Methodology on the application of the Nordic CCR market-based allocation process of cross-zonal capacity for the exchange of manual Frequency Restoration Reserve capacity for the bidding zones of Denmark, Finland and Sweden

in accordance with Article 38(1) of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

March 2024

Contents

Whereas

(1) This document provides for the application of a market-based allocation process in accordance with Article 38(1) of Commission Regulation (EU) 2017/2195 of 23 November establishing a guideline on electricity balancing (hereafter referred to as the "EB Regulation") for the geographic area covering the bidding zones of Denmark, Finland and Sweden within the Nordic CCR as specified in accordance with Article 15 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity calculation and congestion management (hereafter referred to as the "CACM Regulation"). This methodology is hereinafter referred to as the "Market-based Application methodology" and applied for the exchange of manual Frequency Restoration Reserve (hereafter referred to as the "mFRR")

(2) The Transmission System Operators of Denmark, Finland and Sweden (hereafter referred to as the "TSOs") are considered the TSOs of the Nordic CCR applying a market-based allocation process pursuant to Article 38(1) of the EB Regulation.

(3) The Market-based Application methodology takes into account the general principles and goals set out in the EB Regulation as well as the Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as the "SO Regulation"), the CACM Regulation, and Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (hereafter referred to as the "Electricity Regulation").

(4) The Market-based Application methodology contributes to achieve the objectives of Article 3 of the EB Regulation. In particular, the Market-based Application methodology serves the following objectives:

   (a) The Market-based Application methodology fosters effective competition, non-discrimination and transparency in balancing markets (Article 3(1)(a) of the EB Regulation) by applying a process for allocation of cross-zonal capacity, which allows the formation of a regional market for the procurement and exchange of mFRR balancing capacity. The Market-based Application methodology, together with the methodology for market-based cross-zonal allocation pursuant to Article 41 of the EB Regulation and the common rules and processes pursuant to Article 33 of the EB Regulation creates a common market for the procurement and exchange of mFRR capacity.

   (b) The Market-based Application methodology allows the allocation of cross-zonal capacity for the exchange of balancing capacity and therefore facilitates the coupling of local balancing capacity markets. By doing so, this methodology contributes to an efficient utilisation of mFRR balancing capacity resources across bidding zone borders in order to secure the volume of mFRR balancing capacity needed to maintain operational security. The application of the market-based cross-zonal capacity allocation process allows to allocate cross-zonal capacity for mFRR balancing capacity procurement in the Danish, Finnish and Swedish bidding zones. Hence, this methodology enhances the efficiency of balancing as well as the efficiency of European and national balancing markets (Article 3(1)(b) of the EB Regulation) and contributes to the objective of integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security (Article 3(1)(c) of the EB Regulation).

   (c) The Market-based Application methodology allows the allocation of cross-zonal capacity for the exchange of mFRR balancing capacity. By allowing the exchange of mFRR capacity, leading to a more efficient mFRR balancing capacity market and price formation, it also contributes to

efficient investment signals in new capability for providing balancing capacity. Therefore, the Market-based Application methodology contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of the day-ahead, intraday and balancing markets (Article 3(1)(d)) of the EB Regulation).

(d) The Market-based Application methodology ensures that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity (Article 3(1)(e) of the EB Regulation) since it aims to apply a process which will foster liquidity for the procurement of mFRR balancing capacity in coupled mFRR balancing capacity markets while taking into account the impacts on the day-ahead market. The allocation of cross-zonal capacities by the market-based capacity allocation process provides a transparent input for the procurement of mFRR balancing capacity in an objective way and is based on market inputs from the balancing capacity and energy markets.

(e) The Market-based Application methodology facilitates the participation of demand response including aggregation facilities and energy storage while ensuring that they compete with other balancing services on a level playing field and, where necessary, act independently when serving a single demand facility (Article 3(1)(f) of the EB Balancing) by contributing to the establishment of a common market place for mFRR balancing capacity in which the requirements for mFRR balancing capacity products are designed such that they can also be fulfilled by demand response, aggregation facilities and energy storage.

(f) The Market-based Application methodology facilitates and does not hamper the participation of renewable energy sources in the mFRR balancing capacity market to which this methodology is applied and thus supports the achievement of the European Union target for the penetration of renewable generation (Article 3(1)(g) of the EB Regulation).

TITLE 1
General provisions

Article 1
Subject matter and scope

1. This document establishes the methodology for the application of the market–based cross-zonal allocation process in accordance with Article 38(1)(b) of the EB Regulation for the exchange of mFRR balancing capacity pursuant to Article 33 of the EB Regulation.
2. The Market-based Application methodology applies to the Danish, Finnish and Swedish TSOs - Energinet, Fingrid and Svenska kraftnät - applying a market-based allocation process pursuant to Article 38(1) of the EB Regulation and covers the bidding zones of Denmark, Finland and Sweden as defined in accordance with Article 15 of the CACM Regulation.
3. The Market-based Application methodology covers the bidding zones borders, the market time frame, the duration of application and the methodology to be applied.

Article 2
Definitions and interpretation

1. For the purposes of the Market-based Application methodology, terms used in this document shall have the meaning of the definitions included in Article 2 of the EB Regulation, Article 3 of the Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation and Article 2 of the CACM Regulation, the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity, Commission Regulation (EU) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council (hereafter referred to as the "Transparency Regulation") and Directive (EU) 2019/944.
2. In the Market-based Application methodology, unless the context requires otherwise:
   (a) the singular indicates the plural and vice versa;
   (b) the table of contents and headings are inserted for convenience only and do not affect the interpretation of this methodology;
   (c) any reference to cross-zonal capacities shall include also the reference to allocation constraints as applied in the respective capacity calculation methodology pursuant to Article 20 of the CACM Regulation or Article 10 of the FCA Regulation;
   (d) any reference to legislation, regulations, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it then in force; and
   (e) any reference to an Article without an indication of the document shall mean a reference to this methodology.

TITLE 2
The Market-based Application methodology

Article 3
Market timeframe for application of the allocation process

1. The market timeframe for application of this methodology shall be the balancing capacity timeframe between 07:00 CET (D-1) and 10:00 CET (D-1) and is applicable for the geographic area and standard balancing capacity products in accordance with the methodology pursuant to Article 33(1) of the EB Regulation.

2. The TSOs shall apply the methodology for market-based cross-zonal capacity allocation pursuant to Article 41(1) of the EB Regulation to the exchange of mFRR balancing capacity within the defined balancing capacity timeframe.

Article 4
Application of the methodology for allocating cross-zonal capacity to the exchange of mFRR balancing capacity

1. The TSOs shall allocate cross-zonal capacity to the exchange of mFRR balancing capacity in accordance with the methodology for market-based cross-zonal capacity allocation pursuant to Article 41(1) of the EB Regulation on the following bidding zone borders of the Nordic CCR : DK1-DK2, DK2-SE4, DK1-SE4, SE3-SE4, SE3-SE2, SE2-SE1, SE1-FI and SE3-FI.

2. For each bidding zone border pursuant to paragraph 1, the maximum volume of cross-zonal capacity allocated to the exchange of mFRR balancing capacity in accordance with the methodology pursuant to Article 41(1) of the EB Regulation shall be calculated in accordance with the capacity calculation methodology developed pursuant to Article 20(2) of the CACM Regulation.

3. From the maximum volume of cross-zonal capacity allocated to the exchange of balancing capacity aFRR balancing capacity will by default be procured and exchanged firstly. mFRR balancing capacity will be procured and exchanged secondly with the possibility to only utilize cross-zonal capacity that has not already been allocated to the exchange of aFRR balancing capacity in accordance with article 5(1)(a) of Article 41(1) of EBGL Regulation.

4. The cross-zonal capacity allocated to the exchange of mFRR balancing capacity used as output of the cross-zonal capacity allocation function pursuant to Article 41(1) of the EB Regulation shall be taken into account as previously allocated cross-zonal capacity for the day-ahead timeframe in accordance with a methodology pursuant to Article 20(2) of the CACM Regulation.

5. The TSOs shall regularly assess whether the cross-zonal capacity allocated for the exchange of mFRR balancing capacity is still needed for that purpose. When cross-zonal capacity allocated for the exchange of mFRR balancing capacity is no longer needed, such cross-zonal capacity shall no longer be included as previously allocated cross-zonal capacity in the calculation of cross-zonal capacity.

TITLE 3
Final provisions

Article 5
Publication and implementation of the Market-based Application methodology

1. The TSOs shall publish the Market-based Application methodology without undue delay after a decision has been made by the relevant regulatory authorities in accordance with Article 5 or 6 of the EB Regulation.

2. The TSOs shall implement this methodology no later than 12 months after a decision has been made by the relevant regulatory authorities in accordance with Article 5 or 6 of the EB Regulation but only when the cross zonal capacity on all bidding zone borders of the Nordic CCR is calculated in accordance with the capacity calculation methodologies developed pursuant to the CACM Regulation.

3. The methodology defined pursuant to Article 4 shall be applied until an amendment to this methodology is approved. From the moment when the co-optimised cross-zonal capacity allocation process in accordance with Article 40 of the EB Regulation is implemented, TSOs shall consider an amendment of this methodology and consider changing to the co-optimised cross-zonal capacity allocation process for the exchange of balancing capacity.

Article 6
Language

The reference language for the Market-based Application methodology shall be English. For the avoidance of doubt, where TSOs need to translate the Market-based Application methodology into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 7 of the EB Regulation and any version in another language, the relevant TSOs shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of the Market-based Application methodology.