

**APPROVAL BY THE ROMANIA-HUNGARY
REGULATORY AUTHORITIES**

OF

**PROPOSAL FOR NOMINATION RULES FOR
PHYSICAL TRANSMISSION RIGHTS FOR THE
BIDDING ZONE BORDER(S) ROMANIA-HUNGARY**

18 April 2018

I. Introduction and legal context

This document elaborates an agreement of the Romania-Hungary Regulatory Authorities, made on 18 April 2018, on the proposal for nomination rules for Physical Transmission Rights (hereafter referred to as the "Proposal") submitted by the Transmission System Operators of the bidding zone border Romania-Hungary (hereafter referred to as "TSOs") in accordance with Article 36 of Commission Regulation (EU) 2016/1719 establishing a guideline on Forward Capacity Allocation (hereafter referred to as the "Regulation 2016/1719").

This unanimous agreement of the competent Romania-Hungary Regulatory Authorities shall provide evidence that a decision on the nomination rules of the bidding zone border Romania-Hungary does not, at this stage, need to be adopted by ACER pursuant to Article 8(1) of the Regulation (EC) 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators (hereafter referred to as the "Regulation 713/2009"). It is intended to constitute the basis on which the Romania-Hungary Regulatory Authorities agreed that each Regulatory Authority will subsequently make national decisions to the proposal for the nomination rules pursuant to Article 8(1) of Regulation 713/2009.

The legal provisions that lie at the basis of the nomination rules and this Romania-Hungary Regulatory Authorities agreement on the nomination rules, can be found in Articles 3, 31 and 36 of Regulation 2016/1719, Article 8 of Regulation 713/2009, as well as, the current practice of the implementation of Regulation 2016/1719 and in particular Article 4 paragraph 1. They are set out here for reference.

Article 3 of Regulation 2016/1719:

This Regulation aims at:

- (a) promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants;*
- (b) optimising the calculation and allocation of long-term cross-zonal capacity;*
- (c) providing non-discriminatory access to long-term cross-zonal capacity;*
- (d) ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants;*
- (e) respecting the need for a fair and orderly forward capacity allocation and orderly price formation;*
- (f) ensuring and enhancing the transparency and reliability of information on forward capacity allocation;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.*

Article 4 of Regulation 2016/1719:

1. TSOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of these terms and conditions or methodologies.

[...]

Article 31 of Regulation 2016/1719:

1. Long-term cross-zonal capacity shall be allocated to market participants by the allocation platform in the form of physical transmission rights pursuant to the UIOSI principle or in the form of FTRs — options or FTRs — obligations.

[...]

Article 36 of Regulation 2016/1719:

2. Where TSOs issue and apply physical transmission rights on bidding zone borders, they shall enable physical transmission rights holders and/or their counterparties to nominate their electricity exchange schedules. Physical transmission rights holders may authorise eligible third parties to nominate their electricity exchange schedules on their behalf in line with the nomination rules in accordance with paragraph 3.

3. No later than 12 months after the entry into force of this Regulation, all TSOs issuing physical transmission rights on a bidding zone border shall submit to the relevant regulatory authorities' approval a proposal for nomination rules for electricity exchange schedules between bidding zones. The proposal shall be subject to consultation in accordance with Article 6. Nomination rules shall contain at least the following information:

(a) the entitlement of a physical transmission rights holder to nominate electricity exchange schedules;

(b) minimum technical requirements to nominate;

(c) description of the nomination process;

(d) nomination timings;

(e) format of nomination and communication.

4. All TSOs shall progressively harmonise the nomination rules on all bidding zone borders on which physical transmission rights are applied.

5. Physical transmission rights holders, their counterparties where applicable or an authorised third party acting on their behalf shall nominate all or part of their physical transmission rights between bidding zones in compliance with the nomination rules.

6. In case allocation constraints on interconnections between bidding zones have been included in the day-ahead capacity allocation process in accordance with Article 23(3) of Regulation (EU) 2015/1222, they shall be taken into account in the proposal for nomination rules referred to in paragraph 2.

Article 8 of Regulation 713/2009:

1. For cross-border infrastructure, the Agency shall decide upon those regulatory issues that fall within the competence of national regulatory authorities, which may include the terms and conditions for access and operational security, only:

(a) where the competent national regulatory authorities have not been able to reach an agreement within a period of six months from when the case was referred to the last of those regulatory authorities; or

(b) upon a joint request from the competent national regulatory authorities.

The competent national regulatory authorities may jointly request that the period referred to in point (a) is extended by a period of up to six months.

When preparing its decision, the Agency shall consult the national regulatory authorities and the transmission system operators concerned and shall be informed of the proposals and observations of all the transmission system operators concerned.

[...]

II. The TSOs proposal

The Proposal was consulted by the TSOs from 27 June 2017 until 18 August 2017, in line with Article 36(2) and Article 6 of Regulation 2016/1719. The final Proposal, dated October 2017, was received by the last Regulatory Authority of the bidding zone border Romania - Hungary on 18 October 2017. Article 8(1) of Regulation 713/2009 requires Romania - Hungary Regulatory Authorities to make decisions within six months following receipt of submissions of the last Regulatory Authority concerned. A decision is therefore required by each Romania - Hungary Regulatory Authority by 18 April 2018.

This Proposal lays down the rules for nomination of physical transmission rights for the bidding zone border Romania - Hungary. In particular, for the above mentioned border, the Proposal contains the following information:

- (a) the entitlement of a physical transmission rights holder to nominate electricity exchange schedules to TRANSELECTRICA and MAVIR;
- (b) the minimum technical requirements to nominate at each TSO;
- (c) the description of the nomination process for PTR holders registered either in the Hungarian or the Romanian power market;
- (d) the nomination timing, which is set to both TSOs and for both directions the latest by 08:00 CET of the day preceding the delivery day (GCT);
- (e) the format of nomination and communication;
- (f) the effective date and application, which is set as the earliest possible date following the approval of the respective NRAs.

For any matter related to PTR's nomination that is not contained in the Proposal, two additional documents shall be valid, the *Nomination Rules* for nomination to MAVIR and the *User guide - Cross Border Scheduling* for nomination to TRANSELECTRICA.

III. Romania - Hungary Regulatory Authorities position

The Romania - Hungary Regulatory Authorities, in general, have no objections against the nomination process, the nomination timing and the format of nomination and communication. Based on the proposal and on the additional clarifications provided by TSOs, Romania - Hungary Regulatory Authorities have reached the agreement that the proposed nomination rules of the bidding zone border Romania - Hungary are fulfilling their objectives and complying with the functional and governance requirements of Regulation 2016/1719. The rules described in the Proposal shall apply from 2019 allocation onwards or earlier if this is possible following the approval of the respective NRAs in Accordance with Article 4 of Regulation 2016/1719.

IV. Conclusions

The Romania - Hungary Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach agreement that the nomination rules of the bidding zone borders Romania - Hungary meet the requirements of the Regulation 2016/1719 and as such can be approved by Romania - Hungary Regulatory Authorities.

The Romania - Hungary Regulatory Authorities will therefore make their decisions by 18 April 2018, on the basis of this agreement, in accordance with the six months deadline which is the current practice for the implementation of Regulation 2016/1719. Following national decisions taken by each Regulatory Authority, the TSOs will be required to publish these nomination rules of the bidding zone borders Romania - Hungary on the internet in line with Article 4(13) of Regulation 2016/1719.