

Fingrid Oyj and Kraftnät Åland Ab's proposal for
arrangements in accordance with Article 30(6) of
Commission Regulation (EU) 2016/1719 establishing a
guideline on forward capacity allocation

22.12.2023

Fingrid Oyj and Kraftnät Åland Ab, taking into account the following:

- (1) This document describes the arrangements (hereinafter referred to as “Arrangement”) proposed by the Finnish transmission system operators Fingrid Oyj and Kraftnät Åland Ab (hereinafter referred to as the “TSOs”) in accordance Article 30(6) of Commission Regulation (EU) 2016/1719 (hereinafter referred to as the “FCA Regulation”).
- (2) Article 9(1) of Regulation (EU) 2019/943 on the internal market for electricity requires transmission system operators to issue long-term transmission rights or to have equivalent measures in place to allow market participants to hedge price risks across bidding zones borders, unless an assessment of forward market on bidding zone borders performed by the competent regulatory authorities shows that there are sufficient hedging opportunities available in the concerned bidding zones.
- (3) Regulatory authorities have demonstrated in an assessment under Article 30(3) of the FCA Regulation in year 2021 that there are not enough hedging opportunities in the Finnish bidding zone. The Finnish and Swedish regulatory authorities were unable to agree on a request under Article 30(5) of the FCA Regulation to the transmission system operators concerned and referred the matter to the European Agency for the Cooperation of Energy Regulators (hereinafter referred to as “ACER”).
- (4) On 14 September 2022, ACER adopted a decision (later “ACER Decision No 12/2022”) in which ACER requested transmission system operators to make sure that other long-term cross-zonal hedging instruments were made available to support the functioning of the wholesale electricity market in accordance with Article 30(5b) of the FCA Regulation. The decision requires transmission system operators to develop the necessary arrangements for the FI-SE1 and FI-SE3 bidding zone borders and submit the arrangements to the competent regulatory authorities for approval within six months of the decision. The aim of the decision was to correct the asymmetry between production and consumption and to increase the available long-term hedging products in the Finnish bidding zone. Partly these objectives, such as the correction of the asymmetry between generation and consumption and new market-based long-term hedging products, are being realised without the intervention of the transmission system operator.
- (5) The Energy Authority has granted Fingrid additional time to submit the proposal first until 14 October 2023 (in March 2023) and again (in October 2023) within two months of the decision of ACER's Board of Appeal. The decision of ACER's Board of Appeal was issued on 24 October 2023, so Fingrid must submit a proposal for the arrangements within two months of the decision to the Energy Authority.
- (6) ACER's decision requires transmission system operators to have measures in place to allow market participants to hedge price risks across bidding zones. The proposed Arrangement meets the requirements of Article 9(1) of Regulation (EU) 2019/943 on the internal market for electricity. The Arrangement also promotes and does not in any way hamper the achievement of the objectives of Article 3 of the FCA Regulation. In particular, the Arrangement contributes to the achievement of the objectives set out below under Article 3 of the FCA Regulation.

Unofficial translation

- (7) The Arrangement promotes effective long-term cross-zonal trade between bidding zones (Article 3(a) of the FCA Regulation), as it reduces the price difference on FI-SE1 and FI-SE3 bidding zone borders in the day-ahead market. The reduction in the price difference may improve the price hedging opportunities for market participants in Finland, as it may increase market participants' opportunities to use the market based hedging products of the Swedish bidding zones without the TSOs' intervention in the market.
- (8) The Arrangement optimises the calculation and allocation of long-term cross-zonal capacity (Article 3(b) of the FCA Regulation), as the long-term capacity calculation is based on the flow-based (hereinafter referred to as "FB") calculation method approved by ACER, which leads to an increase in economic efficiency in the Nordic capacity calculation region (later referred to as 'Nordic CCR') at the same level of operational security. The FB calculation method is also used to calculate the transmission capacity to be provided to the day-ahead market. The regulatory authorities of Nordic CCR have approved the FB calculation method in accordance with Article 20 of the CACM Regulation. ACER has approved the FB calculation method for Nordic CCR in accordance with Article 10 of the FCA Regulation
- (9) The Arrangement ensures fair and non-discriminatory treatment of transmission system operators, the Agency, regulatory authorities, and market participants (Article 3(d) of the FCA Regulation), as the Arrangement increases market price convergence, which benefits all parties equally, and treats the parties in a fair and non-discriminatory way. The Arrangement enables non-discriminatory entry into market for several hedging products and their use in the Finnish bidding zone.
- (10) The Arrangement respects the need to ensure orderly price formation (Article 3(e) of the FCA Regulation), as the Arrangement promotes, and in no way hampers, the orderly and market-based price formation of long-term hedging products in the Finnish bidding zone.
- (11) The Arrangement contributes to the efficient long-term operation and development of the European electricity transmission system and the electricity sector (FCA Regulation 3(g) article), as it enables the development of market-based hedging products, which, in the current market situation, is a necessary condition for the future development of the Finnish long-term hedging market. The new transmission line between the FI and SE1 bidding zones and the planned use of the Ål-Link HVDC link between the FI and SE3 bidding zones in the day-ahead market within the proposed Arrangement will increase the available cross-zonal capacity between the Finnish and Swedish bidding zones. The TSOs use the additional cross-zonal capacity provided to the day-ahead market to carry out their statutory task, ensuring available cross-zonal capacity and requiring the long-term hedging market to develop and deploy market-based products serving market participants. The proposed Arrangement safeguards best the long-term development of the transmission system through grid investments.
- (12) In conclusion, the proposed Arrangement contributes to the overall objectives of the FCA Regulation to the benefit of market participants and electricity end consumers.

SUBMIT THE FOLLOWING PROPOSAL TO THE RELEVANT REGULATORY AUTHORITIES

TITLE 1

GENERAL RULES

1 § Subject matter and scope

The Arrangement sets out the measures by which TSOs ensure that hedging products are made available to support the functioning of the wholesale electricity market in accordance with Article 30(6) of the FCA Regulation.

This Arrangement applies solely to those bidding zones in Finland and Sweden between which there is cross-zonal capacities, i.e. bidding zones Finland (later referred to as "FI"), Sweden 1 (later referred to as "SE1") and Sweden 3 (later referred to as "SE3"), as well as the borders FI-SE1 and FI-SE3 between these bidding zones.

This Arrangement shall remain in effect until regulatory authorities make a new assessment under Article 30(8) of the FCA Regulation and a decision on hedging opportunities in the Finnish bidding zone based on this assessment.

2 § Definitions

The terms used in this Arrangement shall have the same meaning as in Article 2 of Regulation (EU) 2019/943 of the European Parliament and of the Council, Article 2 of the FCA Regulation, Article 2 of Commission Regulation (EU) 2015/1222 (later referred to as the "CACM Regulation"), Article 3 of Commission Regulation (EU) 2017/1485, Article 2 of Commission Regulation (EU) 2017/2195 and Article 2 of Commission Regulation (EU) No 543/2013.

In addition, in this Arrangement, the following terms mean:

- a) "FI" means the Finnish bidding zone;
- b) "SE1" means Swedish bidding zone 1; and
- c) "SE3" means Swedish bidding zone 3.

In this Arrangement, unless the context requires otherwise:

- a) the singular indicates the plural and vice versa;
- b) headings are inserted for convenience only and do not affect the interpretations of this Arrangement; 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.

TITLE II

ARRANGEMENT

3 § Measures

Fingrid, together with the Swedish transmission system operator, is building and commissioning a third 400 kV AC line between FI-SE1.

In the coordinated capacity calculation under the CACM Regulation and the FCA Regulation, the bidding zone borders FI-SE1 and FI-SE3 belong to Nordic CCR. TSOs, together with other Nordic transmission system operators, will implement FB calculation method for the calculation of transmission capacities between bidding zone borders FI-SE1 and FI-SE3 in accordance with Article 20 of the CACM Regulation and Article 10 of the FCA Regulation to ensure efficient use of the transmission grid.

The TSOs will promote the inclusion of the transmission capacity of the Ål-Link HVDC link (a direct current link between mainland Finland and Ahvenanmaa) in the cross-zonal capacity on the bidding zone border FI-SE3 in the European single day-ahead market coupling.

Fingrid will promote the maintaining of the FI bidding zone as it stands currently e.g., by investing in the FI bidding zone's internal transmission grid by building a Järvininja transmission line between Vaala and Joroinen and a new transmission line between Petäjäsoski and Nuojuankangas. These investments reduce the risk of creating structural internal congestions and support the functioning of the long-term hedging in the FI bidding zone. The effects to the market caused by potential congestions within the FI bidding zone may be reduced by redispatching within the FI bidding zone, if affordable resources are available.

TITLE III

FINAL PROVISIONS

4 § Publication of the decision and implementation of the Arrangement

The TSOs shall publish the Arrangement without undue delay after approval of the Arrangement by the regulatory authorities.

TSOs will start the implementation of the Arrangement at bidding zone borders between Finland and Sweden in accordance with Article 30(6) of the FCA Regulation once regulators have approved the TSOs' proposal for the Arrangement. The Arrangement is deemed to have been fully implemented when the following conditions are met:

- a) FB capacity calculation method has been implemented in the Nordic CCR for day-ahead timeframe, the planned FB go-live is in October 2024; and
- b) A third 400 kV AC transmission line at the FI-SE1 bidding zone border has been commissioned, construction started and scheduled commissioning by the end of 2025;
- c) Järvininja (400+110 kV AC transmission line) between Vaala and Joroinen has been built and commissioned; construction started and scheduled for commissioning by the end of 2026; and
- d) Petäjäsoski-Nuojuankangas 400 kV AC transmission line has been commissioned, scheduled for commissioning by end of 2027.