

**Explanatory document concerning the Hansa TSOs’  
request for amendment in accordance with article 9(13) of  
the Commission Regulation (EU) 2015/1222 of 24 July  
2015 establishing a Guideline on Capacity Allocation and  
Congestion Management on fallback procedures for  
Capacity Calculation Region Hansa  
in accordance with Article 44**

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## **1. Introduction**

Pursuant to Article 44 of the CACM Regulation, all TSOs in the CCR Hansa established a fallback procedure in 2017 followed by an amendment in 2022. Both were approved by the relevant regulatory authorities (hereinafter “NRAs”) within the CCR Hansa.

According to the CACM Regulation Art 9 (13), TSOs responsible for developing proposals for terms and conditions or methodologies may request amendments. The proposal for amendment shall be submitted for consultation.

Decoupling incidents have shown that shadow auction, the current fallback procedure for five of the CCR Hansa bidding zone borders, is not an efficient and robust solution. For two bidding zone borders, another procedure has been approved, where the cross-border capacities to be allocated in the day-ahead market timeframe shall be set to zero and the available capacities shall be released for the intraday market timeframe. This is also the back-up procedure in case shadow auction fails.

All TSOs in the CCR Hansa, have therefore drafted a proposal for amending the fallback procedures in CCR Hansa with the purpose of removing shadow auction as fallback procedure and instead apply the already agreed other procedure for all bidding zone borders. The amendment proposal has been consulted for a month before being submitted for approval to all NRAs.

This document is a joint explanatory document concerning the amendment proposal to the approved Fallback procedure as requested by all TSOs of the CCR Hansa.

## **2. Geographical application of this amendment proposal**

The amendment proposal of the Fallback procedures mainly concerns the following bidding zone borders within the CCR Hansa: DK1-DE/LU, DK1-NL, DK2-DE/LU, NO2-DE/LU and NO2-NL.

No changes are proposed to the current fallback procedure applicable for the SE4-DE/LU and the SE4-PL bidding zone borders.

## **3. Current Fallback procedures**

### **3.1 Current procedures on the different bidding zone borders in CCR Hansa**

In case a SDAC decoupling incident impacts the CCR Hansa bidding zone borders, the current Hansa Fallback procedures will be activated.

For the SE4-DE/LU and the SE4-PL bidding zone borders, the capacity is set to zero in the day-ahead market. At the time of drafting the present document, no intraday capacity is allocated on the bidding zone border SE4-DE/LU. It is aimed to be implemented by Q2/2027 pursuant to the Hansa DA/ID Capacity Calculation Methodology adopted in December 2025. For SE4-PL the available capacity is subsequently given to the intraday market.

For the bidding zone borders DK1-DE/LU, DK1-NL, DK2-DE/LU, NO2-DE/LU and NO2-NL, Shadow Auction is to be activated. The Shadow Auction is handled by the Joint Allocation Office (JAO) and is an explicit allocation of physical transmission rights (PTRs) in the day-ahead market timeframe.

If the Shadow Auction is unable to produce results, the cross-border capacities to be allocated in the day-ahead timeframe shall be set to zero, and the available capacity shall be released for the intraday market.

Please note that temporarily it is not possible to organize shadow auction for the DK1-DE/LU, DK1-NL, DK2-DE/LU borders due to Energinet not being able to carry out this process. Therefore, the backup

procedure (intraday) is currently already in place for these borders.

#### 4. Reasoning for the Fallback procedure amendment proposal

The occurrence of a decoupling is to be considered a rare incident. According to an SDAC communication note from 15 April 2024 in the last 10 years only 5 partial decoupling events occurred (SDAC\_Decoupling\_Training\_Session.pdf). It is therefore important that fallback procedures are robust and well understood.

The SDAC partial decoupling incidents that impacted Hansa bidding zone borders have on these occasions shown that Shadow auction is not an efficient and robust fallback procedure for the Hansa bidding zone borders.

Despite yearly SDAC decoupling training sessions, the shadow auction process is not well-known to all market participants, and the participation of market participants in an actual shadow auction is also low. Especially the nomination process is different in a shadow auction situation compared to normal operation. For instance, the so called N.U.C. (Notification of usage of capacity) is not known by all parties, resulting in them not being able to nominate allocated shadow auction capacity towards the relevant TSOs. Another example is nomination towards Nordic TSOs. Normally nominations are submitted to eSett (a joint Nordic company providing settlement services), whereas nominations in case of shadow auctions must be submitted directly to the individual TSOs, requiring market participants to be set up in multiple systems.

Furthermore, shadow auctions are not the approved fallback procedure for all Hansa bidding zone borders. This requires market participants to be able to handle two different solutions during the same decoupling incident, which is also not a robust solution.

##### 4.1 Outcome of the shadow auction organized on 25th June 2024

Due to the partial decoupling incident of 25<sup>th</sup> June 2024, shadow auctions had to be applied for the DK1-NL, DK1-DE/LU, DK2-DE/LU, NO2-NL and NO2-DE/LU bidding zone borders.

On several of these bidding zone borders, market participants requested less capacity than was offered in the shadow auction and only a small part of the allocated capacity was in the end nominated to the relevant TSOs. Instead, market participants traded in the intraday market. Below table shows the limited participation in shadow auctions.

Border	Number of hours where market participants nominated to the TSOs
DK1-DE/LU	4
DK2-DE/LU	3
DK1-NL	0
NO2-DE/LU	17
NO2-NL	0

Table 1: Market participant nominations to the TSOs

The full report of the incident, including a detailed hourly overview of the requested, offered, allocated and nominated capacity, can be found here: [single-day-ahead-market-coupling-\(sdac\)-report-on-the-partial-decoupling-incident-of-june-25-2024.pdf](#).

The result of a shadow auction provides an indication that the congestion revenue is not sufficient to

pay out the price differences between the bidding zone borders to the LTTR holders. The table below supports this argument by showing the lack of participation in the form of shadow auction revenue and it also includes the below evaluation of the monetary impact for the affected TSOs (amount per each TSO per border direction).

Border / Interconnector	Congestion income and compensation to the Market Participants in EUR		
	Long-Term Auction Revenue for 26/06/2024	Shadow Auction Revenue	Long-Term Transmission Rights Compensation to MPs
NO2-NL (NorNed)	0	4,498.20	0
NL-NO2 (NorNed)	0	0	0
DE/LU-NO2 (NordLink)	0	0	0
NO2-DE/LU (NordLink)	0	78,150.00	0
DK1-NL (COBRA Cable)	48,600.00	0	322,314.00
NL-DK1 (COBRA Cable)	32,354.16	0	0
DK1-DE/LU	79,440.00	0	524,670.00
DE/LU-DK1	33,110.40	0	0
DK2-DE/LU	42,758.40	0	142,842.16
DE/LU-DK2	4,164.00	0	0
<b>Sum</b>	<b>240,426.96</b>	<b>82,648.20</b>	<b>989,826.16</b>

Source: Single Day-Ahead Market Coupling (SDAC) report on the partial decoupling incident of June 25, 2024, 26/07/2024, Version: 1.0

Data based on CRDS (Congestion Revenue Distribution System), Shadow Auction Allocated Quantities, and Shadow Auction prices provided by JAO

In any decoupling case however a well-functioning fallback option is more important than any missing revenue from shadow auctions. Participation will be improved substantially in intraday compared to shadow auction.

#### 4.2 Impact on market participants

Fortunately, decoupling incidents are rare. Therefore, a fallback procedure must be easy to implement, well understood and easy to carry out for all parties should a decoupling occur.

Decoupling incidents, such as the 25<sup>th</sup> of June 2024 incident described in chapter 4.1, as well as the yearly SDAC decoupling training sessions have revealed that despite the training sessions, market participants have difficulties with the nomination process and deadlines towards TSOs following shadow auctions.

#### 4.3 European discussions on fallback

Currently European discussions are ongoing with TSOs, NEMOs and ACER on measures to reduce risk of decoupling/ reduce the consequences of a decoupling. As part of this work, the discontinuation of shadow auctions has been identified as a preferred measure.

### 5. Proposed amended fallback procedures

All TSOs of CCR Hansa propose to remove shadow auctions as a fallback procedure and instead apply the

already approved procedure for SE4-PL and SE4-DE/LU on all the Hansa bidding zone borders.

This means that in case a decoupling incident occurs, the cross-border capacities to be allocated in the day-ahead market timeframe shall be set to zero and the available capacities shall instead be released for the intraday market timeframe. During an incident, this shall only be applicable for the decoupled Hansa bidding zone borders. If a partial decoupling from SDAC only impacts some of the Hansa bidding zone borders, the rest of the Hansa bidding zone borders will continue as part of the normal SDAC process.

The actual selection of which intraday market segment shall be applied as fallback procedure depends on the reasons for decoupling, the dependencies with and timing of other processes, as well as whether neighboring regions are also impacted by the decoupling incident that has impacted the Hansa bidding zone borders. Market participants shall be provided with information, access and possibilities to receive the best possible functionalities in a decoupling situation compared to what was previously provided by the day-ahead market. This is ensured by identifying, in advance, which decoupling incidents can occur and by defining, in advance, which intraday market segment is possible to be applied in each of these cases.

Currently, two main cases can be identified:

- Case 1 - Partial decoupling of one or more Hansa interconnector(s), but no Nordic interconnector is affected: If IDA1 is cancelled for whatever reason, then capacity allocation will take place during Intraday Continuous Trading (IDCT), otherwise IDA1 will be used as a fallback for the decoupled interconnector, if the problem (e.g. missing capacities) can be resolved in time. Non-decoupled Hansa interconnectors will remain coupled in SDAC.
- Case 2: Decoupling of all Hansa and Nordic interconnectors (due to e.g. partial decoupling of a NEMO, or full decoupling, etc): This covers all other cases when the organization of the Nordic-Baltic regional coupling takes place on the Nordic side. In these cases, the capacity allocation will take place during IDCT as there is no IDA at the time, when the Nordic-Baltic regional coupling finishes. The ID continuous market will already have been opened by that time.

The definition of when transmission capacity on decoupled borders is made available for the intraday market timeframe, needs to be both flexible and futureproof and also depends on regional characteristics. E.g., for certain TSOs this can be done after a successful Nordic-Baltic regional coupling. The exact timing of when that is, depends on the circumstances of the decoupling incident.

The technical process of making Hansa interconnector capacities available to the intraday timeframe in a decoupling scenario will in essence be the same in a situation with or without shadow auctions, except, that without shadow auctions, there will be no potential allocated flows from the nominations of market parties against the awarded SDAC capacities used as an input of the capacity calculation. This means, that the net positions results of the regional, local and SDAC auctions will not be affected by any prior flow-allocations on the Hansa Interconnectors.

Based on the 0 allocations from the decoupled SDAC auction, the capacity calculation process for the intraday time frame is carried out according to the Common Coordinated Capacity Calculation Methodology for the Capacity Calculation Region Hansa in accordance with Article 20(2) of Commission Regulation (EU) 2015/1222 of 24 July 2015 articles 12 through 18, while subject to the implementation phases laid out in Article 21.

In summary, the earliest possible market segment, when interconnector capacities can be made available in Case 1, is the IDA1 auction according to the normal auction schedule. Nevertheless, in the case that there is any delay in the capacity calculation and submission process, or in case IDA1 is cancelled due to any reason, then the fallback mechanism would automatically shift to IDCT.

In case 2, it is timewise unrealistic to start IDA1 because the usual result publishing will be delayed according to the relevant regional procedures. As these results are required to calculate the ID capacities, allocation on Hansa ICs cannot start with IDA1. Therefore, the earliest possible market segment for partial and full decoupling of regions and bidding zones is the IDCT.

This means, that after an SDAC decoupling incident, the earliest time at which capacities can be made available to the IDCT market depends on the timing and the order of the regional market clearings in the decoupled SDAC auction.

### **5.1 Impact on market participants**

The proposed amendment ensures a clearer procedure for market participants compared to the current situation. The same fallback procedure will now be applicable for all bidding zone borders and is at the same time a known process for market participants.

There is no new implementation needed by the market participants, as trading in the intraday timeframe is already applicable today as backup in case shadow auctions would fail.

## **6. Objectives of the CACM Regulation**

This chapter contains a description of how the amendment proposal meets the aims of the CACM Regulation as stated in Article 3. The main purpose is to achieve an efficient market coupling also in the situation when the normal market coupling process fails. This must be organized to ensure market flows as close to the normal situation as possible. In this amendment proposal, achieving operational security is paramount.

The CACM Regulation has the objective to ensure optimal use of the transmission infrastructure, operational security and optimizing the calculation and allocation of cross-zonal capacity. In this respect, the amendment for Fallback procedure ensures a transparent and efficient use of transmission capacity in critical situations. A market-based utilization of transmission capacity is beneficial for connected bidding zones, contributing positively to operational security.

In regard to the aim of the CACM Regulation to promote effective competition in the generation, trading and supply of electricity, this amendment proposal has taken into account the importance of creating a level playing field for market parties active on cross-zonal markets.

By having this proposal, the objective of fair and non-discriminatory treatment of the market parties is ensured. It will also represent a fair and orderly organization of the market, as this guarantees equal access to cross-zonal capacity.

## **7. Timeline for implementation**

According to Article 9 (9) of the CACM Regulation, proposals for terms and conditions shall include a proposed timescale for their implementation.

The amendment of the Fallback procedures will be implemented for the bidding zone borders DK1-DE/LU, DK2-DE/LU and DK1-NL at the same time as the amended procedures have been approved by

the relevant NRAs, whereas the amended Fallback procedures will be implemented for bidding zone borders NO2-DE/LU and NO2-NL no later than 3 months after the amended procedures have been approved by the relevant NRAs.

The fallback procedure for the bidding zone border SE4 – DE/LU shall be implemented simultaneously with the implementation of the single intraday coupling for this bidding zone border in accordance with Art. 8(1) of the CACM Regulation, and within 12 months after the implementation of cross-zonal capacity calculation in accordance with the Hansa DA/ID Capacity Calculation Methodology.

#### **8. Assessment and summary of stakeholder comments**

The amendment of the Fallback Procedures was consulted between 15 May and 15 June 2025. The TSOs of CCR Hansa received four replies. Based on an assessment of the received comments, the TSOs have decided not to make any changes to the proposal for amendment of the Hansa Fallback procedure. Please refer to the Consultation Report for details.