

Greece-Italy TSOs proposal for fallback procedure 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

10th April 2017

Table of Contents

WHEREAS 3

GENERAL PROVISIONS 5

 Article 1 Subject matter and scope 5

 Article 2 Definitions 5

GREECE-ITALY REGION FALLBACK PROCEDURE 6

 Article 3 Initiation of Italy BRNN-Greece Fallback Procedure 6

 Article 4 6

 Italy BRNN-Greece Fallback Procedure unable to be initiated 6

 Article 5 6

 Fallback Procedure between Italian internal bidding zones 6

 Article 6 7

 Italian Internal FB Procedure unable to be initiated 7

 Article 7 7

 Modifications 7

FINAL PROVISIONS 7

 Article 8 Implementation 7

 Article 9 Language 8

WHEREAS

- (1) This document (hereafter referred to as “Greece-Italy Borders Fallback Procedure”, or “GRIT Fallback Procedure”) is a common proposal developed by all Transmission System Operators (hereafter referred to as “TSOs”) within the Greece-Italy Capacity Calculation Region (hereafter referred to as “GRIT Region”) regarding the proposal for fallback procedures in the event that the single day-ahead coupling process is unable to produce results. This proposal is required by Article 44 of Regulation (EU) 2015/1222 on Capacity Allocation and Congestion Management (the “CACM Regulation”).
- (2) On the bidding zone border Italy BRNN - Greece (BRNN-GR) the Market Coupling is still not in operation. This Fallback Procedure is referred to a situation in which the Day Ahead allocation will be performed through the Single Day Ahead Market Coupling Process, compliant to CACM Regulation’s provisions.
- (3) Two different fallback procedures are currently foreseen, one in case the single day-ahead coupling process is unable to produce results on the Italy BRNN-Greece bidding zone border (hereafter referred as “BRNN-GREECE border Fallback Procedure”), and the other one in case the Day Ahead Italian Market is unable to produce results related to the Italian Internal Bidding Zones (hereafter referred as “Italian Internal Bidding Zones fall back Procedure”).
- (4) According to Article 9 (9) of the CACM Regulation, a timeline for implementation of the proposed GRIT Region Fallback Procedure(s) has to be included. The timeline for implementation is presented in Article 7 of this document.
- (5) According to Article 9 (9) of the CACM Regulation, the expected impact of the proposed GRIT Region Fallback Procedure(s) on the objectives of the CACM Regulation has to be described. The impact is presented below (point 8 of the Whereas).
- (6) The Italian Day-Ahead Market (MGP) hosts most of the electricity sale and purchase transactions. In the MGP, hourly energy blocks are traded for the next day.
- (7) Several session of Intra-Day Market (MI) are in place in Italy. Such sessions allows Market Participants to modify the schedules defined in the MGP by submitting additional supply offers or demand bids.
- (8) The proposed GRIT Region Fallback Procedure contributes to and does not in any way hinder the achievement of the objectives of Article 3 of CACM Regulation:

- Article 3(a) of Regulation 2015/1222 aims at promoting effective competition in the generation, trading and supply of electricity.

The Italy BRNN-GREECE Fallback Procedure is performed through Shadow Auctions executed by the Allocation Platform, which is a unique platform for all market participants acting on Italian Borders, already used for other timeframes. Moreover, the registration for the Shadow Auctions is free of charge.

This contributes to creating the same level playing field for all market participants willing to access day ahead markets.

Italian Internal Bidding Zone fallback Procedure is performed through Italian Day-Ahead Market not coupled with the national day ahead spot markets (hereinafter Local MGP), which is a well know market platform for all Market Participants acting on Italian Borders. The participation to Local MGP Market is automatically allowed for all the Market Participants enabled to submit orders on Single Day-ahead Coupling, so it is open to all the parties affected from the activation of FB procedure.

- Article 3(b) of Regulation 2015/1222 aims at ensuring optimal use of the transmission infrastructure.

Both the Italy BRNN-GREECE Fallback Procedure and the Italian Internal Bidding Zone fallback Procedure make sure that even in case of failure of the day ahead coupling processes, the cross-border capacity can still be allocated to the market participants for this timeframe. This ensures the optimal use of the transmission infrastructure, maximizing the sum of Registered Participants’ Surplus and the congestion income while respecting the constraints of relevant offered Capacity.
- Article 3(e) of Regulation 2015/1222 aims at ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants.

Both the Italy BRNN-GREECE Fallback Procedure and the Italian Internal Bidding Zone fallback Procedure relies on transparent rules that are approved by the relevant national regulatory authorities after a consultation period.

- Article 3(h) of Regulation 2015/1222 aims at respecting the need for a fair and orderly market and fair and orderly price formation.

Both the Italy BRNN-GREECE Fallback Procedure and the Italian Internal Bidding Zone fallback Procedure are performed through Auctions which rely on a mechanism described in public rules or public documents. The algorithm used by Shadow Auctions calculates moreover a marginal price for the offered capacity according to the bid prices of the market participants and is thus market based. Compared with others fallback procedure options, pricing of capacity allocated by Shadow Auctions reflects better its actual value, ensuring an efficient allocation.

The Local MGP, as well as Single Day-Ahead Coupling, allocates cross-zonal capacities between Italian internal bidding zones in implicit manner, thus allowing a simultaneous allocation of capacity and energy, without loss of efficiency in switching from an implicit allocation to an explicit allocation.

- Article 3(j) of Regulation 2015/1222 aims at providing non-discriminatory access to cross-zonal capacity.

Both the Italy BRNN-GREECE Fallback Procedure and the Italian Internal Bidding Zone fallback Procedure ensure a transparent and non-discriminatory approach towards facilitating cross zonal capacity allocation in the event that the single day-ahead coupling process is unable to produce results.

GENERAL PROVISIONS

Article 1

Subject matter and scope

1. As required under Article 44 of the CACM Regulation, each TSO of GRIT Region, in coordination with all the other TSOs, shall develop a proposal for robust and timely fallback procedures to ensure efficient, transparent and non-discriminatory capacity allocation in the event that the single day-ahead coupling process is unable to produce results within the GRIT Region. This procedure shall apply to all relevant borders of GRIT Region.
2. According to Article 50 of CACM Regulation, the fallback procedure shall be initiated whenever NEMOs performing MCOs functions are unable to deliver part or all of the results of the price coupling algorithm in a timely manner.

Article 2

Definitions

1. For the purpose of this proposal, the definitions in Article 2 of the CACM Regulation shall apply.
 - a. 'Shadow Allocation Rules' means the rules for the Shadow Auctions applied by the Allocation Platform, and published on the Allocation Platform website¹;
 - b. 'Shadow Auction' means the explicit auction run by the Allocation Platform by which daily Cross Zonal Capacity is offered as fallback procedure for the single day-ahead coupling process and allocated to market participants who submit Bid(s);
 - c. The CCR GRIT, as defined at art. 7 of *Annex I of the Decision of the Agency for the cooperation of Energy Regulators No 06/2016*, shall include the bidding zone borders listed below:
 - Italy BRNN – Greece (BRNN - GR);
 - Italy NORD – Italy CNORD (NORD - CNORD);
 - Italy CNORD – Italy CSUD (CNOR - CSUD);
 - Italy CNOR – Italy SARD (CNOR - SARD);
 - Italy SARD – Italy CSUD (SARD - CSUD);
 - Italy CSUD – Italy SUD (CSUD- SUD);
 - Italy SUD – Italy BRNN (SUD - BRNN);
 - Italy SUD – Italy FOGN (SUD - FOGN);
 - Italy SUD – Italy ROSN (SUD - ROSN);
 - Italy ROSN – Italy SICI (ROSN - SICI);
 - Italy SICI – Italy PRGP (SICI - PRGP);

¹ <http://www.jao.eu/support/resourcecenter/overview>

GREECE-ITALY REGION FALLBACK PROCEDURE

Article 3

Initiation of Italy BRNN-Greece Fallback Procedure

1. As soon as the NEMOs inform the TSOs of BRNN-GR Border of the risk that single day-ahead coupling process may be unable to produce results, or, if such information is not available from NEMOs, as soon as this risk is known by those TSOs, the latter will initiate the BRNN-GR Border Fallback Procedure.
2. The BRNN-Greece Border Fallback Procedure consists in executing Shadow Auctions on the Allocation Platform for the bidding zone border Italy BRNN-Greece where there is a risk that single day-ahead coupling process may be unable to produce results pursuant to information given in Article 3.1, except if one of the situations specified in Article 4 is to apply.
3. In order to ensure that results of the Shadow Auctions are provided to the market participants on time, the execution of Shadow Auctions on the Allocation Platform can be launched as a parallel process in background of the single day-ahead coupling process as soon as the information given in Article 3.1 is known by the TSOs.
4. The results of the Shadow Auctions are sent to the market participants as soon as the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs, and no later than 13:58 market time day-ahead.
5. When the conditions described in Articles 3(1) and Articles 3(2) are met, Shadow Auctions can be held seven days a week, including weekend and public holidays, provided that the offered capacity for Shadow Auctions is at least one MW unit.
6. The execution of Shadow Auctions is based on Shadow Allocation Rules in their version 1.3 of 1st August 2016.

Article 4

Italy BRNN-Greece Fallback Procedure unable to be initiated

1. If the data exchanges cannot be performed through the standard processes by the applicable deadlines defined by the Allocation Platform during the execution of Shadow Auctions, relevant fallback procedures for these data exchange shall be used in accordance with Shadow Allocation Rules. The latter consist in exchanging data by e-mail with the Allocation Platform.
2. If the BRNN-Greece Border Fallback Procedure cannot be implemented as necessary to enable a Shadow Auction to be conducted in time, based on decision of Allocation Platform, the Shadow Auction will be postponed.
3. If none of the of the above measures is considered by the Allocation Platform as being possible, the Shadow Auction will be cancelled and all bids already submitted will automatically be deemed null and void, based on objective grounds and in compliance with Shadow Allocation Rules.
4. When the Single Day Ahead Market Coupling Process is declared failed and the associated BRNN-Greece Border Fallback Procedure is also cancelled, the daily offered capacity is allocated to the subsequent relevant intraday allocation processes on that border.

Article 5

Fallback Procedure between Italian internal bidding zones

1. In case the Single Day-Ahead Coupling process is not able to produce the results by 13:50 market time day-ahead, the day-ahead coupling failure is declared and the Fallback procedure related to the Italian Internal Bidding Zones is activated.
2. When the conditions described in Articles 5(1) are met, the Single Day-Ahead Coupling process is replaced by Italian Local Day-Ahead Market (Local MGP) executed by the NEMO designated in Italy as local day ahead spot market. The local day-ahead spot market performs the simultaneous allocation of energy and cross-zonal

capacities between Italian internal bidding zones, using PCR Market Coupling Algorithm or, in case this algorithm is not able to produce results, using the local spot market algorithm.

3. The Local MGP described in Article 5(2) is executed with the following steps:
 1. 13:50 market time day-ahead: Single Day-Ahead Coupling failure is declared and market participants are informed that MGP as local market will be run and that bids/asks already submitted are still valid;
 2. 14:00 market time day-ahead: Italian Power exchange re-open the order books for 20 minutes to enable the market participants to adapt their orders
 3. by no later than 17:00 market time day-ahead: publication of Local Market Results results.

When Fallback procedure is activated, the Intra-Day Italian Market sessions scheduled before MSD marked could be cancelled or postponed.

Article 6

Italian Internal FB Procedure unable to be initiated

In case of unavailability of Local MGP results within 17:00 market time day-ahead, the provisions contained within the Italian Grid Code, with reference to the cases in which the Day Ahead results for the Energy Market are not available, shall apply.

Article 7

Modifications

1. Any amendment or modification occurred on Italian Grid Code and/or Italian NEMO' (GME) Market Rules and/or the relative Technical Rules ("Disposizione Tecnica di Funzionamento") having an impact on the present procedure shall imply a request for amendment of the present Greece Italy Capacity Calculation Region Fallback Procedure, according to Article 9(13) of the CACM Regulation.
2. Following the introduction of the Single Day Ahead Coupling process on BRNN-GR border any change of the Shadow Allocation Rules related to this border shall lead to a request for amendment of the present Greece Italy Capacity Calculation Region Fallback Procedure, according to Article 9(13) of the CACM Regulation.

FINAL PROVISIONS

Article 8

Implementation

1. The procedures described in Articles 3 and 4 shall be applicable with immediate effect as from the approval of all NRAs of Greece Italy Region and after the introduction of Market Coupling allocation process within the BRNN-GR border.
2. The procedures described in Articles 5 and 6 shall be applicable as from the approval of all NRAs of GRIT Region.

Article 9

Language

The reference language for this GRIT Region Fallback Procedure proposal shall be English. For the avoidance of doubt, where TSOs need to translate this Greece-Italy Borders Fallback Procedure proposal into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 9 (14) of the CACM Regulation and any version in another language the relevant TSOs shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of the GRIT Region Fallback Procedure proposal.