

**APPROVAL BY GREECE-ITALY REGULATORY  
AUTHORITIES AGREED AT THE GREECE-ITALY  
ENERGY REGULATORS' REGIONAL FORUM**

**OF**

**THE GREECE-ITALY TSOS' PROPOSAL FOR  
FALLBACK PROCEDURES**

**16 November 2017**

## I. Introduction and legal context

This document elaborates an agreement of the Greece-Italy Regulatory Authorities, agreed on xxx November 2017 at Greece-Italy Energy Regulators' Regional forum, on the Greece-Italy TSO proposal for fallback procedures, submitted 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 (Regulation 2015/1222).

This agreement of the Greece-Italy Regulatory Authorities shall provide evidence that a decision on fallback procedures does not, at this stage, need to be adopted by ACER pursuant to Article 9(11) of Regulation 2015/1222. It is intended to constitute the basis on which the Greece-Italy Regulatory Authorities will each subsequently make national decisions pursuant to Article 9(10) of Regulation 2015/1222 to approve the proposal for fallback procedures, submitted by Greece-Italy TSOs in line with Article 44 of Regulation 2015/1222.

The legal provisions that lie at the basis of the fallback procedures, and of this Greece-Italy Regulatory Authority agreement on the fallback procedures, can be found in Article 3, 8, 9, and 44 of Regulation 1222/2015. They are set out here for reference.

### Article 3 of Regulation 2015/1222

*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 8 of Regulation 2015/1222

*TSOs' tasks related to single day-ahead and intraday coupling*

*1. In Member States electrically connected to another Member State all TSOs shall participate in the single day-ahead and intraday coupling.*

*2. TSOs shall:*

*[...]*

- (i) establish and operate fallback procedures as appropriate for capacity allocation in accordance with Article 44;*

### Article 9 of Regulation 2015/1222

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.

(...)

7 The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:

(...)

e) the fallback procedures in accordance with Article 44;

(...)

(...)

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 44 of Regulation 2015/1222

By 16 months after the entry into force of this Regulation, each TSO, in coordination with all the other TSOs in the capacity calculation region, 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.

*The proposal for the establishment of fallback procedures shall be subject to consultation in accordance with Article 12.*

## **II. The Greece-Italy TSO proposal**

The proposal for fallback procedures was consulted by the Greece-Italy TSOs through ENTSO-E from 12 April 2017 to 11 May 2017, in line with Article 44 and Article 12 of CACM.<sup>1</sup> The final Greece-Italy TSOs' proposal for fallback procedures, dated 10 April 2017, was received by the last Regulatory Authority of the Greece-Italy Capacity Calculation Region on 19 May 2017. The proposal includes proposed timescales for its implementation and a description of its expected impact on the objectives of Regulation 2015/1222, in line with Article 9(9) of Regulation 2015/1222 itself.

Article 9(10) of Regulation 2015/1222 requires Greece-Italy Regulatory Authorities 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 each Regulatory Authority by 19 November 2017.

The Greece-Italy TSOs' proposal for fallback procedure is based on two different approaches:

- a) explicit day-ahead auctions (so called shadow auctions) on the Italy BRNN – Greece border, based on the Shadow Allocation Rules published on the Allocation Platform website in their version 1.3 of 1<sup>st</sup> August 2016; the procedure is initiated as soon as the NEMOs inform the TSOs that there is a risk that the single day-ahead coupling may be unable to produce results (or as soon as the TSOs are aware of this risk, in case there is a lack of information from NEMOs); in case the shadow auction is cancelled, a reallocation of the day-ahead cross-zonal capacity to the intraday timeframe is also foreseen;
- b) local day-ahead market (local MGP) on the Italian internal bidding zone borders<sup>2</sup>; the procedure is initiated if the single day-ahead coupling is unable to produce results by 13.50 in day D-1; in that case, market participants can adjust their bids and orders which will then be processed by the local MGP in order to produce results by 17.00 day D-1 at the latest; the local MGP is based either on PCR algorithm (partially coupled within Italy but not with the Italian borders) or on the former local spot market algorithm (i.e. the algorithm used by the GME before joining the single day-ahead coupling and currently used for intraday implicit auctions within Italy and on the Slovenian border); in case local MGP is unable to produce results, the provisions of the Italian TSO national Grid Code with reference to the cases in which the Day Ahead results for the Energy Market are absent apply.

The fallback procedures for Italian internal bidding zone borders will be implemented once they are approved by the concerned Regulatory Authorities; the fallback procedures for the Italy BRNN-Greece border will enter in force after the introduction of Market Coupling allocation process on that specific border.

## **III. Greece-Italy Regulatory Authority position**

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<sup>1</sup> The public consultation held from 12 April to 11 May 2017 is available on the ENTSO-e website: <https://consultations.entsoe.eu/markets/fallback-procedure-for-greece-italy-capacity-calcul/>.

<sup>2</sup> Italian internal bidding zone borders are the borders listed in the Article 7 of Annex 1 of ACER Decision 06-2016, with the exception of the Italy BRNN – Greece border.

According to Regulation 2015/1222, the proposal should provide 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.

The proposed fallback procedures, based on explicit day-ahead auctions for the Italy BRNN – Greece border and on local day-ahead market for the Italian internal bidding zone borders, are robust, transparent for market participants, and allow a non-discriminatory capacity allocation.

As far as market efficiency is concerned, in general the Greece-Italy Regulatory Authorities are of the opinion that a joint allocation of capacity and energy would be the best solution. Unfortunately, such a solution is feasible only on the Italian internal bidding zone borders, where a local day-ahead market has been in force as a fallback procedure since Italy joined the single day-ahead coupling. On the Italy BRNN-Greece border, instead, only explicit day-ahead auctions could be implemented at the moment: nonetheless they still grant a good level of efficiency and transparency, since they allocate capacity to market participants according to their willingness to pay.

Despite a global positive evaluation of the Greece-Italy TSOs proposal, there are still some concerns. First of all the proposal refers to the Shadow Allocation Rules 1.3 version of 1st August 2016; this is acceptable since the auction rules are clearly identified, nonetheless the Greece-Italy TSOs shall be aware that if the Shadow Allocation Rules version referred in the proposal is amended, the fallback procedures shall be amended too.

Moreover, for the Italy BRNN-Greece Border in case the Shadow Auction is cancelled the proposal foresees a capacity allocation in the subsequent intraday allocation processes: nonetheless it's not clear what will happen in the early stage of Market Coupling implementation where only single day-ahead coupling is in force. The Regulatory Authorities expect that, in this stage, if the Shadow Auction is cancelled, no capacity will be allocated on the border, lacking any intraday allocation processes.

Despite this is clearly a not efficient approach, the Regulatory Authorities can welcome it, provided that it is a temporary measure and that the Greece-Italy TSOs will put all their best effort to implement the intraday coupling pursuant to Regulation 2015/1222 as soon as possible.

## Conclusions

The Greece-Italy Regulatory Authorities have consulted and closely cooperated and coordinated to reach agreement that the Greece-Italy TSO proposal for fallback procedures meets the requirements of Regulation 2015/1222 and as such it can be approved by Greece-Italy Regulatory Authorities. Nonetheless the Greece-Italy Regulatory Authorities would like to make the Greece-Italy TSOs aware that

- the proposal for fallback procedures shall be amended every time the Shadow Auction Rules version referred in the proposal itself is amended;
- the TSOs themselves shall put all their best effort to implement the intraday coupling pursuant to Regulation 2015/1222 as soon as possible, in order to allow a capacity allocation also in case both single day-ahead coupling and the Shadow Auctions are unable to produce results.

Greece - Italy Regulatory Authorities must therefore make their decisions by November 19<sup>th</sup> 2017, on the basis of this agreement in accordance with the six months deadline as set out in the Regulation 2015/1222. Following national decisions taken by each Regulatory Authority, Greece - Italy TSOs will be required to publish the methodology on the internet in line with Article 9(14) of Regulation 2015/1222.