

**REQUEST FOR AMENDMENT BY THE ITALY NORTH
AND GREECE ITALY REGULATORY AUTHORITIES**

OF

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

Greece – Italy CCR 7 June 2018

Italy North CCR to be approved

I. Introduction and legal context

This document elaborates an agreement of the Italy North and Greece-Italy Regulatory Authorities (hereinafter: “concerned NRAs”), agreed on [dd month yyyy], 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 on 22 March 2017. 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 1 August 2017, 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 on October 19 2017, which then should adopt a decision by December 19 2017.

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, according to Article 59 of CACM Regulation, the proposal for Intraday Cross Zonal Capacity Pricing, according to Article 55 of CACM Regulation, as well as, the proposal for Common Capacity Calculation Methodologies, according 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 GRIT CCR (ACER Decision No 10/2017) and on January 10 2018 for the Italy North CCR (ACER Decision No 01/2018).

The concerned NRAs have then until June 9 2018 on GRIT CCR and June 19 2018 on Italy North CCR to issue a decision on the amended version of the CRIDA proposal.

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

- i) the first auction should be performed at 22:00 of the day preceding the delivery day, and it should allocate capacity concerning all the 24 hours
- ii) the second auction should be performed at 7:30 of the delivery day and it should allocate capacity concerning the hours from 12 to 24.

Moreover, the proposal prescribes that the single intraday coupling shall be organized in discrete sessions that allow for continuous allocation of intraday cross-zonal capacity for market time units (MTUs), which are not covered in the forthcoming IDAs and not traded in a preceding continuous session.

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

III. The Italy North and Greece Italy NRAs position

1. On the geographical scope of the proposal

Concerned NRAs notice that the bidding zone border between Italy and Switzerland (and by consequence TSO and market operator(s) active in that country) is part of the geographical scope of the CRIDA proposal, which is a proposal developed in the framework of the CACM Regulation implementation.

Concerned NRAs intend to harmonize the treatment of the Switzerland borders in the methodologies developed in the framework of the implementation of CACM Regulation. In that

sense, concerned NRAs ask the project parties to remove the TSO and market operator(s) active in Switzerland from the CRIDA proposal.

Any proposal for intraday auctions, between Italy and Switzerland will be dealt with bilaterally among Italian and Swiss regulatory authorities, as the IT-CH border is outside the scope of the CACM Regulation. .

2. 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, according to Article 59 of CACM Regulation, and the proposal for Common Capacity Calculation Methodologies, according 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 have then until August 28 2018 to issue a decision on the IDCZCP proposal.

The IDCZCP proposal foresees one auction at 10 pm D-1, which is the same time as the first CRIDA. Concerned NRAs ask the concerned NEMOs and TSOs to try to make the proposal consistent with the all TSOs 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 ask for a harmonization of the CRIDA with pan-european IDA. Concretely, if the 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).

In addition, the concerned NRAs ask the concerned NEMOs and TSOs to specify within the CRIDA proposal what is the gate opening time for bid submission as well as the deadline for bid submission for each CRIDA.

3. Articulation of the CRIDA and the single intraday coupling (SIDC)

3.1 On the fragmentation on the continuous trading sessions

The Article 3(4) of the CRIDA proposal foresees a segmentation of the continuous trading via the SIDC into two different sessions. Indeed, the SIDC will be opened, according to the CRIDA proposal:

- From the publication of results of the 1st CRIDA auction until the start of the 2nd CRIDA auction

- From the publication of results of the 2nd CRIDA auction, until the end of the day.

In other words, the CRIDA proposal implies that the SIDC mechanism shall be organized in discrete sessions that allow for continuous allocation of intraday cross-zonal capacity for market time units (MTUs), which are not covered in the forthcoming IDAs and not traded in a preceding continuous session.

The concerned NRAs ask 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.

The concerned NRAs recall that the launch of the SIDC in Italy and at the borders part of the LIP 14 is a pre-requisite to the launch of the CRIDA that are complementary to the continuous trading. In this respect, concerned NRAs also ask the concerned NEMOs and TSOs to make regular update on the improvements and the work done in the LIP 14.

As the SIDC implementation on the Greece/Italy is not yet planned, the concerned NRAs consider acceptable to launch the CRIDAs before the SIDC is extended to this border.

3.2 On the interruption of the continuous trading sessions

Following ACER's decision of April 24 2018 on the IDCZGT, the gate opening time for continuous trading is 15:00 D-1 for all bidding zone borders in Europe.

The concerned NRAs understand from the Article 4 of the CRIDA proposal that the continuous trading will be stopped for 45 minutes:

- From 21:45 until 22:30 in D-1, to accommodate the 1st CRIDA auction
- From 7:15 until 8:00 in D, to accommodate the 2nd CRIDA auction

However, all the concerned NRAs would like to recall that, in line with the Article 63(2) of CACM Regulation, the continuous trading within and between the relevant bidding zones may be stopped for a limited period that shall not exceed 10 minutes.

The concerned NRAs ask the concerned NEMOs and TSOs to stick at the provisions of Article 63(2) of CACM Regulation and to limit to interruption of the SIDC to 10 minutes. Any deviation from the 10 minutes interruption should be duly justified by the concerned NEMOs and TSOs. In particular, the concerned NEMOs and TSOs should detail the timings and steps for running a CRIDA and underline the timings they cannot compress. Should any deviation from the 10 minutes interruption of the continuous trading be justified, the concerned NRAs would like to insist on the fact that any arrangement requesting a longer interruption should be regarded as transitory and accompanied with a roadmap to ensure that the interruption of the continuous trading will be limited to max 10 minutes as a final goal.

In addition, the concerned NRAs ask the concerned NEMOs and TSOs to make it explicit within the CRIDA proposal, not only the duration of the interruption but also the exact timings.

Finally, the concerned NRAs ask the concerned NEMOs and TSOs to include in the proposal what an interruption of the SIDC coupling means. The concerned NRAs want to be sure that only the available transmission capacity (ATC) of the borders participating to the CRIDA will be set at 0 in the XBID capacity management module during each CRIDA (but that internal trades or cross border trades on other bidding zones border remain possible).

4. Articulation of the CRIDA with the capacity calculation methodologies developed under Article 20 of CACM Regulation

As a principle, the concerned NRAs consider that in order to allow for an efficient allocation and pricing of the intraday capacity, every time the intraday capacity is recalculated, it shall be allocated first in an intraday auction. The TSOs that accomplish the recalculation of the intraday capacity before an auction shall publish the amount of capacity recalculated as well as the time when this recalculated capacity will be released, i.e.: the first following CRIDA or IDA auction after a recalculation.

In this way all the recalculated capacity is allocated first via an auction, even though the timings of the recalculation might differ from one CCR to another. The concerned NRAs support the principle that every time there is a capacity recalculation there should be an auction in the following, but not the vice versa (there could be an auction without a capacity recalculation before).

5. Number of auctions in the CRIDA proposal

As stated above, the current CRIDA proposal foresees two auctions.

The concerned NRAs ask the concerned NEMOs and TSOs to envisage having a third auction at the Italian borders, in the proximity of the IDCZGOT following Article 59 of CACM Regulation, which is set at 15:00 D-1. If there is not a capacity recalculation before this timing, the auction shall consider the leftovers from the previous market. The opening and deadline for bid submission should be specified within the methodology if the concerned NEMOs and TSOs envisage such an option.

Depending on the NEMOs and TSOs active at the Italian borders and willing to activate such an auction, the perimeter/scope of the CRIDA proposal will have to be adapted (and a split of the CRIDA methodology will have to be envisaged). According to art. 63(1) the geographical scope of the proposal is per bidding zone borders, thus the CRIDA methodology could not fall under the CCR approval context.

As an example, if only the Italian, Greek, and Slovenian NEMOs and TSOs intend to activate such additional CRIDA at 15:00 D-1, then, two CRIDA proposals should be envisaged: one covering the IT-SI and IT-GR (and the internal Italian) borders (and describing the three auctions) and one covering the other borders (and describing the two auctions).

6. Articulation of the CRIDA with the Algorithm proposal developed under Article 37(5) of CACM Regulation and the products proposal developed under Article 40 and 53 of CACM Regulation

The Article 5(3) of the CRIDA proposal foresees that the “complementary regional intraday auction could be based on governance, IT assets, procedures and solutions, including the day-ahead matching algorithm and the tradable products, already used in the European single day-ahead coupling”.

The concerned NRAs ask the concerned NEMOs and TSOs to specify within the CRIDA proposal which products will be proposed in the subsequent auctions and which algorithm will be used for

the CRIDA auctions. As a principle, the concerned NRAs ask the concerned TSOs and NEMOs to choose the relevant algorithm and products allowing for a maximum 10 minutes interruption of the SIDC, or an interruption as close as possible to the 10 min defined in the CACM Regulation, during a transitory period, as requested in paragraph 3.2 of this RfA.

7. Articulation of the CRIDA with the IDCZCP with regards to the harmonized min/max prices

Article 4(11) of the CRIDA proposal foresees that the price limits of the complementary regional auctions should be aligned with the ones adopted for the single day ahead coupling for the 1st year of performing the CRIDA.

The concerned NRAs ask the concerned NEMOs and TSOs to justify why the day-ahead min/max prices are chosen as price limits, and not the intraday min/max prices.

As in the IDCZCP proposal the min/max prices chosen are the ones that apply for the single intraday coupling, the concerned NRAs ask the concerned NEMOs and TSOs to ensure consistency or to justify why they deviate from the pan-European proposal.

8. Implementation of the CRIDA proposal

The concerned NRAs ask the concerned NEMOs and TSOs to revise and adapt the implementation timeline defined in the Article 5 of the CRIDA proposal. As a principle, and as stated above, the concerned NRAs consider that the launch of the SIDC in Italy and at the borders of the LIP 14 is a pre-requisite to the go live of the CRIDA. Regarding the Greece/Italy border, as the SIDC implementation to this bidding zone border is not yet planned, the concerned NRAs consider that the CRIDA auctions, even though they should complement the continuous trading, could be implemented before the SIDC is extended to this border.

Regarding the articulation of the CRIDA proposal and the CCM ones, the concerned NRAs are of the opinion that the CRIDA proposal could be implemented before the CCM ones. However, the principles described in the section 4 of this RfA should apply as soon as the CCM are in place on the bidding zones borders concerned.

9. Amendment of the CRIDA proposal

The concerned NRAs ask the concerned NEMOs and TSOs to delete the Article 6 of the CRIDA proposal as it is redundant with the Article 9(12) of the CACM Regulation, which specifies the legal basis and procedure for amending a methodology.

IV. Conclusions and actions

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

- Some elements regarding the principle that the recalculated capacity should be allocated first during an auction in order to allow for an efficient pricing (point III.4 of this RfA) ;
- an adaptation of the geographical scope of the CRIDA proposal (ie: the Italy-Switzerland border shall not be part of this proposal) ;
- an alignment when necessary of the CRIDA proposal with the IDCZCP one, notably regarding the timings of the intraday auctions ;
- 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 ;
- an implementation timeline adapted/revised, which specifies notably that the launch of SIDC within Italy and the borders of the LIP 14 is a prerequisite to the launch of the CRIDA proposal at the bidding zone borders concerned (regarding the Greece/Italy border, as the SIDC implementation to this bidding zone border is not yet planned, the concerned NRAs consider that the CRIDA auctions, even though they should complement the continuous trading, could be implemented before the SIDC is extended to this border ;
- allowance the SIDC for all the MTUs of the day, independently of the number of CRIDA auctions proposed in the methodology ;
- a limitation of the interruption of the SIDC of 10 minutes max as foreseen in the Article 63(2) of the CACM Regulation or 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) ;
- some precisions regarding what an interruption of the SIDC coupling means. The concerned NRAs want to be sure that only the available transmission capacity (ATC) of the borders participating to the CRIDA will be set at 0 in the XBID capacity management module during each CRIDA (but that internal trades or cross border trades on other bidding zones border remain possible) ;
- the possibility for the concerned NEMOs and TSOs to envisage a third auction at the Italian borders, around the IDCZGOT following Article 59 of CACM Regulation, which is set at 15:00 D-1 (and the consequent potential split of the CRIDA proposal depending on the bidding zone borders willing to participate to this optional auction). Concerned NRAs would expect such auction to be operative at least on the Greece/Italy, Italy/Slovenia and all the Italian internal bidding zone borders;
- the list of the products that will be proposed in the CRIDA as well as some specifications regarding the algorithm that will be used ;
- some justifications regarding the applicable min/max prices.