

**APPROVAL BY ALL REGULATORY AUTHORITIES
AGREED AT THE ENERGY REGULATORS' FORUM**

OF

**ALL TSO PROPOSAL FOR
THE SINGLE ALLOCATION PLATFORM
METHODOLOGY AND SAP COST SHARING
METHODOLOGY**

18 September 2017

I. Introduction and legal context

This document elaborates an agreement of All Regulatory Authorities, made at the Energy Regulators' Forum on 18 September 2017, on the All TSO Proposal for the Single Allocation Platform (SAP) and the SAP cost sharing methodologies submitted in accordance with Article 49 and 59 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation (Regulation 2016/1719).

This agreement of All Regulatory Authorities shall provide evidence that a decision on the SAP and SAP cost sharing methodologies does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of the Regulation 2016/1719. It is intended to constitute the basis on which All Regulatory Authorities will each subsequently make national decisions pursuant to Article 4(9) Regulation 2016/1719 to approve the SAP methodology and the SAP cost sharing methodology, submitted by TSOs in line with Article 49 and 59 Regulation 2016/1719.

The legal provisions relevant to the submission and approval of the SAP and SAP cost sharing methodologies, and this All Regulatory Authority agreement on the SAP and SAP cost sharing methodologies, can be found in Articles 3, 4, 48, 49, 50 and 59 of Regulation 2016/1719. They are set out here for reference.

Article 3 of Regulation 2016/1719:

This Regulation aims at:

- (a) promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants;*
- (b) optimising the calculation and allocation of long-term cross-zonal capacity;*
- (c) providing non-discriminatory access to long-term cross-zonal capacity;*
- (d) ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants;*
- (e) respecting the need for a fair and orderly forward capacity allocation and orderly price formation;*
- (f) ensuring and enhancing the transparency and reliability of information on forward capacity allocation;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.*

Article 4 of Regulation 2016/1719:

- 1. TSOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of these terms and conditions or methodologies.*
- 2. (...)*
- 3. (...)*

4. (...)
5. *Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7.*
6. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*
 - (a) (...)
 - (b) (...)
 - (c) *The requirements for the single allocation platform pursuant to Article 49*
 - (d) (...)
 - (e) (...)
 - (f) *The methodology for sharing costs of establishing, developing and operating the single allocation platform pursuant to Article 59*
 - (g) (...)
7. (...)
8. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*
9. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6 and 7 within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
10. (...)
11. (...)
12. (...)
13. *TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 7.*

- With regard to the SAP methodology:

Article 48 of Regulation 2016/1719:

1. *All TSOs shall ensure that the single allocation platform is operational and complies with the functional requirements specified in Article 49 within 12 months after the approval of the proposal for a common set of requirements and for the establishment of the single allocation platform. The competent regulatory authorities may extend this period upon request from the relevant TSOs due to delays relating to public procurement procedures by a period of no more than 6 months.*

2. *Forward capacity allocations on Direct Current interconnectors shall take place on the single allocation platform no later than 24 months after the approval as referred to in paragraph 1.*

Article 49 of Regulation 2016/1719:

1. *Within six months after the entry into force of this Regulation, all TSOs shall submit to all regulatory authorities a common proposal for a set of requirements and for the establishment of the single allocation platform. The proposal shall identify different options for the establishment and governance of the single allocation platform, including the development by TSOs or by third parties on their behalf. The proposal by TSOs shall cover the general tasks of the single allocation platform provided for in Article 50 and the requirements for cost recovery in accordance with Article 59.*
2. *The functional requirements for the single allocation platform shall at least include:*
 - (a) *the expected bidding zone borders to be covered;*
 - (b) *the technical availability and reliability of provided services;*
 - (c) *the operational processes;*
 - (d) *the products to be offered;*
 - (e) *the forward capacity allocation time frames;*
 - (f) *the allocation methods and algorithms;*
 - (g) *the principles of financial settlement and risk management of allocated products;*
 - (h) *a harmonised contractual framework with market participants;*
 - (i) *the data interfaces.*

Article 50 of Regulation 2016/1719:

The relevant TSOs shall use the single allocation platform, at least, for the following purposes:

- (a) *the registration of market participants;*
- (b) *providing a single point of contact to market participants;*
- (c) *the operation of auction procedures;*
- (d) *the financial settlement of allocated long-term transmission rights with market participants, including management of collaterals;*
- (e) *the cooperation with a clearing house, if required by the common rules for the implementation of FTRs — obligations pursuant to Article 34;*
- (f) *the organisation of a fallback procedure pursuant to Article 42 and 46;*
- (g) *enabling the return of long-term transmission rights pursuant to Article 43;*
- (h) *facilitating the transfer of long-term transmission rights pursuant to Article 44;*
- (i) *the publication of market information pursuant to Article 47;*
- (j) *providing and operating interfaces for data exchange with market participants.*

- *With regard to the SAP cost sharing methodology*

Article 59 of Regulation 2016/1719:

All TSOs issuing long-term transmission rights on the single allocation platform shall jointly bear the costs related to the establishment and operation of the single allocation platform. Within six months of entry into force of this regulation, all TSOs shall propose a methodology for sharing these costs, which shall be reasonable, efficient and proportionate, for example on the basis of principles similar to those provided under Article 80 of Regulation (EU) No 2015/1222.

II. The All TSO proposals

The All TSO proposals for the SAP methodology and SAP cost sharing methodology, dated 7 April, were received by the last Regulatory Authority on 15 June 2017 together with a separate explanatory document. Both of these documents are publicly available on the ENTSO-E website.¹ The proposal includes timescales for its implementation and a description of options for the establishment and governance of the SAP in line with Article 49 of Regulation 2016/1719. It also includes a description of how the costs of establishing, developing and operating the SAP will be shared in line with Article 59 Regulation 2016/1719. All Regulatory Authorities assume that the references to cost sharing among "All TSOs" in the proposed methodology actually refers to "All TSOs issuing long-term transmission rights on the single allocation platform" in line with art 59 of Regulation 2016/1719.

Article 4(9) Regulation 2016/1719 requires All Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach agreement, and make decisions within six months following receipt of submissions of the last Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by 15 December 2017.

The main elements of the SAP methodology and the SAP cost sharing methodology are summarised in the following bullets:

- The SAP methodology sets out the functional requirements necessary for market participants to join the SAP and explains the operational processes by which the SAP will function.
- The company named Joint Allocation Platform (JAO) shall operate the SAP. JAO is a joint service company owned and operated by TSOs. The SAP shall be governed by a SAP Council, constituted of all TSOs providing long-term transmission rights and the SAP Operator (JAO). The role of the SAP Council shall include deciding upon operational procedures and fulfilment of SAP tasks.
- The establishment of the SAP, and its governance by the SAP Council, shall comply with the provisions of the SAP Cooperation Agreement (CA). This CA must be developed in line with principles set out in the SAP proposal and will be signed by all relevant TSOs and by the SAP Operator.
- The SAP costs will be shared between the relevant TSOs, using different combinations of two cost-sharing keys: i) the "per allocation border" cost sharing key and ii) the "per TSO" cost-sharing key. These keys will be applied to the different SAP tasks, including direct task costs and a share of associated 'indirect' common costs. A SAP Fee Structure will be agreed by the SAP Council, setting out the combination of sharing keys for each SAP task and process for making any adjustments. A Fee Application Report will be provided to the SAP Council every year, including individual TSO fees. The approach to cost sharing by TSO and by border seeks to ensure a fair distribution of costs where TSOs with more borders are required to pay a proportionately higher share of the common costs.

¹ The SAP and cost sharing methodology as well as the explanatory document are publically available on the ENTSOe website: <https://www.entsoe.eu/major-projects/network-code-implementation/fca/Pages/default.aspx>

- The SAP must be operational and comply with the functional requirements within twelve months of the SAP methodology approval. DC interconnectors must be operational and comply within an additional 12 months.

III. All Regulatory Authority position

Based on the proposals and on the additional clarifications provided by TSOs, all Regulatory Authorities have reached the agreement that the proposed methodologies are fulfilling their objectives and complying with the functional and governance requirements of Regulation 2016/1719.

In particular, the Authorities gained clarification that:

- direct and indirect costs will be identified² and allocated to SAP tasks for sharing between TSOs on a time and usage basis, making sure that TSOs are only paying for JAO costs directly attributable to SAP operations, the establishment of all products, and each TSO's individual use of products.
- SAP Article 14 (audit rights of TSOs) includes the right for TSOs to challenge any assignment of such costs if deemed disproportionate

IV. Conclusions

All Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach agreement that the SAP methodology and SAP cost sharing methodology meet the requirements of the Regulation 2016/1719 and as such can be approved by All Regulatory Authorities.

All Regulatory Authorities must therefore make their decisions by 15 December 2017, on the basis of this agreement in accordance with the six months deadline as set out in the Regulation 2016/1719. Following national decisions taken by each Regulatory Authority, all TSOs will be required to publish these methodologies on the internet in line with Article 4(13) of Regulation 2016/1719, and must meet the implementation deadlines required by Article 4 of the SAP and SAP cost sharing methodology.

² A full list of these indirect costs can be found on pages 13 and 14 of the explanatory document which accompanied the SAP submission. This document can be found here:
https://www.entsoe.eu/Documents/Network%20codes%20documents/NC%20FCA/170414_Attch3_SAP_Explanatory%20Document_FINAL.pdf#search=SAP%20FCA