

**APPROVAL BY THE ITALY NORTH REGULATORY
AUTHORITIES**

OF

**THE ITALY NORTH NEMO and TSO PROPOSAL FOR
COMPLEMENTARY REGIONAL INTRADAY AUCTIONS**

13 May 2019

I. Introduction and legal context

This document elaborates an agreement of the Italy North Regulatory Authorities (hereinafter: “concerned NRAs”), agreed on 13 May 2019, on the Italy North NEMOs and TSOs (hereinafter: “concerned NEMOs and TSOs”) proposal for Complementary Regional Intraday Auctions (hereinafter: “CRIDA proposal”), submitted in accordance with Article 63 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (hereinafter: “CACM Regulation”).

This agreement of the concerned NRAs shall provide evidence that a decision on the CRIDA proposal does not, at this stage, need to be adopted by ACER pursuant to Article 9(11) of CACM Regulation. It is intended to constitute the basis on which the concerned NRAs will each subsequently approve the proposal for CRIDA pursuant to Article 9(12) of CACM Regulation.

The legal provisions that lie at the basis of the CRIDA, and this concerned NRAs agreement on the CRIDA, can be found in Article 3, 9, 51, 55(1), 55(3), 59(1), and 63 of CACM Regulation. They are set out here for reference.

- **Article 3 of CACM Regulation:**

This Regulation aims at:

- (a) Promoting effective competition in the generation, trading and supply of electricity;*
- (b) Ensuring optimal use of the transmission infrastructure;*
- (c) Ensuring operational security;*
- (d) Optimising the calculation and allocation of cross-zonal capacity;*
- (e) Ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;*
- (f) Ensuring and enhancing the transparency and reliability of information;*
- (g) Contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;*
- (h) Respecting the need for a fair and orderly market and fair and orderly price formation;*
- (i) Creating a level playing field for NEMOs;*
- (j) Providing non-discriminatory access to cross-zonal capacity*

- **Article 9 of CACM Regulation:**

1. *TSOs and NEMOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*

[...]

5. *Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.*
6. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*
 - a. (...)
 - b. (...)
 - c. (...)
 - d. (...)
 - e. (...)
 - f. (...)
 - g. (...)
 - h. (...)
 - i. (...)
 - j. *the intraday capacity pricing methodology to be developed in accordance with Article 55(1);*
 - k. *the intraday cross-zonal gate opening and intraday cross-zonal gate closure times in accordance with Article 59(1);*
 - l. (...)
 - m. (...)
7. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:*
 - a. (...)
 - b. (...)
 - c. (...)
 - d. (...)
 - e. (...)
 - f. *complementary regional auctions in accordance with Article 63(1);*
 - g. (...)
 - h. (...)
8. (...)
9. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*

10. Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6, 7 and 8, within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.

[...]

14. TSOs and NEMOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 13.

- **Article 51 of CACM Regulation:**

1. From the intraday cross-zonal gate opening time until the intraday cross-zonal gate closure time, the continuous trading matching algorithm shall determine which orders to select for matching such that matching:

- (a) aims at maximising economic surplus for single intraday coupling per trade for the intraday market time-frame by allocating capacity to orders for which it is feasible to match in accordance with the price and time of submission;

- (b) respects the allocation constraints provided in accordance with Article 58(1);

- (c) respects the cross-zonal capacity provided in accordance with Article 58(1); (d) respects the requirements for the delivery of results set out in Article 60; (e) is repeatable and scalable.

2. The continuous trading matching algorithm shall produce the results provided for in Article 52 and correspond to the product capabilities and functionalities set out in Article 53.

- **Article 55 of CACM Regulation:**

1. Once applied, the single methodology for pricing intraday cross-zonal capacity developed in accordance with Article 55(3) shall reflect market congestion and shall be based on actual orders.

2. (...)

3. By 24 months after the entry into force of this Regulation, all TSOs shall develop a proposal for a single methodology for pricing intraday cross-zonal capacity. The proposal shall be subject to consultation in accordance with Article 12.

4. (...)

- **Article 59(1) of CACM Regulation:**

1. By 16 months after the entry into force of this Regulation, all TSOs shall be responsible for proposing the intraday cross-zonal gate opening and intraday cross-zonal gate closure times. The proposal shall be subject to consultation in accordance with Article 12.

2. (...)

3. (...)

4. (...)

- **Article 63 of CACM Regulation:**

1. By 18 months after the entry into force of this Regulation, the relevant NEMOs and TSOs on bidding zone borders may jointly submit a common proposal for the design and

- implementation of complementary regional intraday auctions. The proposal shall be subject to consultation in accordance with Article 12.*
- 2. Complementary regional intraday auctions may be implemented within or between bidding zones in addition to the single intraday coupling solution referred to in Article 51. In order to hold regional intraday auctions, continuous trading within and between the relevant bidding zones may be stopped for a limited period of time before the intraday cross-zonal gate closure time, which shall not exceed the minimum time required to hold the auction and in any case 10 minutes.*
 - 3. For complementary regional intraday auctions, the methodology for pricing intraday cross-zonal capacity may differ from the methodology established in accordance with Article 55(3) but it shall nevertheless meet the principles provided for in Article 55(1).*
 - 4. The competent regulatory authorities may approve the proposal for complementary regional intraday auctions if the following conditions are met:*
 - a. regional auctions shall not have an adverse impact on the liquidity of the single intraday coupling;*
 - b. all cross-zonal capacity shall be allocated through the capacity management module;*
 - c. the regional auction shall not introduce any undue discrimination between market participants from adjacent regions;*
 - d. the timetables for regional auctions shall be consistent with single intraday coupling to enable market participants to trade as close as possible to real-time;*
 - e. regulatory authorities shall have consulted the market participants in the Member States concerned.*
 - 5. At least every two years after the decision on complementary regional auctions, the regulatory authorities of the Member States concerned shall review the compatibility of any regional solutions with single intraday coupling to ensure that the conditions above continue to be fulfilled.*

II. The Italy North NEMOs and TSOs proposal

The CRIDA proposal (the same for both Greece-Italy and Italy North CCR) was consulted by the concerned NEMOs and TSOs from December 6 2016 until January 13 2017, in line with Article 63 and Article 12 of CACM Regulation¹. The first CRIDA proposal, dated 14 February 2017, was received by the last concerned NRA respectively on 14 February for Greece-Italy CCR and on 22 March 2017 for Italy North CCR. The proposal included planned timescales for its implementation and a description of its expected impact on the objectives of CACM Regulation, in line with Article 9(9) of CACM Regulation.

Article 9(10) of CACM Regulation requires concerned 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 concerned Regulatory Authority. A decision was therefore required by each Regulatory Authority by 22 September 2017.

¹ The public consultation held from 6th December 2016 to 13th January 2016 was available on the website: www.jao.eu

On 31 July and 1 August 2017 respectively, the NRAs from the Greece-Italy and Italy North CCRs agreed on a request for amendment on the CRIDA proposal and sent it to the relevant TSOs and NEMOs.

Article 9(12) of CACM Regulation requires the relevant TSOs and NEMOs to submit a proposal for amended methodologies for approval to the concerned NRAs within two months following the requirement from the NRAs. The competent regulatory authorities shall decide on the amended methodologies within two months following their submission. In this case, the amended CRIDA proposal was received by the last concerned NRA respectively on 9 October 2017 for Greece-Italy CCR and on 19 October 2017 for Italy North CCR: the decision was thus due by 9 December 2017 for Greece-Italy CCR and by 19 December 2017 for Italy North CCR.

As the CRIDA proposal is interlinked with other proposals developed in the framework of the CACM Regulation implementation (notably, proposal for Intraday Cross Zonal Gate Opening and Closure Times, pursuant to Article 59 of CACM Regulation, the proposal for Intraday Cross Zonal Capacity Pricing, pursuant to Article 55 of CACM Regulation, as well as, the proposal for Common Capacity Calculation Methodologies, pursuant to Article 20 of CACM Regulation), the concerned NRAs were not able to adopt a decision by December 2017. Therefore, they unanimously agreed to jointly request ACER to provide a six months extension of the period for reaching an agreement on the amended CRIDA proposal according to Article 8(1) of Regulation 713/2009. This extension regarding the amended CRIDA proposal was adopted on December 21 2017 for the Greece-Italy CCR (ACER Decision No 10/2017) and on January 10 2018 for the Italy North CCR (ACER Decision No 01/2018).

A decision was thus required by 9 June 2018 for Greece-Italy CCR and by 19 June 2018 on Italy North CCR. On 7 June 2018 and 18 June 2018 respectively, the NRAs from the Greece-Italy and Italy North CCRs agreed on a second request for amendment on the CRIDA proposal and sent it to the relevant TSOs and NEMOs.

A second amended CRIDA proposal was received by the last concerned NRA on 1 October for both Greece-Italy and Italy North CCRs: the decision was thus due by 1 December 2018. On 29 November 2018 the NRAs from the Greece-Italy and Italy North CCRs agreed on a third request for amendment on the CRIDA proposal and sent it to the relevant TSOs and NEMOs.

In this third request for amendment, concerned NRAs requested NEMOs and TSOs to formally split the process between the two CCRs by submitting two different proposals, making reference to NEMOs, TSOs and NRAs that are only involved in the relevant CCR.

The new CRIDA proposal, now related to Italy North CCR only, was received by the last concerned NRA on 12 March 2019, thus, according to Article 9(12) of CACM Regulation, a decision would be due by Sunday 12 May 2019. Nonetheless, according to the Convention signed in Basilea on 16 May 1972, when a legal deadline for administrative purposes falls on Sunday, it is moved to the next working day: for this reason the decision is due by Monday 13 May 2019.

The current CRIDA proposal for the Italy North CCR, as understood by the concerned NRAs, is based on three implicit auctions:

- i) A first complementary regional intraday auction shall be performed at 15:00 in the day preceding the delivery day, with the purpose to allocate capacity for all 24 market time units of the day. This auction involves the border Italy-Slovenia and the continuous cross-zonal trading is stopped only in the involved bidding zones;

- ii) A second auction shall be performed at 22:00 of the day preceding the delivery day, with the purpose to allocate capacity for all 24 market time units of the day of the delivery;
- iii) A third auction shall be performed at 10:00 of the delivery day with the purpose to allocate capacity for the market time units 12 to 24 of the day of the delivery;

Moreover, the proposal specifies that the SIDC trading is allowed for all the 24 MTUs of the day, from the IDCZGOT until the IDCZGCT and it is stopped only for running the CRIDA, for a duration of about 45 minutes. Taking into account the 10 minutes interruption required by the CACM Regulation, the proposal establishes a roadmap to reduce this interruption time, as long as it does not endanger the security of the coupling process.

This document elaborates the approval of the CRIDA proposal by the Italy North NRAs.

III. The Italy North NRAs position

The relevant Regulatory Authorities have reached a common agreement on the amended CRIDA proposal-

The Italy North NRAs have assessed the CRIDA proposal against the requirements of CACM Regulation and the provisions of the previous requests for amendments. They believe that NEMOs and TSOs have fulfilled all the requirements and in particular:

- The proposal refers now to only NEMOs, TSOs and NRAs belonging to the Italy North CCR;
- The proposal specifies which borders will implement the first auction at 15:00 in the day preceding the delivery day;
- The coordination between CRIDA and the auctions foreseen by the IDCZCP methodology is now clear and avoids redundant auctions;
- It is clear that only the available transmission capacity of the bidding zone borders participating in the CRIDA will be set to zero in the XBID Capacity Management Module during each CRIDA;
- The proposal allows the SIDC for all the MTUs of the day, independently of the number of CRIDA;
- This proposal will be implemented after or simultaneously to the launch of the SIDC on the Italy North borders;
- The CRIDA will be replaced by the auctions foreseen in the Pricing of the Intraday Capacity methodology, as soon as it is implemented
- The proposal provides details on the GOT and GCT, as well as information about the algorithm that will be used for the CRIDA and the products available;
- On the maximum interruption of SIDC, the proposal includes a description of the estimated timings, with an indication of those incompressible, and a commitment aiming at a reduction of the interruption within 12 months.

IV. Conclusions and actions

All relevant Regulatory Authorities have assessed, consulted and closely cooperated to reach an agreement on the CRIDA proposal. On 13 May 2019 the Italy North NRAs agreed that the CRIDA proposal attached to the present paper meets the requirements of Regulation 2015/1222 and as such can be approved.

On the basis of this agreement each Regulatory Authorities will subsequently adopt a decision to approve the CRIDA proposal.