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Proposal regarding capacity allocation and other necessary arrangements by Tennet TSO GmbH and Svenska kraftnät for Baltic Cable AB in accordance with articles 45 and 57 of Regulation (EU) 2015/1222

Amended proposal

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1. Introduction

This document contains a proposal from Svenska kraftnät ("Svk") and TenneT TSO GmbH ("TTG") as meant in articles 45 and 57 of Commission Regulation (EU) 2015/1222 of 24 July 2015 ("CACM Regulation")¹ to be subject to individual approval by each regulatory authority or other competent authority of the Member States concerned.

A proposal for cross-zonal capacity allocation and other necessary arrangements is to be developed by the TSOs in bidding zones where an interconnector which is not operated by a TSO certified in accordance with Article 3 of Regulation (EC) No 714/2009 exists. These articles are understood to apply to Baltic Cable AB as an interconnector which is not operated by a certified TSO.

The Baltic Cable is a subsea DC-interconnector which is connected to the Swedish national grid (SE4 bidding zone) which is operated by Svk and to the German national grid which is operated by TTG. The company is fully owned by Statkraft Energi AS. Statkraft Markets GmbH acts as service provider for Baltic Cable and takes care of the balancing responsibilities on both sides of the cable using the balancing group of Statkraft Energi AS at the Swedish side. TTG acts as service provider for Baltic Cable and takes care of operational control of the cable on the German side and EON Elnät Sverige AB acts as service provider for Baltic Cable and takes care of operational control of the cable on the Swedish side.

Articles 45 (2) and 57 (2) of the CACM Regulation set the deadline for submitting a proposal for cross-zonal capacity allocation to the relevant national regulatory authorities at four months after entry into force of the Regulation on 14 December 2015.

This proposal has been set up in cooperation with Baltic Cable. On 13 November 2015 Svk and TTG sent a letter to Baltic Cable requesting to provide information in order to be able to comply with articles 45 and 57 of CACM since Svk and TTG are directly connected to Baltic Cable. 50 Hertz Transmission GmbH, Amprion GmbH, TransnetBW GmbH and APG AG were informed by TTG on 20 November 2015 on this process as TSOs of the respective bidding zone.

On 24 November 2015 information was sent by Statkraft Markets B.V. on behalf of Baltic Cable to Svk and TTG via email. Subsequently a telephone conference was held on 2 December to discuss the content of the proposal. TSOs of TTG's bidding zone were informed about the further steps again the same day. The proposal was aligned between Svk, TTG and Baltic Cable on 10 December 2015 and sent to the respective national regulatory authorities ("NRAs") on 11 December 2015.

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¹ Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management, OJ 25-7-2015 L 197/24.

On 1 April 2016, SvK and TTG received a letter from the two NRAs with a request to amend the proposed arrangements. A draft amended proposal was sent to the NRAs and to Baltic Cable for commenting on 12 May and on 20 May 2016. A telephone conference was held on 13 May 2016 to discuss the amended proposal with the NRAs and Baltic Cable.

2. Legal context

Article 45 (1) of CACM has the following content:

*“TSOs in bidding zones [...] where **interconnectors which are not operated by TSOs certified** according to Article 3 of Regulation (EC) No 714/2009 exist, shall develop a proposal for cross-zonal capacity allocation and other necessary arrangements for such bidding zones in cooperation with concerned TSOs [...] and operators of interconnectors who are not certified as TSOs to ensure that the relevant [...] interconnectors provide the necessary data and financial coverage”.*

Article 57 of CACM has identical content but relates to the intraday allocation.

The proposal is to cover capacity allocation and other necessary arrangements and should be aimed at ensuring that the relevant interconnector provides the necessary data and financial coverage.

Article 9 (8) of CACM states:

“The following terms and conditions or methodologies shall be subject to individual approval by each regulatory authority or other competent authority of the Member States concerned:[...]”

(d) where applicable, the proposal for cross-zonal capacity allocation and other arrangements in accordance with Articles 45 and 57.”

The proposal is therefore submitted for regulatory approval to the NRAs Energimarknadsinspektionen in Sweden and the Bundesnetzagentur in Germany.

3. Current procedures for capacity allocation on Baltic Cable

Baltic Cable allocates all the available capacity (maximum 615 MW) to the day-ahead timeframe through the so-called MRC market coupling process². The current NEMO Nord Pool (“NP”) provides that market coupling service to Baltic Cable, which also

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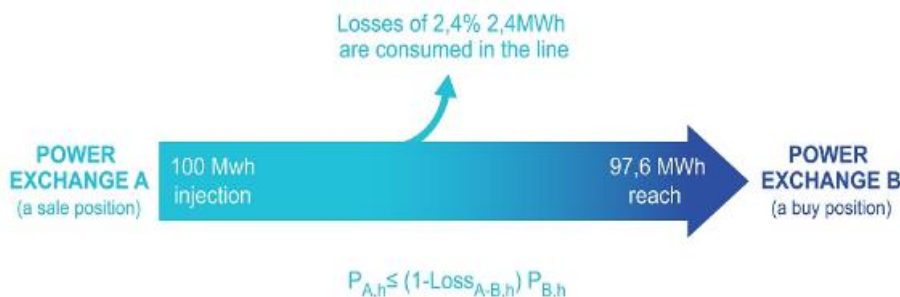
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² The contract will be sent by Baltic Cable AB for confidentiality reasons directly to the concerned regulatory authorities.

includes the settlement and shipping services. The market coupling results are published by NP. An allocation constraint (loss factor) is applied for Baltic Cable in the market coupling algorithm.

The loss factor on Baltic Cable is set to 2.4%. With applying this loss factor, the physical export volume from one country will not be the same as the import volume to the other country. This means that the price difference should at least equal 2.4% for there to be a flow on the cable. If the price difference is between 0% and 2.4%, there will not be a flow on the cable. Assuming a loss factor of 2.4% in the example, a sale position of 100 MWh at power exchange A would lead to a buy position of 97.6 MWh at power exchange B.

Figure 1 - Example on loss factor at Baltic Cable



Source: NP

In the unlikely case of a failure of the market coupling process, Statkraft Markets GmbH will nominate flows at the day-ahead stage and place related offers and bids at the two power exchanges (NP and EPEX SPOT) for the price zones DE and SE4.

Currently, Baltic Cable does not allocate capacity at the intraday timeframe. Statkraft Markets GmbH uses the capacity for several purposes. It will nominate intraday schedules e.g. to compensate imbalances caused by ramping, in case of cable outages, capacity curtailments imposed by TSOs, inaccuracies of the cable loss factor or to compensate imbalances that occur when the market coupling process calculates flows that are below the technical minimum flow level of the cable.

Baltic Cable receives the congestion revenues from the day-ahead auction from NP and pays service fees to NP. Baltic Cable has no grid users and therefore has no revenues from grid tariffs which means that all the costs (operational costs and capital costs) are carried by Baltic Cable. These operational costs also cover the allocation costs, like the fees paid to NP, but also firmness costs as Baltic Cable provides full physical firmness. This means that the transactions resulting from the market coupling process remain firm also in case of a cable outage or of capacity curtailments, and Baltic Cable carries the costs for the consequential imbalances in such events.

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3.1 Communication between Svk, TTG and Baltic Cable

Communication between Svk, TTG and Baltic Cable in the pre-coupling process is covered by separate arrangements. Svk is informed by TTG of the hourly capacity values for the reference point Arrie (connection point of Baltic to the Swedish national grid).

Svk sends the NTC to NOIS (Nordic Operational and Information System) and by email to Statkraft, TTG and Baltic Cable. NOIS sends the NTC to NP after which NP sends the NTC (sending end) and other network constraints (including system ramping constraints and loss factor) to PMB (Price matcher broker). NP places the order for Baltic Cable at NP for Area SE4 and at EPEX SPOT for TTG's side. Results of the market coupling for Baltic Cable are sent by NP to Svk, TTG and Baltic Cable. Finally the nominations received in the scheduling systems inform Svk and TTG about the coordinated transfer of energy.

In regards to intraday, Statkraft reports intraday trade as bilateral trade between Statkraft in SE4 and Statkraft in Germany to Svk and TTG.

4. Capacity allocation for the day-ahead timeframe

The current arrangements for capacity allocation in the day-ahead timeframe are proposed to be continued. In line with the All TSOs' Proposal for Capacity Calculation Regions (CCRs) in accordance with Article 15 (1) of the CACM Regulation, Baltic Cable will be included in a Capacity Calculation Region once the legal entity operating Baltic Cable becomes a certified TSO. Once in effect, capacity calculation and allocation for both the day-ahead and intraday timeframe will be amended on a regional level to accommodate CCR methodologies as required by the CACM Regulation. These proposals shall include Baltic Cable and shall be submitted for approval to the relevant NRAs on CCR level.

All described arrangements allow additional TSOs and NEMOs to join these arrangements.

5. Capacity allocation for the intraday timeframe

Baltic Cable is willing and committed to implement cross-zonal intraday capacity allocation. To do so, Baltic Cable is committed to introduce the single European solution for intraday market coupling (XBID solution). Svk and TTG will, in cooperation with Baltic Cable, implement the necessary arrangements for the intraday timeframe.

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Svk and TTG propose that the XBID solution, which is the pilot project for single intraday coupling as required by the CACM Regulation, is implemented on Baltic Cable via an intermediary (most likely a Power Exchange), as it was done in the NWE Day-Ahead Market coupling project for Baltic Cable. The intermediary would act as a filter between Baltic Cable and the XBID project that gives Baltic Cable the necessary information which is relevant for the implementation. This is needed since Baltic Cable has not been certified as a TSO. A prerequisite is that Baltic Cable finds a party who is a member of the XBID project and who is willing to act as an intermediary.

6. Financial coverage for the arrangements

Baltic Cable will provide financial coverage in accordance with Article 45 and 57 of the CACM Regulation.

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