AGREEMENT BETWEEN
AUTORITÀ PER L'ENERGIA ELETTRICA E IL GAS
AND
COMMISSION DE REGULATION DE L'ELECTRICITE
ON
TRANSFER CAPACITY ALLOCATION OVER THE GRID
INTERCONNECTING ITALY WITH FRANCE
FOR THE YEAR 2003

The present document contains the general outlines adopted by the *Autorità per l'energia elettrica e il gas* (hereafter AEEG) and the *Commission de Régulation de l'Electricité* (hereafter CRE) with respect to terms and conditions for allocating the transfer capacity over the interconnected grid between Italy and France for the year 2003.

The general outlines for the year 2003 have been built over the current agreement between AEEG and CRE on the same subject for the year 2002 (hereafter: AEEG-CRE 2002 agreement) and the draft agreement as per AEEG's order No 160/02, taking also into account forthcoming modifications of the Italian electricity framework through the introduction of the so-called zonal congestion management.

AEEG and CRE recall that electricity exchanges aimed to the Italian customers over the network of the neighbouring Countries to Italy shall be possible and non discriminatory and that cross border trade conditions (tariff) shall be determined on the base of ETSO temporary agreement on CBT or any other agreement established by ETSO and enforced by the EC in accordance with CEER.

In this documents "the TSOs" refers surely to GRTN and RTE and, depending on their agreement to participate in the joint allocation procedure, to the Swiss grid operators.

The TSOs jointly perform the allocations. They are jointly and severely responsible for the management of the joint allocation procedure.

A Determination of the yearly transfer capacity on the NW border for the year 2003

1. The yearly transfer capacity on the NW border for the year 2003, proposed by the TSOs, are shown in the following table.

Transfer capacities for the year 2003 (winter values)	
France	*Switzerland*
2650	3050

The total NW border capacity is therefore equal to 5700 MW (winter values) for the year 2003.

2. To the existing long-term contracts (signed before entering into force of the European directive 96/92/EC), a transfer capacity equal to the power profile stated in the contracts is allocated, provided that these contracts are devoted to supply the Italian franchised market. Namely:
   a) 1400 MW France to Italy;
   b) 600 MW Switzerland to Italy.

3. 100 MW are additionally allocated to the Italian franchised market for the year 2003; the repartition of this capacity allocated by GRTN to the Italian franchised market between the

electrical borders of France and Switzerland must be proportional (rounded to tenth) to the transfer capacity figures listed in §A.1.

4. In case the Swiss TSOs do not participate in the joint allocation procedure and organize an autonomous allocation, 50% of the Swiss transfer capacity remaining after deduction of the capacity allocated to the Italian franchised market, according to §A.2 and §A.3, will be autonomously allocated by them.

5. "Net NW border capacity" hereafter refers to the total NW border capacity minus the capacity allocated to the existing long-term contracts, the capacity allocated to the Italian franchised market for the year 2003 and the capacity autonomously allocated by the Swiss TSOs, in case they do not participate in the joint allocation procedure and organize an autonomous allocation, according to §A4. The net NW border capacity will be jointly allocated by GRTN and RTE.

6. Parts of the net NW border capacity are pre-allocated to third States embedded into the Italian territory and to Corsica, namely:

   a) for electricity import into the Republic of San Marino: max 50 MW (the final figure will be fixed by GRTN according to Italian Government directives; this final figure will in any case be below 50 MW);
   b) for electricity import into the State of Città del Vaticano: max 50 MW;
   c) for electricity transit through the Italian grid from continental France to Corsica: max 55 MW.

   The capacity to Corsica will be pre-allocated on the electrical border of France. The repartition of the capacity pre-allocated to third States embedded into the Italian territory between the electrical borders of France and Switzerland will be made according to the requests of the said third States. These requests will be made once for year 2003 before the completion of the allocation process for the aforementioned year.

7. Included in the net NW border capacity for 2003, a capacity of 950 MW (for years 2003 and 2004) will be separately allocated to Italian eligible customers with "interruptible loads". Within the said figure of 950 MW, an amount of 500 MW has been already allocated for the years 2002-2004, according to AEEG-CRE 2002 agreement.

8. The allocation process shall ensure that whenever the corresponding right of access to the interconnection is not exploited, the unused capacities shall be made available for the short term allocation to other users.

B Transfer capacity allocation for the year 2003

Allocation of annual available capacities in the NW border

1. "Capacities allocated in the annual allocation" hereafter refer to the annual available capacities remaining after deduction of:

   - the existing long-term contracts allocated to the Italian franchised market, according to §A.2;
   - additional 100 MW allocated to the Italian franchised market, according to §A.3;
   - 950 MW allocated to Italian eligible customers with "interruptible loads", according to §A.7;

- pre-allocated capacities to third States embedded into the Italian territory and to Corsica, according to §A.6; and;
- autonomously allocated capacity by the Swiss TSOs, in case they do not participate in the joint allocation procedure and organize an autonomous allocation, according to §A.4.

Rights on capacities allocated in the annual allocation last one-year-long period. This annual allocation is performed only for the year 2003. It is open to all final eligible Italian customers and all operators, which have license in EU to trade electricity.

2. The additional 450 MW allocated to Italian eligible customers with "interruptible loads" are allocated through a pro-rata mechanism; the capacities allocated in the annual allocation are allocated through a pro-rata mechanism with an exit threshold of 3 MW **(**winter values). Lower capacities after the pro-rata application are disregarded. A detailed description of these mechanisms will be submitted to AEEG and CRE by the TSOs for approval.

3. In case the operational constraints of the grids require to reduce the capacity available in the NW border before the day ahead nominations, all capacities allocated in the annual allocation, all capacities allocated to Italian eligible customers with "interruptible loads" and all capacities autonomously allocated by the Swiss TSOs in case they do not participate in the joint allocated procedure will be reduced the same multiplying factor. This may happen for example during the summer period or during specific periods such as maintenance or construction periods. Such reductions shall be part of the detailed description of the mechanism submitted to AEEG and CRE by the TSOs for approval. In case the operational constraints of the grids require to reduce the capacity available in the NW border after the day ahead nominations, all nominated capacities will be reduced the same multiplying factor.

4. Appropriate clauses on capacity requests should be foreseen in order to assess the final use of energy exchanged through requested capacity and to limit the requests to the maximum consumption of the corresponding eligible consumers.

5. Allocated capacity might be released and reallocated exclusively via short-term allocation mechanisms.

6. After the completion of the allocation process, no company or group of companies can hold more than 10% of the total of the capacities allocated in the annual allocation and of the capacities allocated to Italian eligible customers with "interruptible loads".

7. Allocated capacity – if resulting a scarce resource - must be used to import electricity at least 80% of the equivalent hours of the period (month). Use of the allocated capacity will be verified taking into account the exchange program at the Italian border. Violations of the above mentioned constraint (monthly verified) determines the disruption of the allocated rights to the single operator for the entire duration of the annual allocation. Released capacity will be reallocated in the short-term allocation mechanisms.

8. The repartitions of the total capacity allocated respectively to interruptible customers (see §A.7) and to all final eligible Italian customers (see §B.4) between the electrical borders of France and Switzerland must be proportional to the available transfer capacity after deduction of the existing long term contracts, of the capacity allocated to the Italian franchised market, of pre allocated capacities to third States embedded into the Italian territory and to Corsica and of capacity autonomously allocated by the Swiss TSO's in case they do not participate in the joint allocation procedure and organize an autonomous allocation.

Short-term allocation of available capacities on the NW border

9. AEEG and CRE will endeavour to agree on advanced mechanisms to be adopted in order to allocate transport capacity on monthly or weekly basis for the year 2003. Such advanced mechanisms to be proposed by the TSOs will envisage the utilization of market-based principles like the methods which are intended to be used in Italy to allocate capacity rights-of-usage. According to the aforementioned agreement among regulators, the frequency (month or week) and detailed organization of the short-term allocation mechanisms will be finally submitted by the TSOs to the regulators themselves for approval. Such mechanisms will be designed as to keep the cost of electricity imported into Italy as low as possible for consumers, without any discrimination, and will take into account the necessity to re-allocate all unused capacity, including the capacity unused by the long term contracts and the supply of San Marino, the Vatican City and Corsica, to re-allocate released capacities and to allocate further capacities which might be declared by the TSOs for a period shorter that the year.

   In any case, there shall be a daily allocation mechanism which shall be consistent with the closing time of the power exchanges, when established.

Rights and obligations of the transfer capacity holders

10. Grid users holding rights on transfer capacity shall establish appropriate contracts with the TSOs included in the NW border and shall refer to the relevant TSO in order to settle energy unbalances against the exchange programs at the electrical border. The same provision is also valid in Italy.

Regulations of the allocations

11. General regulations for the annual and short-term allocation procedures are proposed by the TSOs. The regulations enter into operation once approved by AEEG and CRE.
12. The regulation for the annual allocation has to be proposed by the TSOs by December 1st, 2002. Regulations for the short term allocation, complying with the agreement among regulators according to §B.9, to be enforced before and after the operation of the Italian new dispatching discipline, has to be proposed, in principle, by February 28th, 2003.

Organisation of the joint allocation by the TSOs

13. The allocation will be organised by a joint Committee established by the TSOs assuring transparency of the allocation process towards the TSOs. Terms and conditions to foster the transparency on allocation will be proposed by the TSOs and subject to a further agreement between regulators.
14. The Committee shall propose a regulation for the NW border allocation and it will execute the NW border allocation once the regulation has been approved by AEEG and CRE. The above regulation shall be drawn according to AEEG and CRE deliberations in the matter and shall be notified to the respective regulator.
15. The allocation of the capacities on the NW border and operation of the corresponding interconnections shall comply with the CEER position paper on transparency of network access and system development.