

Energinets Arrangements to ensure cross-zonal risk hedging opportunities in accordance with Article 30 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation

THE RELEVANT TRANSMISSION SYSTEM OPERATOR ENERGINET TAKING INTO ACCOUNT THE FOLLOWING:

Whereas

(1) Energinet's hedging arrangements developed in this document are made to ensure cross-zonal risk hedging opportunities for Danish market participants.

(2) The arrangements to ensure cross-zonal risk hedging opportunities (hereafter referred to as "Arrangements to ensure hedging opportunities") takes into account the general principles and goals set in Commission Regulation (EU) 2016/1719 establishing a guideline on forward capacity allocation (hereafter referred to as the "FCA Regulation") as well as Regulation (EC) 714/2009 on conditions for access to the network for cross-zonal exchanges in electricity (hereafter referred to as "Regulation (EC) 714/2009"). The goal of the FCA Regulation is the coordination and harmonization 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, and across bidding zone borders.

(3) Article 30 of the FCA Regulation together with the decision by the competent regulatory authorities constitutes the legal basis for the Arrangements to ensure hedging opportunities:

ARTICLE 30 OF THE FCA REGULATION:

"[...]

1. TSOs on a bidding zone border shall issue long-term transmission rights unless the competent regulatory authorities of the bidding zone border have adopted coordinated decisions not to issue long-term transmission rights on the bidding zone border. When adopting their decisions, the competent regulatory authorities of the bidding zone border shall consult the regulatory authorities of the relevant capacity calculation region and take due account of their opinions.

2. Where long-term transmission rights do not exist on a bidding zone border at the entry into force of this Regulation, the competent regulatory authorities of the bidding zone border shall adopt coordinated decisions on the introduction of long-term transmission rights no later than six months after the entry into force of this Regulation.

3. The decisions pursuant to paragraphs 1 and 2 shall be based on an assessment, which shall identify whether the electricity forward market provides sufficient hedging opportunities in the concerned bidding zones. The assessment shall be carried out in a coordinated manner by the competent regulatory authorities of the bidding zone border and shall include at least:

a) a consultation with market participants about their needs for cross-zonal risk hedging opportunities on the concerned bidding zone borders;

(b) an evaluation.

5. In case the assessment referred to in paragraph 3 shows that there are insufficient hedging opportunities in one or more bidding zones, the competent regulatory authorities shall request the relevant TSOs:

*(a) to issue long-term transmission rights; or
(b) to make sure that other long-term cross-zonal hedging products are made available to support the functioning of wholesale electricity markets.*

6. In case the competent regulatory authorities choose to issue a request as referred to in paragraph 5(b), the relevant TSOs shall develop the necessary arrangements and submit them to the competent regulatory authorities' approval no later than six months after the request by the competent regulatory authorities. Those necessary arrangements shall be implemented no later than six months after approval by the competent regulatory authorities. The competent regulatory authorities may extend the implementation time upon request from the relevant TSOs by a period of no more than 6 months.

[...]"

THE DECISION BY THE COMPETENT REGULATORY AUTHORITIES (FORSYNINGSTILSYNETS AFGØRELSE OM MULIGHEDER FOR OMRÅDEOVERSKRIDENDE RISIKOAFDÆKNING I DET DANSKE ELMARKED AF 14. DECEMBER 2022):

"[...]

AFGØRELSE

Forsyningstilsynet træffer afgørelse om, at Energinet Systemansvar A/S (CVR nr. 28980671) skal sikre, at andre langsigtede afdækningsprodukter vedrørende overførselskapacitet stilles til rådighed for at understøtte engroselectricitetmarkedernes funktion.

Forsyningstilsynets afgørelse er truffet i henhold til Artikel 30, stk. 5, litra b, og artikel 30, stk. 8 i Kommissionens forordning (EU) 2016/1719 af 26. september 2016 om fastsættelse af retningslinjer for langsigtet kapacitetstildeling (FCA GL).

[...]"

(4) According to Article 4(8) of the FCA Regulation the expected impact of the Arrangements to ensure hedging opportunities on the objectives of the FCA Regulation must be described and is presented below.

(5) The Arrangements to ensure hedging opportunities generally contributes to and does not in any way hamper the achievement of the objectives of Article 3 of the FCA Regulation. In particular, the arrangements serve the objectives of promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants as the Arrangements to ensure hedging opportunities ensures that sufficient risk hedging opportunities are present.

(6) The objective of optimizing the allocation of long-term cross-zonal capacity is achieved with the Arrangements to ensure hedging opportunities, notably because the Arrangements to ensure hedging opportunities follows the requirements given in the CCR Nordics' Regional design of long-term transmission rights (Hereinafter "Regional design of LTTRs") established by all TSOs in accordance with the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(7) of the FCA Regulation.

(7) Throughout the Arrangements to ensure hedging opportunities, the TSOs ensure the provision of non-discriminatory access to long-term cross-zonal capacity by offering the long-term crosszonal capacities through the Single Allocation Platform subject to the EU HAR as requirements in accordance with the Regional design of LTTRs established by all TSOs in accordance with

the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(7) of the FCA Regulation.

(8) Furthermore, the Arrangements to ensure hedging opportunities ensures fair and nondiscriminatory treatment of all affected parties.

(9) Further, the Arrangements to ensure hedging opportunities provides for a regime which respects the need for a fair and orderly forward capacity allocation and orderly price formation as EU HAR is envisaged with a single capacity allocation algorithm based on merit order priority in the allocation as requirements in accordance with the Regional design of LTTRs established by all TSOs in accordance with the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(7) of the FCA Regulation.

(10) Regarding the objective of transparency and reliability of information on forward capacity allocation, the Arrangements to ensure hedging opportunities assures a single and centralized source of information related to forward capacity allocation through the Single Allocation Platform as requirements in accordance with the Regional design of LTTRs established by all TSOs in accordance with the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(7) of the FCA Regulation.

(11) Also the Arrangements to ensure hedging opportunities contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union, as the Arrangements to ensure hedging opportunities ensures that sufficient risk hedging opportunities are present.

(12) In conclusion, the Arrangements to ensure hedging opportunities contributes to the general objectives of the FCA Regulation to the benefit of all market participants and electricity end consumers.

SUBMIT THE FOLLOWING ARRANGEMENTS TO ENSURE CROSS-ZONAL RISK HEDGING OPPORTUNITIES TO THE DANISH UTILITY REGULATORY (DUR) AS THE NATIONAL REGULATORY AUTHORITY IN DENMARK:

Article 1- Subject matter and scope

1. Provisions described in the Arrangements to ensure hedging opportunities are in accordance with Article 30 of the FCA Regulation.

Article 2- Definitions and interpretation

1. The terms used in the Arrangements to ensure hedging opportunities shall have the meaning of the definitions included in Article 2 of the FCA Regulation, Regulation (EC) 714/2009 and Regulation (EC) 543/2013.¹
2. In the Arrangements to ensure hedging opportunities, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;

¹ 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 Text with EEA relevance.

- b) the headings are inserted for convenience only and do not affect the interpretation of the Arrangements to ensure hedging opportunities; and
- c) any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it when in force.

Article 3 – Language

1. The reference language for these Arrangements to ensure hedging opportunities shall be English.

Article 4 – General principles

1. The Arrangements to ensure hedging opportunities aims at ensuring sufficient hedging opportunities in order to promote the objectives set out in Article 3 of the FCA Regulation.
2. The Arrangements to ensure hedging opportunities ensures a harmonized and simple design in accordance with the Regional design of LTTRs established by all TSOs in accordance with the FCA Regulation Article 31 and approved by all regulatory authorities pursuant to Article 4(7) of the FCA Regulation.

Article 5 – Bidding-zones

1. The bidding-zones covered by the Arrangements to ensure hedging opportunities include DK1 and DK2.

Article 6 – Amendments

1. In case of a new decision is taken by DUR, pursuant to the relevant DURs assessment related to Article 30(8) of the FCA Regulation, the Arrangements to ensure hedging opportunities shall be amended accordingly, as set out in Article 4(12) of the FCA Regulation.

Article 7 – Product

1. The hedging product to be made available to ensure cross-zonal risk hedging opportunities on the bidding zones defined in Article 5 are;
 - a) Long-term transmission rights on Denmark 1 (DK1) – England (UK) bidding zone border
 - b) Quantities of LTTR's that corresponds to an approximately 40% increase in total volume offered by Energinet (3,1 GW to 4,3 GW)