

Commission Regulation (EU) 2017/2195 of 23 November 2017  
establishing a guideline on electricity balancing (Text with EEA relevance)

TITLE IV

**CROSS-ZONAL CAPACITY FOR BALANCING SERVICES**

CHAPTER 1

*Exchange of balancing energy or imbalance netting process*

*Article 36*

**Use of cross-zonal capacity**

- 1 All TSOs shall use the available cross-zonal capacity, computed according to paragraphs 2 and 3 of Article 37, for the exchange of balancing energy or for operating the imbalance netting process.
- 2 Two or more TSOs exchanging balancing capacity may use cross-zonal capacity for the exchange of balancing energy when cross-zonal capacity is:
  - a available pursuant to Article 33(6);
  - b released pursuant to paragraphs 8 and 9 of Article 38;
  - c allocated pursuant to Articles 40, 41 and 42.

*Article 37*

**Cross-zonal capacity calculation**

- 1 After the intraday-cross-zonal gate closure time, TSOs shall continuously update the availability of cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting process. Cross-zonal capacity shall be updated every time a portion of cross-zonal capacity has been used or when cross-zonal capacity has been recalculated.
- 2 Before the implementation of the capacity calculation methodology pursuant to paragraph 3, TSOs shall use the cross-zonal capacity remaining after the intraday cross-zonal gate closure time.
- 3 By five years after entry into force of this Regulation, all TSOs of a capacity calculation region shall develop a methodology for cross-zonal capacity calculation within the balancing timeframe for the exchange of balancing energy or for operating the imbalance netting process. Such methodology shall avoid market distortions and shall be consistent with the cross-zonal capacity calculation methodology applied in the intraday timeframe established under Regulation (EU) 2015/1222.

---

*Status: Point in time view as at 23/11/2017.*

*Changes to legislation: There are outstanding changes not yet made to Commission Regulation (EU) 2017/2195. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)*

---

## CHAPTER 2

### **Exchange of balancing capacity or sharing of reserves**

#### *Article 38*

#### **General requirements**

1 Two or more TSOs may at their initiative or at the request of their relevant regulatory authorities in accordance with Article 37 of Directive 2009/72/EC set up a proposal for the application of one of the following processes:

- a co-optimised allocation process pursuant to Article 40;
- b market-based allocation process pursuant to Article 41;
- c allocation process based on economic efficiency analysis pursuant to Article 42.

Cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves before the entry into force of this Regulation may continue to be used for that purpose until the expiry of the contracting period.

2 The proposal for the application of the allocation process shall include:

- a the bidding zone borders, the market timeframe, the duration of application and the methodology to be applied;
- b in case of allocation process based on economic efficiency analysis, the volume of allocated cross zonal capacity and the actual economic efficiency analysis justifying the efficiency of such allocation.

3 By five years after entry into force of this Regulation, all TSOs shall develop a proposal to harmonise the methodology for the allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves per timeframe pursuant to Article 40 and, where relevant, pursuant to Articles 41 and 42.

4 Cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves shall be used exclusively for frequency restoration reserves with manual activation, for frequency restoration reserves with automatic activation and for replacement reserves. The reliability margin calculated pursuant to Regulation (EU) 2015/1222 shall be used for operating and exchanging frequency containment reserves, except on Direct Current ('DC') interconnectors for which cross-zonal capacity for operating and exchanging frequency containment reserves may also be allocated in accordance with paragraph 1.

5 TSOs may allocate cross-zonal capacity for the exchange of balancing capacity or sharing of reserves only if cross-zonal capacity is calculated in accordance with the capacity calculation methodologies developed pursuant to Regulation (EU) 2015/1222 and (EU) 2016/1719.

6 TSOs shall include cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves as already allocated cross-zonal capacity in the calculations of cross-zonal capacity.

7 If physical transmission right holders use cross-zonal capacity for the exchange of balancing capacity, the capacity shall be considered as nominated solely for the purpose of excluding it from the application of the use-it-or-sell-it ('UIOSI') principle.

8 All TSOs exchanging balancing capacity or sharing of reserves shall regularly assess whether the cross-zonal capacity allocated for the exchange of balancing capacity or sharing

---

*Status: Point in time view as at 23/11/2017.*

*Changes to legislation: There are outstanding changes not yet made to Commission Regulation (EU) 2017/2195. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)*

---

of reserves is still needed for that purpose. Where the allocation process based on economic efficiency analysis is applied, this assessment shall be done at least every year. When cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves is no longer needed, it shall be released as soon as possible and returned in the subsequent capacity allocation timeframes. Such cross-zonal capacity shall no longer be included as already allocated cross-zonal capacity in the calculations of cross-zonal capacity.

9 When cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves has not been used for the associated exchange of balancing energy, it shall be released for the exchange of balancing energy with shorter activation times or for operating the imbalance netting process.

### *Article 39*

#### **Calculation of market value of cross-zonal capacity**

1 The market value of cross-zonal capacity for the exchange of energy and for the exchange of balancing capacity or sharing of reserves used in a co-optimised or market-based allocation process shall be based on the actual or forecasted market values of cross-zonal capacity.

2 The actual market value of cross-zonal capacity for the exchange of energy shall be calculated based on the bids of market participants in the day-ahead markets, and take into account, where relevant and possible, expected bids of market participants in the intraday markets.

3 The actual market value of cross-zonal capacity for the exchange of balancing capacity used in a co-optimised or a market-based allocation process shall be calculated based on balancing capacity bids submitted to the capacity procurement optimisation function pursuant to Article 33(3).

4 The actual market value of cross-zonal capacity for the sharing of reserves used in a co-optimised or a market-based allocation process shall be calculated based on the avoided costs of procuring balancing capacity.

5 The forecasted market value of cross-zonal capacity shall be based on one of the following alternative principles:

- a the use of transparent market indicators that disclose the market value of cross-zonal capacity; or
- b the use of a forecasting methodology enabling the accurate and reliable assessment of the market value of cross-zonal capacity.

The forecasted market value of cross-zonal capacity for the exchange of energy between bidding zones shall be calculated based on the expected differences in market prices of the day-ahead and, where relevant and possible, intraday markets between bidding zones. When calculating the forecasted market value, additional relevant factors influencing demand and generation patterns in the different bidding zones shall be taken duly into account.

6 The efficiency of the forecasting methodology pursuant to paragraph 5(b), including a comparison of the forecasted and actual market values of the cross-zonal capacity, may be reviewed by the relevant regulatory authorities. Where the contracting is done not more than two days in advance of the provision of the balancing capacity, the relevant regulatory authorities may, following this review, set a limit other than that specified in Article 41(2).

---

*Status: Point in time view as at 23/11/2017.*

*Changes to legislation: There are outstanding changes not yet made to Commission Regulation (EU) 2017/2195. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)*

---

## Article 40

### Co-optimised allocation process

1 By two years after entry into force of this Regulation, all TSOs shall develop a proposal for a methodology for a co-optimised allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves. This methodology shall apply for the exchange of balancing capacity or sharing of reserves with a contracting period of not more than one day and where the contracting is done not more than one day in advance of the provision of the balancing capacity. The methodology shall include:

- a the notification process for the use of the co-optimised allocation process;
- b a detailed description of how cross-zonal capacity shall be allocated to bids for the exchange of energy and bids for the exchange of balancing capacity or sharing of reserves in a single optimisation process performed for both implicit and explicit auctions;
- c a detailed description of the pricing method, the firmness regime and the sharing of congestion income for the cross-zonal capacity that has been allocated to bids for the exchange of balancing capacity or sharing of reserves via the co-optimised allocation process;
- d the process to define the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.

2 This methodology shall be based on a comparison of the actual market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves and the actual market value of cross-zonal capacity for the exchange of energy.

3 The pricing method, the firmness regime and the sharing of congestion income for the cross-zonal capacity that has been allocated to bids for the exchange of balancing capacity or sharing of reserves via the co-optimised allocation process shall ensure equal treatment with the cross-zonal capacity allocated to bids for the exchange of energy.

4 Cross-zonal capacity allocated to bids for the exchange of balancing capacity or sharing of reserves via the co-optimised allocation process shall be used only for the exchange of balancing capacity or sharing of reserves and associated exchange of balancing energy.

## Article 41

### Market-based allocation process

1 By two years after entry into force of this Regulation, all TSOs of a capacity calculation region may develop a proposal for a methodology for a market-based allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves. This methodology shall apply for the exchange of balancing capacity or sharing of reserves with a contracting period of not more than one day and where the contracting is done not more than one week in advance of the provision of the balancing capacity. The methodology shall include:

- a the notification process for the use of the market-based allocation process;
- b a detailed description of how to determine the actual market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, and the forecasted market value of cross-zonal capacity for the exchange of energy, and if applicable the actual market value of cross-zonal capacity for exchanges of energy

---

*Status: Point in time view as at 23/11/2017.*

*Changes to legislation: There are outstanding changes not yet made to Commission Regulation (EU) 2017/2195. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)*

---

- and the forecasted market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves;
- c a detailed description of the pricing method, the firmness regime and the sharing of congestion income for the cross-zonal capacity that has been allocated to bids for the exchange of balancing capacity or sharing of reserves via the market-based allocation process;
  - d the process to define the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to paragraph 2.
- 2 Cross-zonal capacity allocated on a market-based process shall be limited to 10 % of the available capacity for the exchange of energy of the previous relevant calendar year between the respective bidding zones or, in case of new interconnectors, 10 % of the total installed technical capacity of those new interconnectors.
- This volume limitation may not apply where the contracting is done not more than two days in advance of the provision of the balancing capacity or for bidding zone borders connected through DC interconnectors until the co-optimised allocation process is harmonised at Union level pursuant to Article 38(3).
- 3 This methodology shall be based on a comparison of the actual market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves and the forecasted market value of cross-zonal capacity for the exchange of energy, or on a comparison of the forecasted market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, and the actual market value of cross-zonal capacity for the exchange of energy.
- 4 The pricing method, the firmness regime and the sharing of congestion income for cross-zonal capacity that has been allocated for the exchange of balancing capacity or sharing of reserves via the market-based process shall ensure equal treatment with the cross-zonal capacity allocated for the exchange of energy.
- 5 Cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves via the market-based allocation process shall be used only for the exchange of balancing capacity or sharing of reserves and associated exchange of balancing energy.

#### *Article 42*

### **Allocation process based on economic efficiency analysis**

- 1 By two years after entry into force of this Regulation, all TSOs of a capacity calculation region may develop a proposal for a methodology for the allocation of cross-zonal capacity based on an economic efficiency analysis. Such methodology shall apply for the exchange of balancing capacity or sharing of reserves with a contracting period of more than one day and where the contracting is done more than one week in advance of the provision of the balancing capacity. The methodology shall include:
- a the rules and principles for allocating cross-zonal capacity based on an economic efficiency analysis;
  - b a detailed description of how to determine the forecasted market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, and an assessment of the market value of cross-zonal capacity for the exchange of energy;
  - c a detailed description of the pricing method, firmness regime and the sharing of congestion income for the cross-zonal capacity that has been allocated based on an economic efficiency analysis;

---

*Status: Point in time view as at 23/11/2017.*

*Changes to legislation: There are outstanding changes not yet made to Commission Regulation (EU) 2017/2195. Any changes that have already been made to the legislation appear in the content and are referenced with annotations. (See end of Document for details)*

---

- d the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to paragraph 2.

2 The allocation of cross-zonal capacity based on an economic efficiency analysis shall be limited to 5 % of the available capacity for the exchange of energy of the previous relevant calendar year between the respective bidding zones or, in case of new interconnectors, 10 % of the total installed technical capacity of those new interconnectors. This volume limitation may not apply for bidding zone borders connected through DC interconnectors until the co-optimised or market-based allocation processes are harmonised at Union level pursuant to Article 38(3).

3 The methodology for the allocation of cross-zonal capacity based on an economic efficiency analysis shall be based on a comparison of the forecasted market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, and the forecasted market value of cross-zonal capacity for the exchange of energy.

4 The pricing method, the firmness regime and the sharing of congestion income for the cross-zonal capacity that has been allocated for the exchange of balancing capacity or sharing of reserves based on an economic efficiency analysis shall ensure equal treatment with the cross-zonal capacity allocated for the exchange of energy.

5 TSOs referred to in paragraph 1 shall develop a proposal for a list of each individual allocation of cross-zonal capacity based on an economic efficiency analysis. Such list shall include:

- a the specification of the bidding zone border;
- b the volume of allocated cross-zonal capacity;
- c the period during which the cross-zonal capacity would be allocated for the exchange of balancing capacity or sharing of reserves;
- d the economic analysis justifying the efficiency of such allocation.

6 TSOs referred to in paragraph 1 shall reassess the value of the allocated cross-zonal capacity in the process of the procurement of balancing capacity and release the allocated cross-zonal capacity which is no longer beneficial for the exchange of balancing capacity or sharing of reserves.

### *Article 43*

#### **Use of cross-zonal capacity by balancing service providers**

1 Balancing service providers which have a contract for balancing capacity with a TSO on the basis of a TSO-BSP model pursuant to Article 35 shall have the right to use cross-zonal capacity for the exchange of balancing capacity if they are holders of physical transmission rights.

2 Balancing service providers which use cross-zonal capacity for the exchange of balancing capacity on the basis of a TSO-BSP model pursuant to Article 35 shall nominate their physical transmission rights for the exchange of balancing capacity to the concerned TSOs. Such physical transmission rights shall provide the right to their holders to nominate the exchange of balancing energy to the concerned TSOs and shall therefore be excluded from the application of the UIOSI principle.

3 Cross-zonal capacity allocated for the exchange of balancing capacity in accordance with paragraph 2 shall be included as already allocated cross-zonal capacity in the calculations of cross-zonal capacity.

**Status:**

Point in time view as at 23/11/2017.

**Changes to legislation:**

There are outstanding changes not yet made to Commission Regulation (EU) 2017/2195. Any changes that have already been made to the legislation appear in the content and are referenced with annotations.