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**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 CID-FCA methodology Proposal takes into account the congestion income distribution methodology in accordance with Article 73 of the CACM Regulation (hereafter referred to as the “CID-CACM”). The CID-FCA methodology Proposal follows the principles set out in the CID-CACM for sharing of congestion income on a bidding zone border by applying the same sharing keys.
- (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 on either the flow-based approach (“FB approach”) or the coordinated net transmission capacity approach (“coordinated NTC approach”). The present CID-FCA methodology Proposal addresses congestion income distribution under a NTC and coordinated NTC approach as the flow-based approach is currently not applied for long-term capacity calculation by the capacity calculation regions (“CCR”). When a FB approach would be applied for long-term capacity calculation by a CCR, or if the implementation of a CCM based on the CNTC approach requires this, this CID-FCA methodology shall be amended and submitted on time for regulatory approval according to Article 4(12) of the FCA Regulation.
- (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 long-term transmission rights (hereafter referred to as “LTTRs”) and the cost to ensure firmness of LTTRs are outside the scope of this CID-FCA methodology. Cases where the remuneration of LTTRs exceeds the congestion income pursuant to Article 73 of the CACM Regulation shall be dealt with through the methodology laid down in Article 61 of the FCA Regulation rather than through the present CID-FCA methodology 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 method according to Article 49(1) of the FCA Regulation, 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. 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.
2. In accordance with the applicable HAR, the Single Allocation Platform (SAP), when determining the results of an auction, shall calculate the long-term congestion income generated by the accepted bids. The SAP shall collect the due amount (volume of accepted bids times the marginal price considering reduction periods, taxes and levies) from the Registered Participants and distribute the long-term congestion income, calculated according to Article 3(1), to TSOs pursuant to this methodology.
3. The final long-term congestion income attributed to each Bidding Zone border shall consist of long-term congestion income calculated pursuant to paragraph 1 reduced by the remunerations to be paid to the long-term transmission rights holders 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. 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.
2. In cases where the ownership shares or the shares of investments costs of TSOs on both sides of specific interconnectors on the concerned bidding zone border are different from a 50%-50% split, the concerned TSOs may also use a sharing key due to the different ownership shares, different shares of investments costs, exemption decisions<sup>1</sup> or decisions on cross-border cost allocation<sup>2</sup> by competent NRAs or the Agency. The sharing keys for these specific cases shall be published in a common document by ENTSO-E on its web page for information purposes only. This document

<sup>1</sup> Exemption decision granted to these entities by relevant competent Authorities in accordance with article 17 of Regulation (EC) 714/2009.

<sup>2</sup> Decisions on cross-border cost allocation granted to these entities by relevant competent Authorities or the Agency in accordance with article 12(4) or 12(6) of Regulation (EC) 347/2013.

shall list all these specific cases with the name of the interconnector, the bidding zone border, the involved TSOs/Parties, the specific sharing key applied and the motivation / reasons for the deviation from the 50%-50% sharing key. The document shall be updated and published promptly as soon as any changes occur. Each publication shall be announced in an ENTSO-E's newsletter and at the website of the Single Allocation Platform.

3. For bidding zone borders consisting of several interconnectors where the capacity is auctioned separately for interconnectors, the long-term congestion income associated with each interconnector is directly allocated to the TSO(s) of that interconnector based on relevant auctions.
4. In case the bidding zone border consists of several interconnectors with different sharing keys or which are owned by different TSOs and where the capacity is auctioned jointly, 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 interconnector's contribution to capacity allocation is determined according to the agreement between all relevant TSOs on the bidding zone border based on the technical evaluation of the capacity contribution of each interconnector to the capacity allocation or the availability of each interconnector. The principles of the technical evaluation for these specific cases shall be published in a common document by ENTSO-E on its web page for information purposes only. The document shall be updated and published promptly as soon as any changes occur. Each publication shall be announced in an ENTSO-E's newsletter and at the website of the Single Allocation Platform.
5. In case specific interconnectors are owned by entities other than TSOs or entities other than TSOs have a share in the investment costs of an interconnector, the reference to TSOs in this article shall be understood as referring to those entities. Where applicable, the sharing keys are calculated according to the exemption decision granted to these entities by relevant competent Authorities in accordance with article 17 of Regulation (EC) 714/2009.

## **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**

### **Amendment of the Congestion Income methodology**

Any change of existing rules or methodologies related to and affecting the CID-FCA methodology – in particular the implementation of the flow based approach for long-term capacity calculation in one of the capacity calculation regions – shall lead to an amendment of the present CID-FCA methodology in accordance with Article 4(9) of FCA Regulation in due time. The implementation of a CNTC approach in a CCR may lead to an amendment of the present CID-FCA methodology in accordance with Article 4(9) of FCA Regulation in due time.

## **Article 7**

### **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.