

## Core TSOs' proposal for the first amendment of the Long-term capacity calculation methodology of the Core capacity calculation region

Brussels, 28 March, 2025

### General remarks

We welcome the consultation on the Core proposal for an amendment of the Long-Term Capacity Calculation Methodology of the Core CCR and TSOs' willingness to engage in a dialogue with market participants.

We would like to begin by reiterating our concerns about applying a flow-based methodology to the forward markets. While its economic efficiency has been established in the day-ahead and intra-day markets, where actual flows are nominated, it may result in adverse effects in the forward time frame, where transmission capacity is utilised for the hedging purposes of market participants to mitigate their cross-border risks. Given the inherent complexity of the proposed changes, real-time results may differ from expectations and models, ultimately failing to achieve the theoretical benefits.

Unlike the Net Transfer Capacity (NTC) approach, flow-based calculations create greater instability and unpredictability in capacity values. Grid models are less precise than those used in the day-ahead market, making it difficult to predict the effects of specific exchanges on CNEC flows. Furthermore, factors such as reliability margins and allocation constraints are likely to impose stricter limits on overall capacity calculations.

Apart from uncertainty, there are additional concerns regarding the limited transmission capacity in some regions that could lead to market fragmentation and isolation. We see a significant drop in calculated transmission capacity in the DE-AT border (around 90% decrease according to calculations presented at Core Consultative Group) and in the SEE region, where significant price spikes due to already limited cross-border capacity occurred last year. Justified concerns of market participants in these regions should be taken into consideration.

Despite the uncertainties and questions regarding the application of the Flow-based methodology to forward timeframes, we understand that TSOs and regulators are going forward with applying the methodology in the coming years.

Therefore, we would like to call for a constructive and transparent dialogue with market participants during the whole process and a robust evaluation after applying ATC extraction, with the possibility of additional consultation to provide stakeholders' feedback. We see this transitional period as a unique opportunity to test the method and gather feedback from stakeholders before ultimately switching to a flow-based methodology.

# CONSULTATION RESPONSE

Overall, we have several proposals on how to improve the process:

- Given the lack of information regarding the calculation per border, accompanying simulations showing how specific borders will be affected will provide more clarity and transparency. A significant reduction of capacity at certain borders (i.e. DE-AT) could lead to discrimination and market fragmentation, leaving market participants without cross-border hedging options, which would deplete liquidity in affected bidding zones, creating “isolated islands”. This effect should be particularly monitored for south-eastern European borders and bidding zones.
- 6 six-month parallel run is crucial to see how the methodology plays out and to capture seasonality. It can also be beneficial to look at historical data for seasonality and disclose previous data for further analysis. Additionally, we would welcome the publications of the flow-based domains before the ATC extraction.
- Due to the lower percentage of calculated capacity for the monthly auctions, we call for reconsidering the application of safeguards already implemented in the intraday timeframes.
- Given the remaining uncertainties and questions regarding the application of the Flow-based methodology, robust evaluation, including consultation and dialogue with market participants, should be conducted before proceeding with the next step.

While we reiterate our opposition to Flow-based methodology, we acknowledge that TSOs and regulators are going forward with the implementation. Therefore, to avoid market degradation and to safeguard sufficient capacity at all borders, we insist on continuous dialogue with market participants including reviews of simulation and parallel run results.

The proposed transitional period with ATC extraction should be used as an opportunity for a robust evaluation before deciding to continue with the next step.

## Detailed comments

- Integration of returned volumes (Annex 1, §6)  
The methodology states that “*the reduction of already allocated cross-zonal capacities by the returned volumes defined in Article 14(4)(b) shall not be applied.*”. Rather, the handling of returned AACs will be according to title 5 of the HAR (art.38-40). Even when reading these articles, it remains unclear how (or even if) such returns will be integrated.
- Fallback Procedure (art.16)  
The change of the fallback procedure for monthly capacity calculation from using the parameters of the annual FB calculation to the parameters of the previous monthly FB calculation seems to make sense, as it can indeed provide more up-to-date and precise data. However, on several borders, we observe that there can be significant variations in monthly allocated volumes from one month to the other. We, therefore, question whether and how such seasonal fluctuations will be integrated into the fallback process.

# CONSULTATION RESPONSE



## Contact

Name: Andrej Stancik

Position: Senior Policy Advisor

E-Mail: [a.stancik@energytraderseurope.org](mailto:a.stancik@energytraderseurope.org)