



**Explanatory document concerning the relevant TSO of CCR Nordic
request for amendments in accordance with Article 4(12) of the
Commission Regulation (EU) 2016/1719 of 26 September 2016
establishing a Guideline on Forward Capacity Allocation on the
Capacity Calculation Region Nordics' regional design of long-term
transmission rights in accordance with Article 31**

14 April 2018

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Introduction

This document is a common explanatory document concerning the amendments to the regional design of long-term transmission rights within CCR Nordic.

Energinet submitted the regional design in the middle of November 2017. The proposal was approved by the Danish Energy Regulatory Authority in the middle of April 2018.

According to FCA Regulation Art 4.12, TSOs may request amendments to the arrangements. The amendment shall be submitted for consultation.

The requested amendments are explained in this document.

Amendments

Amendment to Annex 1 on list of bidding-zone borders where regional design of long-term transmission rights apply

In Annex 1 the type of LTTR has been changed from a physical transmission right to a financial transmission right on the border between DK1 and DK2. The reason for changing the type of LTTR is in order to harmonize with CCR Hansa, where the Danish-German borders have implemented financial transmission rights.

Financial transmission rights have the added benefit, that there is no possibility of taking volume out of the market coupling, as is the case if physical transmission rights are nominated. The LTTRs on the Danish borders are currently sold as physical transmission rights but have not been nominated in 2016 or 2017, which effectively means that they behave like financial transmission rights.

Historically financial transmission rights were subject to MIFID regulation, which was not the case for physical transmission rights. Financial regulation leads to large reporting requirements which can be difficult and thus discriminating to smaller market players. This was the reason for having physical transmission rights in the past. Since January 1st 2018 MIFID II has been in effect, which means that financial and physical transmission rights both are exempt from MIFID II regulation in the primary market. This means that the TSOs feel comfortable that there no longer is a possibility of discrimination of smaller market players if financial transmission rights are used as the type of LTTR.,

Therefore Energinet would like to change the product to a financial product in order to avoid nominations.

The Nordic forward market is characterized by financial trading. Energinet believes that changing the type of LTTRs also makes the LTTRs more in line with the forward market.