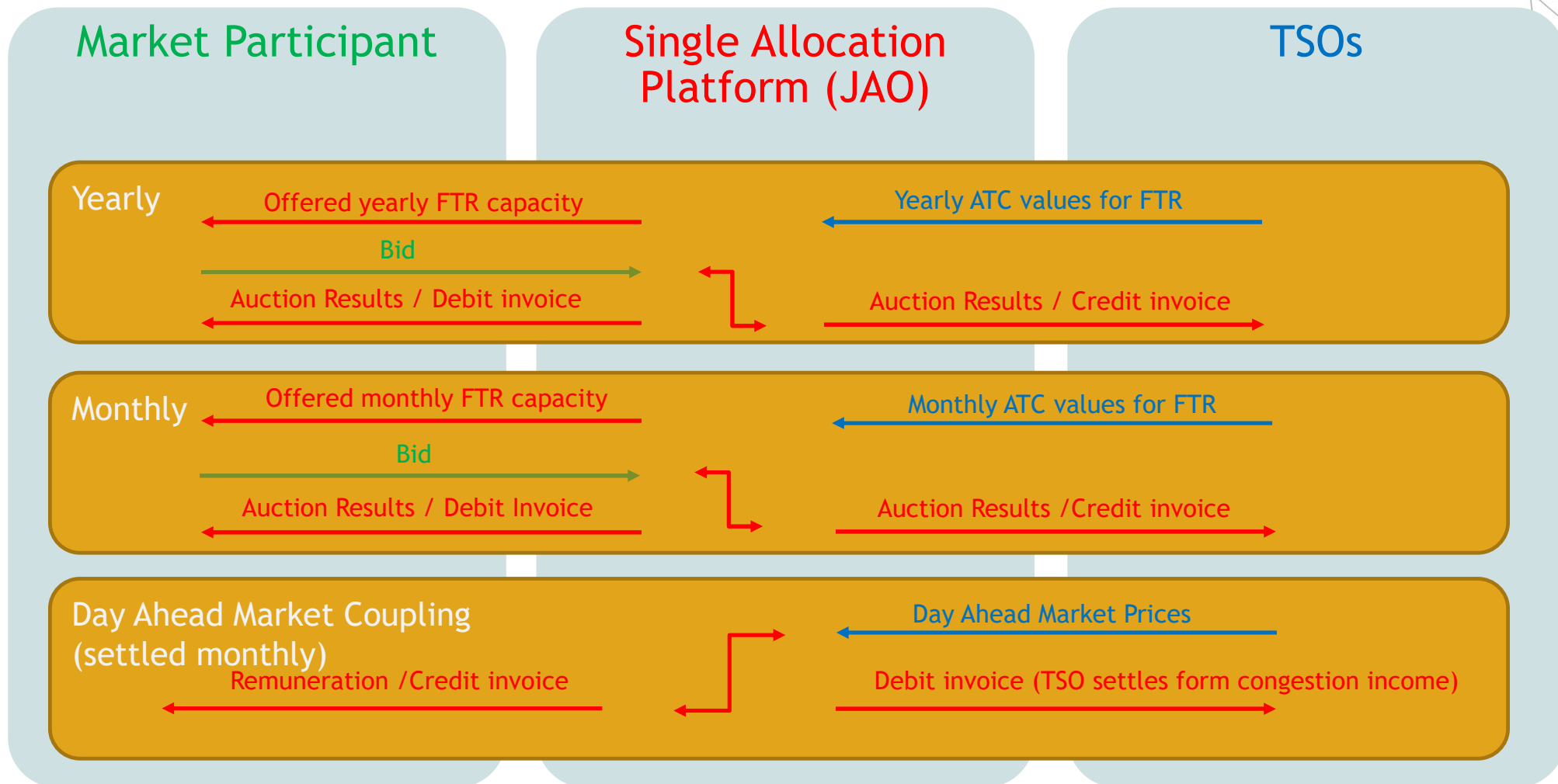
NB! No changes on EE-LV border

FTR-option

- FTRs are financial in the sense that the right is cash-settled based on the price spread between the relevant zones (as Estonia and Finnish bidding zones)
- FTR-option price is set on auction as marginal price
- FTR-option auctions are held by Single Allocation Platform (SAP) operated by JAO. Also the clearing and settlement is made by JAO
- FTR-option give the holder the right to collect revenue generated by the amount of MW he holds
- An FTR-option provides the holder with the price spread only where this spread is positive
- FTR-options do not need to be nominated
- FTRs can be transferred (re-sold) or returned

More information on JAO: <http://www.jao.eu/main>

FTR-option auction process



Transfer of FTR-option (1/2)

(HAR art 41-44)

- FTR holder(s) may transfer some or all of their LTTRs to another **Registered Participant** once the auction results are final
- The minimum volume of LTTRs that may be transferred shall be one (1) MW over one (1) hour
- All rights and obligations, with exception of the payment obligation of the original LTTRs, regarding the allocation of LTTRs shall be transferred together with the LTTRs
- JAO facilitates notice board for the exchange of information between the Registered Participants regarding their interest in buying and/or selling LTTRs
- Use of the notice board is free of charge
- No agreements may be concluded via this notice board

Transfer of FTR-option (1/2)

(HAR art 41-44)

- Transfer shall be notified to the JAO following the process pursuant to HAR Article 42 and via the Auction Tool
- The notification shall be delivered no later than at 12:00 p.m. on the second (2nd) day preceding the day of delivery
- The notification of transfer shall be confirmed by the transferee within four (4) hours upon receiving the transfer information from the JAO and no later than at 12:00 p.m. the second (2nd) day preceding the day of delivery
- In the event that the transferee does not confirm the transfer by the deadline, JAO shall automatically cancel the process of the transfer

Return of FTR-option

(HAR art 38-40)

- FTR holder(s) wishing to return their LTTRs shall send a notification, via the Auction Tool to JAO no later than the deadline specified in the provisional Auction Specification for the subsequent Auction to which the LTTRs is to be returned.
- Registered Participants who returned LTTRs are entitled to receive a remuneration equal to the value of the returned LTTRs set during the relevant subsequent Auction(s) calculated for each hour as follows:
 - (a) the Marginal Price of the Auction at which the returned LTTRs was reallocated in Euros/MW per hour multiplied by
 - (b) the amount of MW which was reallocated
- If the return is accepted, JAO shall decrease the total volume of the LTTRs held by the respective Right holder by the amount returned
- On return all rights and obligations of the Registered Participant will cease except those connected to its payment obligations pursuant of original LTTRs and the remuneration for returned LTTRs

Questions?

The consultation document can be found here:

<https://consultations.entsoe.eu/markets/baltic-tsos-amendment-proposal-for-regional-design/>



5.5.2022

Satu Viljainen

Baltic regional specific annex to the HAR

Stakeholder webinar

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LTTR auctions

- LTTR auctions take place at JAO and apply harmonised allocation rules (HAR)
- Regional or bidding zone border specific requirements can be defined in HAR Annexes in accordance with Article 52 of the FCA Regulation

3. The harmonised allocation rules may also contain regional or bidding zone border specific requirements in particular for, but without limitation to:

(a) the description of the type of long-term transmission rights which are offered on each bidding zone border within the capacity calculation region pursuant to Article 31;

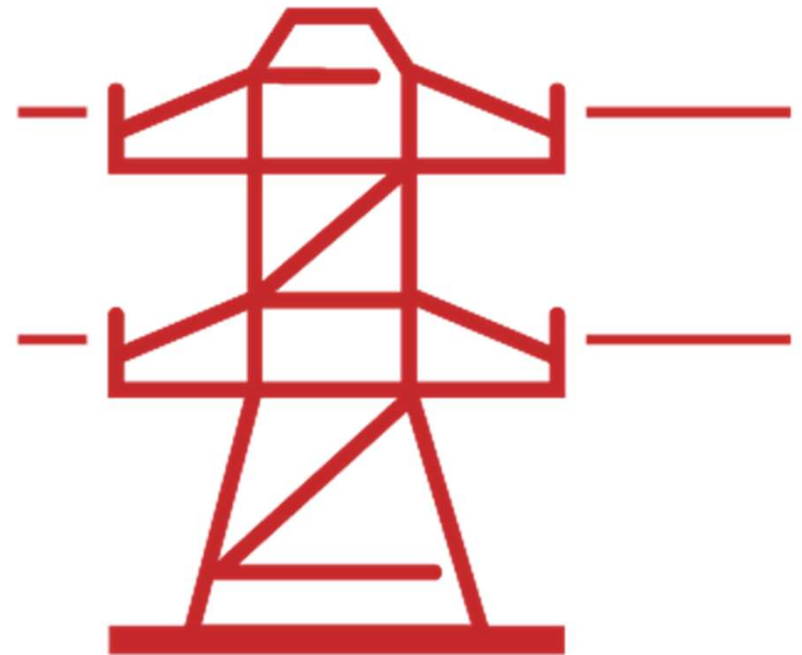
(b) the type of long-term transmission rights remuneration regime to be applied on each bidding zone border within the capacity calculation region according to the allocation in the day-ahead time frame pursuant to Article 35;

(c) the implementation of alternative coordinated regional fallback solutions pursuant to Article 42;

(d) the regional compensation rules defining regional firmness regimes pursuant to Article 55.

General rules on firmness

- After the contestation period, the auction results become final
- FTR – option remuneration = volume x day-ahead price spread (if positive in the direction of the option, zero otherwise)
- TSOs may under certain conditions curtail the already allocated long-term capacity
- In case of curtailment, the holders of the LTTRs receive compensation
- Different compensation rules apply depending on the reason for curtailment



Rules for compensations

- Compensations regarding the curtailment of the long-term capacity before the day-ahead firmness deadline (currently 11:00 CET)
 - In the event of force majeure: original marginal price of the relevant LTTR auction
 - To ensure the operational security limits: day-ahead price spread (with the monthly cap), or the original marginal price of the relevant LTTR auction if no day-ahead price can be calculated
- Compensations regarding the curtailment of the long-term capacity after the day-ahead firmness deadline in accordance with Article 72 of Commission Regulation (EU) 2015/1222
 - In case of force majeure: original marginal price of the LTTR auction
 - In case of emergency situation: day-ahead price spread (with the monthly cap), or the original marginal price of the relevant LTTR auction if no day-ahead price can be calculated

Force majeure

CACM Regulation, Article 2, point 45:

'force majeure' means any unforeseeable or unusual event or situation beyond the reasonable control of a TSO, and not due to a fault of the TSO, which cannot be avoided or overcome with reasonable foresight and diligence, which cannot be solved by measures which are from a technical, financial or economic point of view reasonably possible for the TSO, which has actually happened and is objectively verifiable, and which makes it impossible for the TSO to fulfil, temporarily or permanently, its obligations in accordance with this Regulation;

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Compensation cap

- Article 54 of the FCA Regulation provides that TSOs on a bidding zone border may propose a cap on the total compensations
- The purpose of the cap is to ensure compensations do not surpass the congestion income
- A distinction is made between the compensation cap for AC and DC interconnectors
- For DC interconnectors, a monthly cap may be proposed
- Compensations for curtailments are reduced on a pro rata basis if the cap would otherwise be exceeded

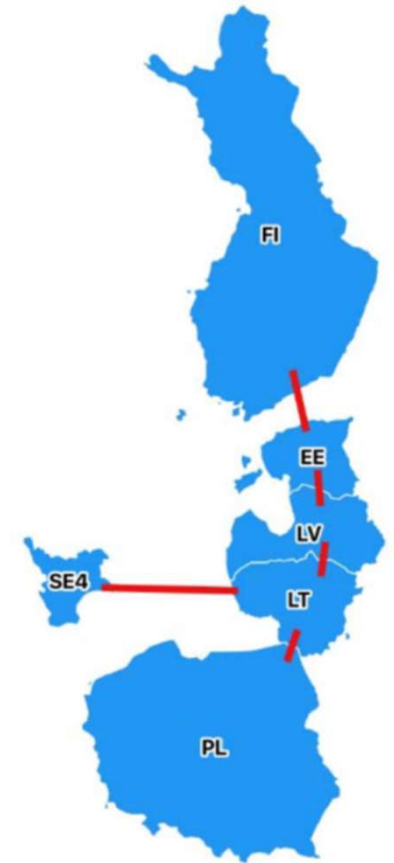
Monthly cap on compensations

- The monthly cap for a DC interconnector is determined as the total amount of congestion income in the relevant month, deducting all the remunerations and compensations paid
- The monthly cap is calculated as follows:

$$\begin{aligned} \text{Cap} = & \left(\frac{\text{Yearly income}}{12} + \frac{\text{Seasonal income}}{6} + \frac{\text{Quarterly income}}{3} \right. \\ & + \text{Any other longterm income} + \text{Daily income} + \text{Intraday income} \left. \right) \\ & - (\text{UIOSI} + \text{Remuneration of FTRs} + \text{Return} \\ & + \text{Compensation for emergency situation} \\ & + \text{Compensation for curtailment for force majeure}) \end{aligned}$$

Baltic CCR Regional Specific Annex to HAR

- Elering and Fingrid are proposing a monthly cap on compensations to be applied to the FI-EE bidding zone border
- The consultation document can be found here:
https://consultations.entsoe.eu/markets/baltic-tsos-proposal-for-regional-specific-annex-t/consult_view/
- The cap prevents the total cashflow from the LTTRs from being negative to ensure fair treatment of the grid users (i.e. they are protected from having to cover losses from TSO's financial trading)



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Thank you! Questions?

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TSOs next steps on FI-EE LTTRs implementation

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Airi Noor



Latest developments

- Public consultations of Baltic CCR's Regional Design and Regional HAR Annex started on 13th of April and will end on 13th of May 2022
- EU wide FCA NC methodologies for implementation in Finland (art 49, 57 and 51 methodologies) have been sent by ENTSO-E to ACER for approval on 19th of April 2022 (ACER has up to 6 months to issue a decision)
- In April Fingrid started the dialog with SAP/JAO on joining the SAP Agreement
- Elering and Fingrid have drafted the first version for bi-lateral agreement on FI-EE LTTRs capacity splitting methodology
- Next public webinar is on 10th of June 2022 and will focus on FI-EE FTRs capacity and on practical guidance from JAO on becoming a participant on JAO platform

FI-EE LTTRs implementation - tasks and milestones	Standard scenario (6 months for NRAs approval)	Fast scenario (3 months for NRAs approval)
1. Regional design of long-term transmission rights in line with FCA Article 31		
Baltic CCR decision for public consultation	8 th April 2022	8 th April 2022
Public consultation (one month)	Mid-April - mid-May 2022	Mid-April - mid-May 2022
Baltic CCR decision and submission to NRAs	Mid-June 2022	Mid-June 2022
NRA decision (up to 6 months)	Mid-December 2022	End of August 2022
Implementation (for 2023 yearly LTTRs should be before SAP 2023 auction calendar)	December 2022	September 2022
2. HAR regional annex in line with FCA Article 52(3)		
Baltic CCR decision for public consultation	8 th April 2022	8 th April 2022
Public consultation (one month)	Mid-April - mid May 2022	Mid-April - mid May 2022
Baltic CCR decision and submission to NRAs	Mid-June 2022	Mid-June 2022
NRA decision (up to 6 months)	Mid-December 2022	End of August 2022
Implementation	December 2022	September 2022
3. Elering-Fingrid agreement on LTTRs - setting the details of FTR incl amount of capacity, splitting and risk management		
Discussions on the details	January - May 2022	January - May 2022
Draft agreement	May 2022	May 2022
Open discussion with market participants on LTTRs capacity split	June 2022	June 2022
Discussions with NRAs	Mid-June 2022	Mid-June 2022
Signed agreement (input for SAP/JAO)	December 2022	September 2022

FI-EE LTTRs implementation - tasks and milestones	Standard scenario (6 months for NRAs approval)	Fast scenario (3 months for NRAs approval)
4. EU wide FCA NC methodologies implementation in Finland (art 49, 57 and 51 Methodologies)		
Preparation of TSOs proposal in relevant ENTSO-E working group	April 2022	April 2022
ENTSO-E approval for ACER submission	May 2022	May 2022
Submission to ACER	May 2022	May 2022
Approved by ACER (up to 6 months)	End of November 2022	End of August 2022
5. Fingrid joining the SAP agreement/ connectivity with JAO		
Fingrid will sign SAP Confidentiality Declaration	April 2022	April 2022
Fingrid signs the Adherence Form (only after having a fix go-live date)	June 2022	June 2022
SAP SC decision on Fingrid (max 3 months)	September 2022	September 2022
Fingrid system development for data exchange with JAO	Jun- Sep 2022	Jun- Sep 2022
Fingrid system testing with JAO	TBD	TBD
Elering system testing with JAO (for new LTTRs)	TBD	TBD
Auction calendar input to JAO on FI-EE border LTTRs auctions	December 2022	September 2022
6. Stakeholders' involvement		
1 st workshop to introduce the LTTRs overall principles and Estonian experience	24 th of March 2022	24 th of March 2022
2 nd workshop to introduce the proposed Baltic Regional Design and Baltic Specific Annex	April/May 2022	April/May 2022
3 rd workshop open discussion on LTTRs capacity split	10 th of June 2022	10 th of June 2022
4 th workshop to introduce the JAO platform	November/December 2022	August/September 2022

Questions?



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Thank you!

Next webinar on June 10th 2022

TSOs proposal on FTRs capacity
JAO introduction on membership and services

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