

**REQUEST FOR AMENDMENT BY ITALY NORTH
REGULATORY AUTHORITIES AGREED AT ITALY
NORTH ENERGY REGULATORS' REGIONAL FORUM**

OF

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

29 November 2018

I. Introduction and legal context

This document elaborates an agreement of the Italy North Regulatory Authorities (hereinafter: “concerned NRAs”), agreed on 29 November 2018, on the Italy North and Greece-Italy NEMO and TSO (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 request an amendment to 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 to 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 and Greece Italy NEMOs and TSOs proposal

The CRIDA proposal 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.

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

- i) the first auction should 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;
- ii) the second auction should be performed at 7:30 of the delivery day with the purpose to allocate capacity for the market time units 12 to 24 of the day of the delivery;
- iii) a third auction could be performed at 15:00 of the day preceding the delivery day, and could involve only a subset of the borders included in the Italian Borders geographical scope.

Moreover, the explanatory document of the proposal prescribes that in order to perform a CRIDA at 15:00 D-1 within a subset of the Italian Borders, the continuous trading within the involved bidding zones shall be stopped and the capacity available in the CMM shall be set to zero also for the bidding zone borders that are not be part of the CRIDA, till the conclusion of the auctions.

This document elaborates a third request for amendment of the CRIDA proposal.

III. The Italy North NRAs position

1. On the perimeter of the proposal

Concerned NRAs are aware that the Italy North and Greece – Italy NEMO and TSO Proposal for Complementary Regional Auctions will be approved in the framework of the Greece-Italy CCR, with reference to the bidding zone borders included in such CCR.

Therefore concerned NRAs request NEMOs and TSOs to adapt the proposal accordingly, making reference to NEMOs, TSOs and NRAs that are only involved in the Italy North CCR.

Moreover, concerned NRAs request NEMOs and TSOs to additionally split the Italy North proposal into sub-regions that are homogeneous from the CRIDA proposed structure point of view (one proposal for Italy-Slovenia border and another proposal for France-Italy and Austria-Italy borders).

Whatever the final geographic scope of the proposals on CRIDA, bidding zone borders not within this geographic scope shall not in any way be impacted. That is, cross-zonal capacities shall not be set to zero on bidding zone borders not concerned by a CRIDA.

2. Compliance with the NRAs' request for amendments

Concerned NRAs welcome the last version of the proposal and believe that most of the requests issued in the opinion paper of the second RfA have been addressed.

However, concerned NRAs notice that the specific requirement that only the available transmission capacity of the borders participating to the CRIDA shall be set to zero in the CMM of XBID during the auctions has not been implemented.

Following the explanation of NEMOs and TSOs on this matter, NRAs understand that the requirement can be implemented, without affecting the technical functioning of the CRIDA. Thus, concerned NRAs reiterate the request to the concerned NEMOs and TSOs to set to zero in the CMM of XBID only the cross zonal capacity of the borders involved in the CRIDA. Therefore, cross-zonal capacity of bidding zone borders not involved in the CRIDA can be allocated through XBID and the continuous trading within the bidding zones that are not involved in the auction shall not be interrupted. Interruption of the continuous trading within the bidding zones involved in the CRIDA may be considered (art. 63(2) of CACM), according to the national market rules.

Besides, in their request for amendment the concerned NRAs asked the concerned NEMOs and TSOs to allow the SIDC for all the MTUs of the day, independently of the number of CRIDA auctions proposed in the methodology. This provision is part of the explanatory note but not part of the CRIDA proposal. TSOs are asked to state this provision also in the proposal.

Moreover, NRAs asked the TSOs to provide some details within the CRIDA proposal regarding the gate opening time for bid submission as well as the deadline for bid submission for each CRIDA. Article 4 of the proposal provides some details regarding:

- When TSOs shall provide the NEMOs with the updated capacity
- When the auction is performed

- When the results are published

No elements are provided in the proposal (some elements are part of the explanatory note) regarding the Gate Opening Time for bid submission or the deadline for bid submission, and NRAs (and market players) can only deduct from the timings when they can bid.

Lastly, TSOs were asked to limit the interruption of the SIDC of 10 minutes max as foreseen in the Article 63(2) of the CACM Regulation or to provide a justification of any deviation to these 10 min max interruption, accompanied with the incompressible timings and with a roadmap to stick at the 10 minutes interruption. Such roadmap is not clearly developed in the proposal.

Concerned NRAs understand that details related to the timings and the execution time of the CRIDA cannot be clearly defined at the moment, as the framework of the single intraday coupling is not fully defined, with special reference to the Intraday capacity pricing methodology to be approved by ACER. Concerned NRAs also acknowledge that a more detailed description of the CRIDA timings and durations, as well as the products proposed and the algorithm used, are subject to the completion of the testing phase to be carried out before the go-live (foreseen after 2020). However NRAs consider that some high level description of these elements and principles can be already provided, and request TSOs and NEMOs to provide at least these general features.

All the specific details related to timings, duration of the CRIDA, products and algorithm shall be further elaborated before the go-live, in a binding amendment of the proposal at a later stage (see paragraph 4). Such a binding amendment shall be part of the timescale for implementation.

3. Coordination of the CRIDA proposal and the Intraday Cross Zonal Capacity Pricing Proposal, developed under Article 55 of the CACM Regulation

The TSOs submitted the Intraday Cross Zonal Capacity Pricing Proposal (hereafter: "IDCZCP proposal") in accordance with Article 9(6), letter j) of CACM Regulation to the last concerned NRA on 28 August 2017.

As the IDCZCP 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, and 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 February 2018. Therefore, they unanimously agreed to jointly request ACER to provide a six months extension of the period for reaching an agreement on the IDCZCP proposal according to Article 8(1) of Regulation 713/2009. This extension regarding the IDCZCP proposal was adopted by ACER on February 23 2018 (Decision No 02/2018). The concerned NRAs did not reach an agreement by August 28 2018, thus the methodology was referred to ACER, that has to issue a decision by January 2018.

The IDCZCP proposal submitted by TSOs foresees one auction at 22:00 on the day before the day of delivery and concerns all 24 market time units, which matches the first proposed CRIDA. Moreover, it is likely that another auction will be proposed at 15:00 on the day before the day of delivery; it is still unknown whether this auction will be implemented at all, as a pan-European one, or at a regional level on a voluntary basis.

Concerned NRAs request the concerned NEMOs and TSOs to make the proposal consistent with the IDCZCP proposal, in order to avoid redundant methodologies (and redundant timings of

auctions). If the timings of the auction(s) in the IDCZCP proposal are close to the ones proposed in the CRIDA one, then the concerned NRAs do not see the merit in running two different intraday auctions close to each other and therefore request a harmonization of the CRIDA with pan-European IDA. Concretely, if the mandatory pan-European intraday auction(s) occur(s) almost at the same time as CRIDA one(s), the former should absorb the latter (and the CRIDA proposal should be amended accordingly), while the CRIDA should constitute the possible voluntary regional auctions foreseen by the IDCZCP methodology.

4. Timescale for implementation

With reference to the France-Italy and Austria-Italy borders, the implementation of the methodology for CRIDAs shall be contingent on the following two milestones:

- Implementation of the methodology for intraday cross-zonal capacity pricing pursuant to Article 55(1) of CACM GL;
- Implementation of XBID (and thus single intraday coupling) on all bidding zone border within the geographic scope considered for the CRIDAs.

The methodology for CRIDA might be implemented at the same point in time as the latest to be implemented milestone listed above.

With reference to the Italy-Slovenia border, the implementation of the methodology for CRIDAs shall be contingent only on the implementation of XBID (and thus the single intraday coupling) on the bidding zone. Once the details for the implementation of the IDCZCP methodology are known, the CRIDA proposal shall be amended in order to coordinate the two methodologies.

Furthermore, elements that cannot be described clearly at the stage of drafting the amended proposal on CRIDA shall be subject to a binding amendment of the CRIDA proposal at a later stage. Such an amendment shall be initiated by concerned NEMOs and TSOs once details on these elements are available. This may for example concern the algorithm used and products offered for the purpose of carrying out the CRIDA, as well as the specific timings and the duration of the auction.

IV. Conclusions and actions

Based on the above rationale, concerned Regulatory Authorities request an amendment to the CRIDA proposal. This amendment should contain the following elements:

- The proposal shall be adapted, addressing only the Italy North region. Moreover, NEMOs and TSOs are requested to split the proposal into sub-regions that are homogeneous compared to the contents of the proposal;
- an alignment of the CRIDA proposal with the ACER decision on IDCZCP, notably regarding the timings of the intraday pan-European mandatory auctions;
- The concerned NRAs request that only the available transmission capacity of the bidding zone borders participating in the CRIDA will be set to zero in the XBID CMM during each CRIDA. Cross-zonal capacity on bidding zone borders not involved in the CRIDA can be allocated by XBID and the continuous trading within the bidding zones that are not involved in the auction and shall not be interrupted. Interruption of the continuous trading within the

bidding zones involved in the CRIDA may be considered, according to the national market rules;

- NRAs request the concerned NEMOs and TSOs to allow the SIDC for all the MTUs of the day, independently of the number of CRIDA auctions proposed in the methodology. This provision shall be included in the proposal;
- The timescale for implementation of the methodology shall be made contingent to prerequisites, depending on the specific bidding zone borders, as presented under point 4;
- If certain details cannot be included in the amended proposal (such as on timings, duration of the CRIDA, products and algorithm), these details shall be subject of an amendment of the CRIDA proposal at a later stage.