

ANNEX

Guidelines on the management and allocation of available
transfer capacity of interconnections between national systems

General

1. Congestion management method(s) implemented by Member States shall deal with short-run congestion in a market-based, economically efficient manner whilst simultaneously providing signals or incentives for efficient network and generation investment in the right locations.
2. The TSOs, or, where appropriate, Member States, shall provide non-discriminatory and transparent standards, which describe which congestion management methods they will apply under which circumstances. These standards, together with the security standards, shall be described in publicly available documents.
3. Different treatment of the different types of cross-border transactions, whether they are physical bilateral contracts or bids into foreign organised markets, shall be kept to a minimum when designing the rules of specific methods for congestion management. The method for allocating scarce transmission capacity must be transparent. Any differences in how transactions are treated must be shown not to distort or hinder the development of competition.
4. Price signals that result from congestion management systems shall be directional.
5. TSOs shall offer to the market transmission capacity that is as 'firm' as possible. A reasonable fraction of the capacity may be offered to the market under the condition of decreased firmness, but at all times the exact conditions for transport over cross border lines shall be made known to market participants.
6. Considering the fact that the European continental network is a highly meshed network and that the use of interconnection lines has an effect on the power flows on at least two sides of a national border, national Regulators shall ensure that no congestion management procedure with significant effects on power flows in other networks, is devised unilaterally.

Position of long-term contracts

1. Priority access rights to an interconnection capacity shall not be assigned to those contracts which breach Articles 81 and 82 of the EC Treaty.
2. Existing long-term contracts shall have no pre-emption rights when they come up for renewal.

Provision of information

1. TSOs shall implement appropriate coordination and information-exchange mechanisms to guarantee security of the network.
2. TSOs shall publish all relevant data concerning the cross-border total transfer capacities. In addition to the winter and summer ATC values, estimates of transfer capacity for each day shall be published by the TSOs at several time intervals before the day of transport. At least accurate week-ahead estimates shall be made available to the market and the TSOs should also endeavour to provide month-ahead information. A description of the firmness of the data shall be included.
3. The TSOs shall publish a general scheme for calculation of the total transfer capacity and the transmission reliability margin based upon the electrical and physical realities

of the network. Such a scheme shall be subject to approval by the regulators of the Member States concerned. The safety standards and the operational and planning standards shall form an integral part of the information that TSOs shall publish in publicly available documents.

Principles governing methods for congestion management

1. Network congestion problems shall preferentially be solved with non-transaction based methods, i.e. methods that do not involve a selection between the contracts of individual market participants.
2. Cross-border coordinated redispatching or counter trading may be used jointly by the TSOs concerned. The costs that TSOs incur in counter-trading and redispatching must, however, be at an efficient level.
3. The possible merits of a combination of market splitting, or other market based mechanisms, for solving 'permanent' congestion and counter-trading for solving temporary congestion shall be immediately explored as a more enduring approach to congestion management.

Guidelines for explicit auctions

1. The auction system must be designed in such a way that all available capacity is being offered to the market. This may be done by organising a composite auction in which capacities are auctioned for differing durations and with different characteristics (e.g. with respect to the expected reliability of the available capacity in question).
2. Total interconnection capacity shall be offered in a series of auctions, which, for instance, might be held on a yearly, monthly, weekly, daily or intra-daily basis, according to the needs of the markets involved. Each of these auctions shall allocate a prescribed fraction of the available transfer capacity plus any remaining capacity that was not allocated in previous auctions.
3. The explicit auction procedures shall be prepared in close collaboration between the national regulatory authority and the TSO concerned and designed in such a way as to allow bidders to participate also in the daily sessions of any organised market (i.e. power exchange) in the countries involved.
4. The power flows in both directions over congested tie lines shall in principle be netted in order to maximise the transport capacity in the direction of the congestion. However, the procedure for netting of flows shall comply with safe operation of the power system.
5. In order to offer as much capacity to the market as possible, the financial risks related to the netting of flows, shall be attributed to those parties causing those risks to materialise.
6. Any auction procedure adopted shall be capable of sending directional price signals to market participants. Transport in a direction against the dominant power flow relieves the congestion thus resulting in additional transport capacity over the congested tie line.
7. In order not to risk creating or aggravating problems related to any dominant position of market participant(s), capping of the amount of capacity that can be bought/ possessed/used by any single market participant in an auction shall be seriously considered by the competent regulatory authorities in the design of any auction mechanisms.

8. To promote the creation of liquid electricity markets, capacity bought at an auction shall be freely tradeable until the TSO is notified that the capacity bought will be used.