

**APPROVAL BY ITALY NORTH REGULATORY
AUTHORITIES**

OF

**THE FALLBACK PROCEDURES IN ACCORDANCE WITH
ARTICLE 44 OF THE COMMISSION REGULATION (EU)
2015/1222 OF 24 JULY 2015 ESTABLISHING A
GUIDELINE ON CAPACITY ALLOCATION AND
CONGESTION MANAGEMENT**

18 March 2022

Commentato [A1]: Expected date for approval

I. Introduction and legal context

This document elaborates an agreement of the Greece-Italy Regulatory Authorities, agreed on **18 March 2022** at Italy North Energy Regulators' Regional forum, on the fallback procedures (hereinafter referred to as: IN Fallback Procedures) in accordance with Article 44 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (hereinafter referred to as: CACM).

This agreement of the Italy North Regulatory Authorities (hereinafter referred to as: IN NRAs) shall provide evidence that a decision on the IN Fallback Procedures does not, at this stage, need to be adopted by ACER pursuant to Article 9(11) of CACM. It is intended to constitute the basis on which IN NRAs will each subsequently make national decisions pursuant to Article 9(10) of CACM to approve the IN Fallback Procedures.

~~IN TSOs publicly consulted the first amendment of the second amendment of the IN fallback procedures and SAR from 21st January 2022 to 20th February 2022. IN TSOs included, in their submission of the amendment proposal, an explanatory note including a discussion on the responses received from stakeholders during the public consultation.~~

Commentato [A2]: Moved below

The legal provisions that lie at the basis of the IN Fallback Procedures, and of this IN NRAs agreement, can be found in Article 3, 8, 9, and 44 of CACM, as amended pursuant to the Commission Implementing Regulation 2021/280.

II. The Italy North TSOs proposal

Following the approval of the second release of the IN Fallback Procedures by IN NRAs on 15 March 2021, the TSOs of the Italy North CCR (hereinafter referred to as: IN TSOs) developed a third release of the methodology aimed to align the fallback procedures with the new timeline for coupling activities agreed at European level by all the parties participating in the Single Day-Ahead Coupling and expected to entry into force on 20 April 2022 along with the D-2 flow based for Core CCR.

The new release of the IN fallback procedures was consulted by the IN TSOs through ENTSO-E from 21 January 2022 to 20 February 2022, in line with Article 44 and Article 12 of CACM¹. The final proposal was received by the last Regulatory Authority of the Italy North Capacity Calculation Region on **xxx March 2022, along with an explanatory note including a discussion on the responses received from stakeholders during the public consultation.** Article 9(10) of CACM requires IN NRAs to consult and closely cooperate and coordinate with each other in order to reach agreement and make decisions within six months following receipt of submissions of the last Regulatory Authority concerned. A decision is therefore **required by xxx September 2022.** Nonetheless since the new fallback procedures with the new timeline are expected to entry into force on 20 April 2022 along with the new timing for the single day-ahead coupling, IN NRAs agreed to speed up the process and have the methodology approved by 20 March 2022, so to allow JAO to publish the new version of the shadow auction rules (attached to the fallback methodology) one month ahead with respect to the planned entry into force.

The new version of the IN Fallback Procedures confirms explicit day-ahead auctions (so called shadow auctions) on all the borders based on the Shadow Allocation Rules version 21/01/2022 attached to the proposal. In derogation to the standard rule, till D-2 flow based is implemented in Core CCR, a local day-ahead market (local MGP) on the Italy-Slovenia border managed by the Italian NEMO GME that acts as service provider for the Slovenian NEMO BSP is used as fallback; if the local MGP cannot be implemented on the border, shadow auctions are run as well.

¹ The public consultation is available on the ENTSO-e website:
<https://consultations.entsoe.eu/markets/italy-north-ccr-amendment-of-the-day-ahead-fallbac/>
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The only novelty with respect to the previous release consists in the timings for the publication of the shadow auction results: it is postponed by 20 minutes at 14.28 instead than at 14.08. This is consistent with the increase by 20 minutes of the time allocated to the Euphemia algorithm to find a solution avoiding the decoupling declaration.

The proposal includes a description of its expected impact on the objectives of CACM, in line with Article 9(9) of CACM itself.

III. Italy North Regulatory Authorities position

The only changes introduced in this new release of the fallback methodology with respect to the first release are:

- a) the inclusion in the Annex of the Shadow Auction Rules version 21/01/2022, substituting the Shadow Auctions version 1.5 included in the previous release;
- b) the shift of the publication of the results from 14.08 to 14.28 CET due to a shift of the formal decoupling declaration from 14.00 to 14.20 CET agreed by all the parties involved in the Single Day-Ahead Coupling in order to allow more time to the Euphemia algorithm to find a solution; this shift is reflected both in the methodology and in the annexed Shadow Auction Rules.

IN NRAs are fine with both these changes.

IN NRAs also acknowledge the fact that the possibility to run a local MGP on Italy – Slovenia border is preserved. In principle IN NRAs deem an implicit auction, even if locally run, more efficient in terms of price formation than an explicit auction, nonetheless they are aware that such local coupling will no longer be applicable for the technical reasons once the D-2 Core flow based CCM is implemented.

Since the entry into force of the new timings (and hence of this new fallback methodologies) and of the D-2 Core flow based CCM are aligned, the local MGP sessions could have thus been completely phased out already in this new release of the fallback procedures, since it is expected to be no longer used. IN NRAs have assessed the opportunity to directly amend the fallback procedures according to Article 9(5) of the CACM Regulation in order to delete any reference to the no longer applicable local MGP session, but due to tight timeline to have these fallback procedures approved to avoid hampering the implementation of the Core D-2 flow based, they have agreed to approve the proposal as it is. As a consequence, the local MGP session is kept as a derogation to the standard rule even if all the parties are well aware that this opportunity is expected to be never used. IN TSO are nonetheless invited to delete the reference to local MGP in the future releases, if any, of these fallback methodologies.

Conclusions

IN NRAs have consulted and closely cooperated and coordinated to reach agreement that they amend and approve the IN Fallback Procedures submitted by IN TSOs pursuant to Article 44 of CACM

IN NRAs must make their national decisions to approve the IN Fallback Procedures, on the basis of this agreement, by 18 April 2022 in order to set the legal background for their implementation starting on 20 April 2022.