
~~Fingrid, Kraftnät Åland and Svenska kraftnät~~'s proposal for
arrangements in accordance with Article 30(6) of Commission
Regulation (EU) 2016/1719 of 26 September 2016 establishing a
guideline on forward capacity allocation

13 October 2023

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~~Finnish and~~ Swedish TSOs, taking into account the following:

Whereas

- (1) This document describes a proposal for arrangements developed by ~~Finnish and~~ Swedish Transmission System Operators ~~Fingrid, Kraftnät Åland and Svenska kraftnät~~ (hereafter referred to as “TSOs”) regarding arrangements for long-term cross-zonal Hedging Products to support the functioning of wholesale electricity markets (hereafter referred to as “Hedging Product Coupling”) in accordance with Article 30(6) of the Commission Regulation 2016/1719 (hereafter referred to as the “FCA Regulation”).
- (2) This Hedging Product Coupling takes into account the general principles, goals and other methodologies set in the FCA Regulation, Commission Regulation (EU) 2015/1222 of 24 July 2015 (hereafter referred to as “CACM Regulation”), and Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on internal market for electricity (hereafter referred to as “Electricity Regulation”).
- (3) The Hedging Product Coupling contributes to and does not in any way hamper the achievement of the objectives of Article 3 of the FCA Regulation.
- (4) The Hedging Product Coupling serves the objectives of promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants of Article 3(a) of the FCA Regulation by offering support in products that the market has demand for and regularly use for hedging purposes.
- (5) The Hedging Product Coupling serves the objectives of Article 3(b) of the FCA Regulation aiming to optimise the calculation and allocation of long-term cross-zonal capacity by applying the long-term capacity calculation methodology approved in accordance with Article 10 of the FCA Regulation for the Nordic CCR.
- (6) This Hedging Product Coupling contributes to the objectives of Article 3(c) of the FCA Regulation providing non-discriminatory access to long-term cross-zonal capacity using merit order priority as the basis capacity allocation.
- (7) This Hedging Product Coupling contributes to the objectives of Article 3(d) of the FCA Regulation ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants.
- (8) This Hedging Product Coupling respects the objectives of Article 3(e) of the FCA Regulation respecting the need for a fair and orderly forward capacity allocation and orderly price formation as the Hedging Product provides a hedge against the price volatility in the day ahead market of the concerned bidding zones.
- (9) This Hedging Product Coupling contributes to ensuring and enhancing the transparency and reliability of information on forward capacity allocation in line with Article 3(f) of the FCA Regulation.
- (10) This Hedging Product Coupling contributes to the objectives of Article 3(g) of the FCA Regulation to support the efficient long term operation and development of the electricity transmission system and electricity sector in the EU as it supports the functioning of wholesale markets by providing increased hedging possibilities using long-term cross-zonal hedging products that in itself or in combination with other products increase cross-zonal hedging opportunities.
- (11) In conclusion, the Hedging Product Coupling contributes to the general objectives of the FCA Regulation to the benefit of market participants and electricity end consumers.

SUBMIT THE FOLLOWING HEDGING PRODUCT COUPLING TO ~~FINNISH AND~~ SWEDISH REGULATORY AUTHORITIES:

TITLE 1

General

Article 1

Subject matter and scope

1. This Hedging Product Coupling lays down the rules for making available long-term financial Hedging Products to support the functioning of electricity wholesale markets in accordance with Article 30(6) of the FCA Regulation.
2. The Hedging Product Coupling is the coupling of long-term financial Hedging Products of the same maturity in two adjacent bidding zones. The coupling of products provides additional hedging opportunities for market participants while providing a hedge of congestion income for the relevant TSOs.
3. This Hedging Product Coupling applies solely to bidding zone borders between Finland and Sweden, i.e., between bidding zone Finland and bidding zone Sweden 1 (hereafter referred to as “FI-SE1”) and between bidding zone Finland and bidding zone Sweden 3 (hereafter referred to as “FI-SE3”).
 - a) The Hedging Product Coupling is applicable to Svenska kraftnät and Fingrid.
- ~~4. This Hedging Product Coupling shall be applied for a period of four years after it has been implemented. Subject to changes in the FCA Regulation, or in case the assessment of the relevant NRAs in accordance with Article 30(8) of the FCA Regulation identifies that sufficient hedging opportunities exist in the electricity forward markets in the relevant bidding zones, the TSOs may propose to the relevant NRAs that the application of this Hedging Product Coupling is terminated prior the expiry of the aforementioned four-year period.~~

Article 2

Definitions and interpretation

1. For the purposes of this Hedging Product Coupling, the terms used shall have the meaning given to them in Article 2 of the Electricity Regulation, Article 2 of the FCA Regulation, Article 2 of the CACM Regulation, Article 3 of Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as "SO Regulation"), Article 2 of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereafter referred to as “Balancing Regulation”), and Article 2 of Commission Regulation (EU) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council (hereafter referred to as "Transparency Regulation").
2. “Relevant bidding zones” in these arrangements refer to FI, SE1 and SE3.
3. In addition, in this Hedging Product Coupling, the following terms shall have the meaning below:
 - a) “Auction” means a specific trading session for the coupling of two Hedging Products relating to a specific bidding zone border;
 - b) “Auction opportunity” means a specific date and time where Auctions are performed;
 - c) “DA price” means the clearing price of the single day-ahead coupling calculated by the single price coupling algorithm pursuant to Article 37(5) in CACM Regulation;
 - d) “Future” is a contract to buy or sell a commodity or financial instrument in a designated future date at a price agreed upon at the initiation of the contract by the buyer and seller. Every futures contract has standard terms that dictate the minimum quantity and quality that can be bought or sold, the smallest amount by which the price may change, delivery procedures, maturity date and other characteristics related to the contract;
 - e) “Hedging Product” means a long-term financial hedging product, selected according to Article 7 of this Hedging Product Coupling to support the functioning of electricity wholesale markets;

- f) “Hedging Product Coupling Condition” refers to the conditionality between the price level at which the TSOs purchase and sell the respective contracts attributed to a specific border for allocation of hedging products to happen. This is further outlined in Article 5;
 - g) “MCO” means Market Coupling Operator, an entity which has been tasked to match orders for hedging products for relevant bidding zones and allocating long-term cross-zonal capacities between the relevant bidding zones by coupling hedging products across bidding zone borders;
 - h) “Market operator” means an entity that provides a service whereby the offers to sell electricity are matched with bids to buy electricity; and
 - i) “Type of contract” means the specific version of future contracts and its’ price reference used when settling the contract.
4. In this Hedging Product Coupling, unless the context requires otherwise:
- a) the singular indicates the plural and vice versa;
 - b) headings are inserted for convenience only and do not affect the interpretation of this Hedging Product Coupling; 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.
5. For the sake of clarity this Hedging Product Coupling does not affect TSOs' right to delegate their task in accordance with Article 62 of the FCA Regulation. In this Hedging Product Coupling "TSO" shall refer to Transmission System Operator or to a third party whom the TSO has delegated task(s) to in accordance with the FCA Regulation, where applicable. However, the delegating TSO shall remain responsible for ensuring compliance with the obligations under the FCA Regulation *with the exception of events when the third party to which the task is delegated is negligent or deviates from the agreement between the TSO and the third party.*

TITLE 2

Forward capacity calculation

Article 3

Determination of cross-zonal capacities for FI-SE bidding zone borders

1. The TSOs shall apply the long-term capacity calculation methodology approved in accordance with Article 10 of the FCA Regulation for the CCR Nordic. The TSOs shall use the results of the coordinated long-term capacity calculation as the basis for determining the total long-term cross-zonal capacity made available for the coupling of Hedging Products.
2. Until the capacity calculation methodology in accordance with paragraph 1 is implemented, the TSOs shall use a transitional net transfer capacity (NTC) approach to determine the long-term cross-zonal capacity that is made available annually for the coupling of Hedging Products described Article 9 of this Hedging Product Coupling.
3. When applying the transitional approach in accordance with paragraph 2, the determination of the long-term capacities shall be done individually by each relevant TSO by applying a security analysis based on multiple scenarios and taking into account the uncertainties associated with this analysis. The smaller of the NTC values calculated by the individual TSOs shall be used as a basis to determine the total long-term cross-zonal capacity made available for the coupling of the Hedging Products.
4. The TSOs shall make available annually at least the long-term cross-zonal capacity of 100 MW for the coupling of Hedging Products for both directions at each relevant bidding zone border.

Article 4
Splitting of cross-zonal capacities for FI-SE bidding zone borders

1. The TSOs shall split the long-term cross-zonal capacity that is made available for the coupling of Hedging Products between yearly, quarterly and monthly product maturities.
2. The TSOs shall publish the indicative values of the long-term cross-zonal capacities available for the coupling of the Hedging Products for the yearly, quarterly and monthly product maturities in an Auction calendar at least one month before the first Auction of the respective product.
3. The TSOs shall publish the offered long-term cross-zonal capacities for the yearly product maturities no later than one week before the Auctions of the yearly products, and for quarterly and monthly product maturities no later than two working days before the Auctions of the quarterly or monthly products. If the offered values deviate from the indicative values the reason for the deviation shall be published.
4. For the first year of applying the Hedging Product Coupling, the TSOs shall allocate approximately 40% of the available long-term cross-zonal capacity to the yearly Hedging Products, approximately 40% to the quarterly Hedging Products, and approximately 20% to the monthly Hedging Products. The TSOs shall consult the market participants annually on the splitting of the total long-term cross-zonal capacity to the different Hedging Product maturities. The offered long-term cross-zonal capacity for all the long-term allocations is expected to be approximately 10-20% of the capacity made available for the day-ahead market timeframe.
5. The long-term cross-zonal capacity made available for the coupling of Hedging Products shall adhere to the condition that the volume made available for allocation in one specific contract/product shall not exceed one third of the historic five year average open interest for similar contracts in the relevant bidding zone.
6. The TSOs shall submit the offered long-term cross-zonal capacities for each product maturity to the MCO for the coupling of the Hedging Products.

TITLE 3
Forward capacity allocation

Article 5
Hedging Product Coupling Condition

1. The Hedging Product Coupling Condition for the coupling of the Hedging Products shall be as follows:
 - a) Under the condition that there is a neutral or positive price spread between the marginal prices for the TSO BUY obligation and the TSO SELL obligation in the simultaneous Hedging Product coupling Auctions in the adjacent bidding zones, the MCO shall match and allocate equal volumes of the Hedging Products in these adjacent bidding zones.
2. The volume allocated in the Auctions fulfilling the condition set in paragraph 1 is either:
 - a) equal to the offered cross-zonal capacity as provided by the TSOs; or
 - b) the maximum volume at which the condition set in paragraph 1 is respected. This volume is lower than the offered cross-zonal capacity provided by the TSOs.

Article 6
Design of Hedging Products

1. The Hedging Products eligible for the Hedging Product Coupling shall fulfil the following criteria:
 - a) be an obligation that hedges against the DA bidding zone price for the relevant bidding zone, being either;

- i) a future contract settled against the DA price of the particular bidding zone, or;
 - ii) a CfD obligation settled against the DA price difference of the particular bidding zone and the calculated DA price of a hub (a reference price);
- b) be traded on public exchanges;
 - c) *be free to list by any public exchange;*
 - d) be listed and cleared at authorised clearing houses according to applicable financial market legislation;
 - e) the eligible products shall be available in yearly, quarterly, and monthly maturities; and
 - f) at least, but not limited to, have the following properties specified:
 - i) the underlying commodity of the contract (i.e. Electricity contract);
 - ii) evaluation method (such as the price of the product in relation to the DA price for the same bidding zone);
 - iii) unit trade or trade lot (i.e. 1 MW, 0,1 MW or another standard unit for Electric Power);
 - iv) currency (i.e. EUR);
 - v) resolution of the contract price, tick size (i.e. 0,01 EUR/MWh);
 - vi) the price of the contract as agreed by the purchaser and seller and expressed in the currency of the contract;
 - vii) the period during which the contract is eligible and settlement is appraised (often referred to as delivery period);
 - viii) the timeslots during the delivery period that the contract is applicable (such as Base Load which covers all hours of the delivery period (00:00 – 24:00 CET));
 - ix) how the contract is settled (such as settlement with cash); and
 - x) the central counter party (hereafter referred to as “CCP(s)”) who clear the contract (often referred to as Clearing venue(s)).
2. Only contracts listed by CCPs for which ordinary firmness rules apply according to the CCP requirements, shall be used as Hedging Products.

Article 7

Selection of the Hedging Products

1. TSOs shall select the Hedging Products utilised in the Hedging Product Coupling in accordance with the following procedure:
 - a) TSOs shall consult market operators and CCPs as regards the products fulfilling the eligibility criteria as specified in Article 6;
 - b) TSOs shall consult market participants regarding the capability of the products specified under point a) to fulfil their hedging needs; and
 - c) TSOs shall select the Hedging Products based on the inputs received under points a) and b) above.
2. The selection of products in accordance with paragraph 1 above shall be performed within six (6) months after the fulfilment of the conditions set in Article 30(2) and in accordance with the applicable national procurement legislations, and after that every two years.

Article 8

Rules and conditions for the allocation - including pricing of the selected Hedging Products

1. The allocation of the long-term Hedging Products shall respect the following principles:

- a) marginal pricing principle (also known as a ‘pay-as-clear’) shall be applied to generate results for each relevant bidding zone border, including the direction of the long-term cross-zonal capacity utilisation, and the volumes and the market clearing prices of the matched orders of the offered Hedging Product maturities;
 - b) the allocated volumes of the Hedging Products shall not exceed the offered long-term cross-zonal capacity provided by the TSOs in accordance with Article 4(3); and
 - c) Auction results are repeatable.
2. The offered Hedging Products shall fulfil the Hedging Product criteria specified in Article 6 and the Auctions shall be held in accordance with the Auction rules specified Article 12.
 3. The market clearing prices for the Hedging Products for each bidding zone and each maturity shall be expressed in EUR/MWh.
 4. If different Hedging Products with the same maturities are simultaneously offered in the Auctions for the Hedging Products, the available long-term cross-zonal capacities shall be allocated to the different products in accordance with the volumes of the market participants’ orders for these products.

TITLE 4

Hedging Product Coupling Process

Article 9

Description of the Hedging Product Coupling Process

1. In the Hedging Product Coupling Process the Hedging Products, are allocated to market participants and the TSOs. The Hedging Product Coupling Process shall include, but not be limited to, the following steps;
 - a) the TSOs select the MCO according to Article 18;
 - b) the TSOs publish the long-term cross-zonal capacities available for the Hedging Product Coupling Process according to Article 4;
 - c) the MCO publishes the Auction calendar according to Article 19 and the Auction rules described in Article 12;
 - d) the MCO performs the Auctions according to Article 13; and
 - e) the CCPs settle the positions obtained in the Auctions with the market participants and TSOs, and clear the Hedging Products;
2. The Hedging Product Coupling Process includes, but is not limited to, these general roles and responsibilities;
 - a) market participants who submit orders and obtain hedging positions with their CCP.
 - b) the TSOs who provide inputs to the MCO and obtain hedging positions with the CCP(s) in the Auctions organised by the MCO;
 - c) the MCO who receives and matches the orders and informs the CCPs, market participants, and the TSOs of the matching and clearing;
 - d) the CCPs which clear the Hedging Products that are allocated to the market participants and TSOs in the Auctions; and
 - e) Service Providers, which may provide services managing the participation of market participants in the process.
3. In the Hedging Product Coupling Process at least the following general relationships and agreements for the roles described in paragraph 2 shall be established;
 - a) market participants, either directly or via a Service Provider, shall have an agreement with the MCO according to Article 11, and with a CCP that clears the Hedging Products;

- b) the TSOs shall have an agreement with the MCO for performing the task defined in Article 19, and with the CCPs selected by the market participants that have an agreement with the MCO for clearing the Hedging Products;
- c) the MCO shall have agreements with the market participants, or their contracted Service Providers, according to Article 11, and with the CCPs of the market participants or their Service Providers;
- d) the CCPs shall have agreements with the market participants and the TSOs for clearing the Hedging Products and an agreement with the MCO to process the results of the matching of the orders for the Hedging Products;
- e) the Service Providers, if relevant, shall have agreements with the MCO according to Article 11, and with the market participants and the CCPs.

Article 10

Input data and results of the Auctions

1. The MCO shall use the following input data for the Auctions for the coupling of Hedging Products:
 - a) the offered long-term cross-zonal capacity submitted by the TSOs in accordance with Article 13(2); and
 - b) the orders submitted by the market participants in accordance with Article 13(4).
2. The MCO shall translate the offered long-term cross-zonal capacity, provided in accordance with Article 4, to the volumes for each Hedging Product to be auctioned.
3. The MCO shall determine at least the following results for each Auction:
 - a) the volume of the cleared Hedging Products for each specific product expressed in MW;
 - b) the price of the cleared Hedging Products for each specific product expressed in EUR/MWh; and
 - c) the execution status of Hedging Product orders (cleared or not cleared).
4. The MCO shall ensure that Auction results are accurate.
5. The TSOs shall check that the Auction results are consistent with the inputs provided to the MCO in accordance with paragraph 1(a).

Article 11

Terms and conditions for participation in the Auctions for the Hedging Products

1. Market participants or, if relevant, their Service Providers shall have a participation agreement with the MCO and meet all eligibility requirements under the Auction rules of Article 12 before being entitled to participate in the Auctions for the Hedging Products.
2. Market participants shall fully comply with the Auction Rules of Article 12. They shall keep all information relating to their participation up to date and notify the MCO of any changes to this information without delay.
3. The MCO shall be entitled to suspend or withdraw a market participant's or, if relevant, the Service Provider's right to participate in the Auctions for the Hedging Products following a breach of the participation agreement between the market participant/Service Provider and the MCO.

Article 12

Auction rules

1. The allocation of the Hedging Products shall adhere to the Hedging Product Coupling Condition according to Article 5.

2. Marginal pricing shall be applied for the Auctions.
3. The TSOs, in cooperation with the MCO, shall define the Auction rules that shall be published and readily available at the MCO website. The Auction rules shall at least contain, but not be limited to, detailed rules for publishing and updating at least the following information:
 - a) date and time of the gate opening and gate closure of the Hedging Product Auctions;
 - b) split of the offered long-term capacity to volumes and maturities of the offered Hedging Products;
 - c) format of orders (buy and sell orders); and
 - d) date and time of publication of the results of the Hedging Product Auctions.
4. Each market participant shall submit its orders to the MCO prior to the gate closure time and in accordance with the conditions set out in the specified Auction rules;
 - a) Orders may be altered during the time of entering orders. After gate closure time they are fully firm.
5. At least, the following criteria shall apply for each Auction allocating Hedging Products;
 - a) the minimum number of unique bidders for each type of contract and maturity in an Auction must never be less than five (5);
 - b) one individual market participant shall only be able to submit orders of a volume that does not exceed the corresponding volumes of the total long-term cross-zonal capacity offered by the TSOs for the Auction.
 - c) the minimum volume of trading interest for each type of contract and maturity in an Auction must never be less than 200% of the offered capacity;
6. The primary allocation principle is price.
 - a) The secondary principles are time of order submission; and
 - b) proportional allocation of the volume between the orders at the same price and time stamp.
7. In case any of the criteria listed in paragraph 5 is not met, the MCO may cancel Auctions. The Auction rules shall include the procedures for the cancellation.
8. TSOs may in exceptional circumstances, such as in case of unproportional collateral requirements set for the Hedging Products, inform *and describe the reason for* the market participants and order the MCO to suspend the Auctions.
9. All transactions resulting from an Auction shall be concluded by clearing with CCPs listing the Hedging Products.
10. Requirements for participation in Auction, at least but not limited to those specified in Article 11.

Article 13

Auction

1. The MCO shall organize each Auction at the time specified in the Auction calendar.
2. TSOs shall provide to the MCO the offered long-term cross zonal capacity published in accordance with Article 4(3) for each bidding zone border.
3. The MCO shall convert the offered long-term cross-zonal capacity provided in accordance with paragraph 2 to the offered volumes of Hedging Products for each product maturity in the relevant bidding zone and update the values in the Auction calendar.
4. The MCO shall receive the orders submitted by market participants within the gate opening and gate closure times as defined in the Auction rules.
5. The MCO shall verify market participants' orders before taking them in to account in the matching of orders.

6. The MCO shall match the offered volumes of the Hedging Products with the orders of the market participants respecting the Hedging Coupling Condition and the long-term cross-zonal capacity offered by the TSO by utilizing the algorithm described in Article 14 to define a market clearing price and the volumes allocated to each participant in the Auction.
7. The MCO checks with the CCPs that the market participants' orders are valid;
 - a) If all the matched orders are validated by the CCPs, the matched volumes are allocated to the market participants and the TSOs at the market clearing price defined in the Auction;
 - b) If a CCP is unable to clear an order of a market participant the Auctions will be re-run.
8. The volumes of the Hedging Products allocated to the TSOs shall be cleared with an equal distribution (50/50) between the TSO.
 - a) The volumes allocated to market participants and the TSOs shall be dividable into two equal shares. If not, the allocated volumes shall be curtailed until this condition is fulfilled.
9. The MCO shall inform the market participants of the status (cleared/not cleared) of their orders.
10. The MCO shall publish the results of the Auction according to Article 16.

Article 14

Algorithm for allocating long-term cross-zonal Hedging Products

1. The algorithm for the allocation of Hedging Products shall have the following objectives;
 - a) the main objective is to maximize social welfare; and
 - b) the secondary objective is to maximize allocated volume.
2. The allocation algorithm shall have the following constraints;
 - a) adhere to the Hedging Product Coupling Condition in Article 5;
 - b) adhere to the volumes for the Hedging Products corresponding to the offered long-term cross-zonal capacities according to Article 3 and Article 4; and
 - c) there shall be no matching of the buy and sell orders provided by the market participants within a bidding zone.

Article 15

Establishment and initiation of fallback procedures

1. In the event that the MCO is unable to produce Auction results, the default fallback procedure shall be the postponement of the Hedging Product Auctions until the next Auction opportunity.
2. The TSOs may propose and implement an alternative fallback procedure for the Hedging Product Auctions on FI-SE1 and FI-SE3 bidding zone borders.

Article 16

Publication of market information and results

1. The TSOs shall publish, through the MCO, and in accordance with the Transparency regulation (EU) 543/2013, at least the following information;
 - a) Auction rules in accordance with Article 12;
 - b) long-term cross-zonal capacities made available for the Auctions by the TSOs and the corresponding volumes of the selected Hedging Products;
 - c) the Auction calendar setting out the indicative and final volumes of the Hedging Products to be offered for sale or purchase and the dates for each Auction;

- d) Hedging Product Auction results;
 - i) number of market participants bidding in each Hedging Product Auction;
 - ii) number of successful bidders in each Hedging Product Auction;
 - iii) the total volume of bids in each Hedging Product Auction;
 - ~~iv) the market clearing price of each Hedging Product Auction; and~~
 - ~~v) the list of identification codes for the market participants obtaining the Hedging Products in the Auctions.~~
- 2. The TSO shall ensure that historical data covering Auction results for a period of not less than five years is made publicly available.
- 3. The MCO shall publish its contact details and working hours.

Article 17

Financial requirements and clearing and settlement

- 1. To participate in the Auctions, market participants shall have sufficient collaterals to secure their Hedging Product orders to each Auction.
 - a) Failing to meet the collateral requirement of their CCP for an Auction shall be seen as breach of the Terms and conditions for participation in the Auctions for the Hedging Products and subject to the provisions in Article 11(3).
- 2. The Hedging Products are settled as specified by the CCP(s) for the Hedging Products.
- 3. The Hedging Products allocated to each market participant and each TSO in the Auctions shall be cleared and settled with the CCP of each party for the transaction and subject to the rules and condition of that CCP.

TITLE 5

Forward allocation platform

Article 18

Selection of market coupling operator (MCO)

- 1. The TSOs shall select the MCO that performs the Auctions adhering to the general process in Article 9 and in accordance with relevant provisions of these arrangements.
- 2. The MCO shall be selected through a public tendering process. The contract term for the MCO shall be four (4) years.
- 3. The procurement of the MCO shall be performed within six (6) months after the fulfilment of the conditions set in Article 30(2) and in accordance with the applicable national procurement legislations.
- 4. The MCO shall be either a licensed brokerage firm or a market operator authorized as a regulated market by competent national authorities.
- 5. The MCO appointed under this Hedging Product Coupling shall be allowed to provide appropriate arrangements so as to facilitate the access to and the participation in the Auctions by the market participants. The MCO shall be liable for the results of the Hedging Product Auctions.
- 6. When appointing the MCO, the TSOs shall take into account the extent to which candidates demonstrate the fulfilment of criteria, such as:
 - a) the adherence to the principle of non-discrimination both de facto and de jure;
 - b) ensuring fair and equitable access to bids in the Auctions;

- c) ensuring cost-efficiency and avoiding undue administrative burden;
 - d) robust Auction supervision, notification of suspicions of money laundering, terrorist financing, criminal activity or market abuse, administration of any required remedial measures or sanctions, including the provision of an extra-judicial dispute resolution mechanism;
 - e) connection to one or more clearing system or settlement system; and
 - f) the provision of adequate measures requiring a MCO to hand over all tangible and intangible assets necessary for the MCO's successor to conduct the Auctions.
7. The MCO auctioning the Hedging Products shall offer a practical web-based training module on the Auction process it is conducting, including guidance on how to complete and submit any forms and a simulation of how to bid in an Auction. It shall also make available a helpdesk service accessible by telephone, and electronic mail at least during the working hours of each trading day.

Article 19

Tasks and functional requirements of the market coupling operator (MCO)

1. The MCO shall:
 - a) have the necessary contractual arrangements with the market participants, TSOs, CCPs, and if relevant, with the Service Providers of the market participants according to Article 9(2e);
 - b) publish the necessary information in accordance with, but not limited to, Article 16;
 - c) convert input data received from TSO according to Article 10 to information relevant for the Auctions according to Article 13;
 - d) publish the Auction calendar including at least the following information;
 - i) the dates of each Auction;
 - ii) the products offered in each Auction;
 - iii) the volumes of each product offered in each Auction; and
 - iv) updates, if relevant, to the information in i), ii) and iii).
 - e) receive the Hedging Product orders from market participants or their Service Provider;
 - f) ensure the confidentiality of the submitted orders;
 - g) match the received Hedging Product orders related to the Hedging Products for FI, SE1 and SE3 bidding zones taking into account Auction rules of Article 12 and using the algorithm described in Article 14;
 - h) send the results of the matching to the TSOs;
 - i) send results of the Auctions to the selected CCP of each market participant;
 - j) send the results verified by the CCPs to the relevant market participants and the TSOs; and
 - k) publish the results of the Auctions according to Article 16.

Article 20

Tasks of TSOs related to MCO

1. The TSOs shall organise the Hedging Product Coupling.
2. The TSOs shall:
 - a) select the MCO according to Article 18;
 - b) develop, together with the MCO, the Auction rules in accordance with Article 12;
 - c) calculate and split long-term cross-zonal capacities in accordance with Article 3 and Article 4;

- d) submit the offered long-term cross-zonal capacities to the MCO for each Auction in accordance with Article 13;
- e) register as clearing party with each CCP chosen by market participants and, if relevant, as an exchange member for the Hedging Products; and
- f) monitor the implementation of the Hedging Product Coupling according to Article 29.

TITLE 6
Firmness of allocated cross-zonal capacity

Article 21
Firmness rules

Firmness of the Hedging Products allocated in the Auctions shall be as specified in the contract specification for these products.

TITLE 7
Congestion income and cost recovery

Article 22
Income from the selected cross-zonal Hedging Products (congestion income)

The profit or loss generated to the TSOs from entering into positions of Hedging Products allocated in the Auctions shall be identified as congestion income.

Article 23
Income distribution methodology

The TSOs shall receive their share of the congestion income, generated in accordance with Article 22, for the relevant bidding zone borders based on a 50%-50% sharing key.

Article 24
Cost of establishing and operating the allocation platform

1. The TSOs responsible for the Hedging Product Coupling shall jointly bear the costs related to the establishment and operation of the MCO. These costs shall be shared between the TSOs according to a 50%-50% sharing key.
2. Clearing and settlement costs related to the Hedging Products allocated in the Hedging Product Auctions, shall be borne by each TSO.

Article 25
Remuneration

Each market participant and each TSO shall bear its remuneration costs for the clearing and settlement of the Hedging Products resulting from its participation in the Auctions performed by the MCO in accordance with Article 13.

Article 26

Costs of establishing and operating the transitional coordinated capacity calculation process between Finland and Sweden for forward capacity calculation timeframe

Each TSO shall individually bear the costs related to the transitional capacity calculation process described in Article 3.

Article 27

Cost recovery

Each TSO may require that all the costs resulting from this Hedging Product Coupling shall be recovered by the national regulations relevant for that TSO.

TITLE 8

Final provisions

Article 28

Delegation of tasks

1. A TSO may delegate all or part of any task assigned to it under this Hedging Product Coupling to one or more third parties in the case the third party can carry out the respective function at least as effectively as the delegating TSO. The delegating TSO shall remain responsible for ensuring compliance with the obligations under this Hedging Product Coupling, including ensuring access to information necessary for monitoring by the regulatory authority with the exception of events when the third party to which the task is delegated is negligent or deviates from the agreement between the TSO and the third party.
2. Prior to the delegation, the third party concerned shall have clearly demonstrated to the delegating TSO its ability to meet the obligations of this Hedging Product Coupling that apply to the specific task assigned by the TSO.
3. In the event that all or part of any task specified in this Hedging Product Coupling is delegated to a third party, the delegating TSO shall ensure that suitable confidentiality agreements in accordance with the confidentiality obligations of the delegating TSO have been put in place prior to delegation.

Article 29

Monitoring of the implementation of the Hedging Product Coupling

1. The TSOs shall monitor the implementation of the Hedging Product Coupling and submit a monitoring report to the NRAs in Finland and Sweden on annual basis.
2. Monitoring of the implementation of Hedging Product Coupling shall cover in particular the following matters:
 - a) the splitting of the long-term cross-zonal capacity for the purpose of Hedging Product Coupling;
 - b) the clearing prices and volumes of the Hedging Products allocated in the Auctions; and
 - c) the functioning of the long-term capacity allocation performed via Auctions, including but not limited to:
 - i) hedging Product availability;
 - ii) hedging Product transparency;
 - iii) transaction and entry costs;

- iv) diversity of counterparties;
- v) market concentration; and
- vi) metrics for the measurement of market liquidity such as; turnover, open interest, churn rates, market depth, bid-ask spreads, time to maturity and risk premiums.

Article 30

Publication and Implementation

1. The TSOs shall publish these arrangements for the Hedging Product Coupling without undue delay after NRAs in Finland and Sweden have approved the Hedging Product Coupling or a decision has been taken by the Agency for the Cooperation of Energy Regulators.
2. The TSOs shall implement the Hedging Product Coupling on bidding zone borders between Finland and Sweden in accordance with article 30(6) of the FCA Regulation when the following conditions are fulfilled:
 - a) the TSOs' proposal for the Hedging Product Coupling has been approved by the relevant NRAs *or a decision has been taken by the Agency for the Cooperation of Energy Regulators*; and
 - ~~b) each TSO has been assigned, if relevant, in its national legislation the tasks necessary to organise the proposed Hedging Product Coupling, and the recovery of the costs resulting from the Hedging Product Coupling is addressed in the relevant national regulations.~~
3. The Hedging Product Coupling shall be first implemented on the SE1-FI bidding zone border.
4. By twelve (12) months after the implementation of the Hedging Product Coupling on the SE1-FI bidding zone border, the Hedging Product Coupling shall be implemented on the SE3-FI bidding zone border.

Article 31

Language

The reference language for this Hedging Product Coupling shall be English. For the avoidance of doubt, where TSOs need to translate this Hedging Product Coupling into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 4(13) of the FCA Regulation and any version in another language, the relevant TSOs shall be obliged to dispel any inconsistencies by providing a revised translation of this Hedging Product Coupling to their relevant national regulatory authorities.