

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

**OF**

**GREECE-ITALY TSOs PROPOSAL FOR  
REGIONAL SPECIFIC ANNEX FOR CCR GREECE-  
ITALY TO THE HARMONISED ALLOCATION RULES  
FOR LONG TERM TRANSMISSION RIGHTS IN  
ACCORDANCE WITH ARTICLE 52 OF COMMISSION  
REGULATION (EU) 2016/1719 OF 26 SEPTEMBER 2016  
ESTABLISHING A GUIDELINE ON FORWARD  
CAPACITY ALLOCATION**

**29 November 2018**

## I. Introduction and legal context

This document elaborates an agreement of Greece - Italy Regulatory Authorities (in the following: GRIT NRAs), made at the Greece – Italy Energy Regulators’ Regional Forum on 29 November 2018, on the Greece – Italy TSOs (in the following: GRIT TSOs) Proposal for Regional Specific Annex for CCR Greece – Italy (in the following GRIT Annex) to the Harmonised Allocation Rules (in the following: HAR) for Long Term Transmission Rights (in the following: LTTR) submitted in accordance with Article 51, 52.3 and 55 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation (in the following: FCA).

This agreement of GRIT NRAs shall provide evidence that a decision on the GRIT Annex to the HAR for LTTR does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of FCA. It is intended to constitute the basis on which GRIT NRAs will each subsequently make national decisions pursuant to Article 4(9) of FCA to approve the GRIT Annex to the HAR.

The legal provisions relevant to the submission and approval of the GRIT Annex to the HAR, and this GRIT NRAs agreement, can be found in Articles 3, 4, 51, 52, 54 and 55 of FCA. They are set out here for reference.

Article 3 of FCA:

*This Regulation aims at:*

- (a) promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants;*
- (b) optimising the calculation and allocation of long-term cross-zonal capacity;*
- (c) providing non-discriminatory access to long-term cross-zonal capacity;*
- (d) ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants;*
- (e) respecting the need for a fair and orderly forward capacity allocation and orderly price formation;*
- (f) ensuring and enhancing the transparency and reliability of information on forward capacity allocation;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.*

Article 4 of FCA:

- 1. TSOs 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, the participating TSOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of these terms and conditions or methodologies.*
- 2. (...)*
- 3. (...)*
- 4. (...)*
- 5. Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7.*
- 6. (...)*
- 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) the regional requirements of the harmonised allocation rules pursuant to Article 52, including the regional compensation rules pursuant to Article 55.
8. 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.
  9. 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 and 7 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.
  10. Where the regulatory authorities have not been able to reach an agreement within the period referred to in paragraph 9, or upon their joint request, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009.
  11. (...)
  12. TSOs responsible for developing a proposal for terms and conditions or methodologies or regulatory authorities responsible for their adoption in accordance with paragraphs 6 and 7, may request amendments of these terms and conditions or methodologies. The proposals for amendment to the terms and conditions or methodologies shall be submitted to consultation in accordance with the procedure set out in Article 6 and approved in accordance with the procedure set out in this Article.
  13. TSOs 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 7.

#### Article 51 of FCA

##### *Introduction of harmonised allocation rules*

1. Within six months after the entry into force of this Regulation, all TSOs shall jointly develop a proposal for harmonised allocation rules for long-term transmission rights pursuant to Article 52(2). The proposal shall be subject to consultation in accordance with Article 6. This proposal shall include regional and bidding zone border specific requirements if developed by the TSOs of each capacity calculation region pursuant to Article 52(3).
2. Once the regional requirements have entered into force, they shall prevail over the general requirements defined in the harmonised allocation rules. In case the general requirements of the harmonised allocation rules are amended and submitted to all regulatory authorities' approval, the regional requirements shall also be submitted to regulatory authorities' approval of the concerned capacity calculation region.

#### Article 52 of FCA

##### *Requirements for the harmonised allocation rules*

1. The requirements for the harmonised allocation rules for long-term transmission rights shall cover physical transmission rights, FTRs — options and FTRs — obligations. TSOs shall consider and duly take into account specificities related to the different types of products.
2. (...)

3. *The harmonised allocation rules may also contain regional or bidding zone border specific requirements in particular for, but without limitation to:*
  - (a) *the description of the type of long-term transmission rights which are offered on each bidding zone border within the capacity calculation region pursuant to Article 31;*
  - (b) *the type of long-term transmission rights remuneration regime to be applied on each bidding zone border within the capacity calculation region according to the allocation in the day-ahead time frame pursuant to Article 35;*
  - (c) *the implementation of alternative coordinated regional fallback solutions pursuant to Article 42;*
  - (d) *the regional compensation rules defining regional firmness regimes pursuant to Article 55.*

Article 54 of FCA

*Definition of caps*

1. *The concerned TSOs on a bidding zone border may propose a cap on the total compensation to be paid to all holders of curtailed long-term transmission rights in the relevant calendar year or the relevant calendar month in case of Direct Current interconnectors.*
2. *The cap shall not be lower than the total amount of congestion income collected by the concerned TSOs on the bidding zone border in the relevant calendar year. In case of Direct Current interconnectors, TSOs may propose a cap not lower than the total congestion income collected by the concerned TSOs on the bidding zone border in the relevant calendar month.*
3. (...)

Article 55 of FCA

*Compensation rules*

1. *Where TSOs propose to apply a cap referred to in Article 54, they shall jointly propose a set of compensation rules with regard to the applied cap.*

## **II. The Greece – Italy TSOs proposal**

The GRIT Annex to the HAR contains specific provisions related to LTTR issued for the Italy – Greece border<sup>1</sup>, that complement the general provisions included in the Harmonized Allocation Rules approved by the Agency with the Decision 03/2017 issued on 2 October 2017.

The first version of the GRIT Annex to the HAR, dated 10 April 2017 and received by the last concerned regulatory authority on 14 April 2017, was approved by the GRIT NRAs at Greece-Italy Energy Regulators' Regional Forum on 11 October 2017.

According to Article 4(12) of FCA, GRIT TSOs prepared an amended version that was consulted on ENTSO-E platform<sup>2</sup> from 28 September 2018 to 28 October 2018. This new version was received by the last concerned regulatory authority on 5 November 2018.

Article 4(9) of FCA requires GRIT NRAs to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make decisions within six months following receipt of submissions of the last concerned Regulatory Authority. A decision by each Regulatory Authority would therefore be required by 5 May 2019; nonetheless, in order for the new rules to apply from 2019, GRIT NRAs agree to make any effort to issue their national decisions on the approval of the GRIT Annex to the HAR by 7 December 2018.

The second version of the GRIT Annex to the HAR states the following specific rules:

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<sup>1</sup> Until 2018 the Annex applies to the Italy BRNN – Greece bidding zone borders, while from 2019 it will apply to the Italy South – Greece bidding zone border according to the revised bidding zone configuration that will be implemented in Italy.

<sup>2</sup> [https://consultations.entsoe.eu/markets/fca\\_har\\_annex\\_grit-ccr/consult\\_view/](https://consultations.entsoe.eu/markets/fca_har_annex_grit-ccr/consult_view/)

- LTTR can be curtailed in the event of Force Majeure or to ensure operations remain within Operation Security Limits only before the Day Ahead Firmness Deadline approved pursuant to Article 69 of Commission Regulation (EU) 2015/1222, i.e. 11.00 CET time equal to one hour before the day-ahead market gate closure time; after this deadline, curtailment is possible only in Emergency Situations or in the case of Force Majeure; the above mentioned rule will apply, setting Day Ahead Firmness Deadline as the deadline for LTTR firmness, once Single Day-Ahead Coupling is implemented on the Italy South – Greece bidding zone border; in the meanwhile, instead, the nomination deadline (i.e. 8.30 CET time) will be used, as set in the first version of the GRIT Annex to the HAR;
- in case of curtailment, the general rule for compensation at market spread applies; a monthly cap is set according to Article 59(3) of the HAR; this is a completely new provision that substitutes the former compensation based on the initial auction price.

### III. Greece-Italy Regulatory Authority position

Article 52(3) of FCA states that the HAR may include specific requirements “*in particular for but without limitation to*” the description of the type of LTTR offered on each bidding zone border, the remuneration regime to be applied on each bidding zone border, the alternative coordinated regional fallback solutions, the regional compensation rules defining regional firmness regimes. Moreover Article 54(2) in presence of DCC interconnectors allows the TSOs to propose monthly caps to the compensation granted to LTTR holders.

The specific rules proposed by GRIT TSOs are duly justified, as follows.

GRIT NRAs appreciate that the GRIT TSOs refer to the standard Day Ahead Firmness Deadline to be used once Single Day-Ahead Coupling is implemented. In the meanwhile, lacking a harmonized day-ahead gate closure time, GRIT NRAs agree with the TSOs that the LTTR firmness cannot yet be based on the standard Day Ahead Firmness Deadline (1 hour before day ahead gate closure time); thus firmness shall refer to the unanimously agreed nomination deadline (i.e. 8.30 CET time).

GRIT NRAs welcome, also, the intention of GRIT TSOs to move towards a market spread compensation, as recommended while approving the first version of the GRIT Annex to the HAR. Although Single Day-Ahead Coupling is not expected to be implemented on the Italy South – Greece bidding zone border before late 2019, the Greek market is experiencing new rules and arrangements that make the price signal more reliable, therefore previous justifications for keeping the compensation based on the initial auction price, as suggested in the first version of the GRIT Annex to the HAR, are no longer applicable.

### IV. Conclusions

The GRIT NRAs have consulted and closely cooperated and coordinated to reach agreement that they approve the GRIT Annex to the HAR submitted by the GRIT TSOs pursuant to Article 52(3) of FCA. The GRIT NRAs must make their national decisions to approve this Annex, on the basis of this agreement, by 7 December 2018, in order for the new rules to apply from 2019.