
**Nordic synchronous area Proposal for limits for the exchange of FCR
between the TSOs in accordance with Article 163(2) of the
Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing
a guideline on electricity transmission system operation**

10 September 2018

All TSOs of the Nordic synchronous area, taking into account the following:

Whereas

- (1) This document is the common proposal developed by all Transmission System Operators within the Nordic synchronous area (hereafter referred to as “**TSOs**”) for limits for the exchange of FCR between the TSOs in accordance with Article 163(2) of Commission Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation (hereafter referred to as “**SO Regulation**”). This proposal is hereafter referred to as “**Proposal**”.
- (2) The Proposal takes into account the general principles and goals set in SO Regulation as well as Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross border exchanges in electricity (hereafter referred to as “**Regulation (EC) No 714/2009**”). The goal of the SO Regulation/Regulation (EC) No 714/2009 is the safeguarding of operational security, frequency quality and the efficient use of the interconnected system and resources. Article 118(1)(t) of the SO Regulation sets for this purpose requirements for the TSOs to “*jointly develop common proposals for: [...] if applicable, [...], limits for the exchange of FCR between the TSOs in accordance with Article 163(2);*”
- (3) The dimensioning rules for FCR in accordance with Article 153 of the SO Regulation result in the total required amount of FCR for a synchronous area. Article 153(2)(d) of the SO Regulation defines this amount shall be initially distributed over the TSOs of the synchronous area. Article 163 sets out the rules for deviating from this initial distribution by exchanging FCR between the TSOs within a synchronous area.
- (4) Article 163(2) of the SO Regulation defines the limits for the FCR exchange which is the scope of this Proposal: “2. *All TSOs involved in the exchange of FCR within a synchronous area shall respect the limits and requirements for the exchange of FCR within the synchronous area specified in the Table of Annex VI. Table of Annex VI of the SO Regulation specifies for the Nordic synchronous area that “The TSOs of the synchronous area shall have the right to specify in the synchronous area operational agreement limits for the exchange of FCR in order to:*
 - *avoid internal congestions in case of the activation of FCR;*
 - *ensure an even distribution of FCR in case of network splitting; and*
 - *avoid that the stability of the FCP or the operational security is affected.*
- (5) The TSOs make use of the right to specify in the synchronous area operational agreement limits for the exchange of FCR.
- (6) Article 39(4) of Regulation (EU) 2017/2195 (hereafter: “**EB Regulation**”) includes a relevant restriction to the exchanged of FCR: “*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.*”.

- (7) The Nordic TSOs apply two types of Frequency Containment Reserves (FCR). FCR for normal operation (FCR-N) is used to mitigate continuous stochastic imbalances in the synchronous area with the objective to keep the frequency within the $\pm 100\text{mHz}$ range. Since activation of FCR-N follows the system frequency, FCR-N activation *energy* is continuously exchanged. The activation of FCR-D is considered as a response to an (n-1) contingency that shall be considered in the calculation of the cross zonal capacities even before the reliability margin is deducted.
- (8) In regard to regulatory approval, Article 6(3) of the SO Regulation states:
- “The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region, on which a Member State may provide an opinion to the concerned regulatory authority: [...]*
- (d) methodologies, conditions and values included in the synchronous area operational agreements in Article 118 concerning:*
- (vii) for synchronous areas other than CE and if applicable, the limits for the exchange of FCR between TSOs in accordance with Article 163(2);*
- (9) According to Article 6(6) of the SO Regulation the expected impact of the Proposal on the objectives of the SO Regulation has to be described and is presented below.
- (10) The Proposal generally contributes to and does not in any way hamper the achievement of the objectives of Article 4 of the SO Regulation. In particular, the Proposal serves the objectives to (1)(d) ensuring the conditions for maintaining operational security throughout the Union, and (1)(h) contributing to the efficient operation and development of the electricity transmission system and electricity sector in the Union. The Proposal contributes to these objectives by specifying the limits for exchange of FCR between TSOs. The proposed limits for the exchange of FCR intend to set efficient limits that balance the objective of ensuring the conditions for maintaining operational security and efficient operation of the electricity system.
- (11) In conclusion, the Proposal contributes to the general objectives of the SO Regulation to the benefit of all market participants and electricity end consumers.

SUBMIT THE FOLLOWING PROPOSAL TO ALL REGULATORY AUTHORITIES OF THE NORDIC SYNCHRONOUS AREA:

Article 1 - Subject matter and scope

1. The limits for the exchange of FCR between the TSOs described in this Proposal are the common proposal of TSOs in accordance with article 163(2) of the SO Regulation. The Proposal applies solely to the Nordic synchronous area.

The Nordic synchronous area covers transmission systems of East-Denmark (DK2), Finland, Sweden and Norway.

This Proposal has been developed by Energinet, Fingrid Oyj, Kraftnät Åland AB, Svenska kraftnät and Statnett SF.

2. This Proposal is subject to approval in accordance with Article 6(3) of the SO Regulation.

Article 2 - Definitions and interpretation

3. For the purposes of the Frequency quality proposal, the terms used shall have the meaning of the definitions included in Article 3 of the SO Regulation.
4. In this Proposal, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) the headings are inserted for convenience only and do not affect the interpretation of the Proposal; and
 - c) any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it when in force.

Article 3 – Limits for the exchange of FCR-N

1. Each TSO shall have at least 2/3 of their initial FCR-N obligation (determined in accordance with Article 153(2)(d) of the SO Regulation) in its own control area;
2. The 2/3 obligation in paragraph 1 can be partly fulfilled by guaranteed FCR-N provision from another synchronous area;
3. In case of FCR-N capacity shortage in certain areas, affected TSOs may agree on a temporary exception to paragraph 1 and 2;
4. Because of the small initial FCR-N obligation for East Denmark (DK2), paragraph 1 shall not apply to East Denmark (DK2).

Article 4 – Limits for the exchange of FCR-D

1. Each TSO shall have at least 2/3 of their initial FCR-D obligation (determined in accordance with Article 153 of the SO Regulation) in its own control area;
2. The 2/3 obligation in paragraph 1 can be partly fulfilled by guaranteed FCR-D provision from another synchronous area;
3. In case of FCR-D capacity shortage in certain areas, affected TSOs may agree on a temporary exception to paragraph 1 and 2;

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4. Because of the small initial FCR-D obligation for East Denmark (DK2), paragraph 1 shall not apply to East Denmark (DK2).

Article 5 – Publication and implementation

1. The relevant TSOs shall publish (in accordance with Article 8 of the SO Regulation) the Proposal without undue delay after the competent NRAs have approved the Proposal or a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 6 of the SO Regulation.
2. The TSOs shall implement the Proposal not later than when Nordic synchronous area operational agreement enters into force in accordance with Article 118 of the SO Regulation.

Article 6 - Language

The reference language for this Proposal shall be English. For the avoidance of doubt, where TSOs needs to translate this Proposal into national language(s), in the event of inconsistencies between the English version published by TSOs in Nordic Synchronous Area in accordance with Article 8(1) of the SO Regulation and any version in another language the relevant TSOs shall, in accordance with national legislation, provide the relevant national regulatory authority with an updated translation of the Proposal.