

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

OF

**ITALY NORTH TSOs' PROPOSAL FOR
REGIONAL SPECIFIC ANNEX FOR CCR ITALY NORTH
TO THE HARMONISED ALLOCATION RULES FOR
LONG TERM TRANSMISSION RIGHTS**

12 October 2017

I. Introduction and legal context

This document elaborates an agreement of Italy North Regulatory Authorities, made at the Italy North Energy Regulators' Regional Forum on 12 October 2017, on the Italy North TSOs Proposal for Regional Specific Annex for CCR Italy North to the Harmonised Allocation Rules (HAR) for Long Term Transmission Rights (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 (Regulation 2016/1719).

This agreement of Italy North Regulatory Authorities shall provide evidence that a decision on the Regional Specific Annex for CCR Italy North to the HAR for LTTR does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of the Regulation 2016/1719. It is intended to constitute the basis on which Italy North Regulatory Authorities will each subsequently make national decisions pursuant to Article 4(9) Regulation 2016/1719 to approve the Regional Specific Annex for CCR Italy North to the HAR for LTTR, submitted by Italy North TSOs in line with Article 51, 52.3 and 55 of Regulation 2016/1719.

The legal provisions relevant to the submission and approval of the Regional Specific Annex for CCR Italy North to the HAR for LTTR, and this Italy North Regulatory Authorities agreement on the Regional Specific Annex for CCR Italy North to the HAR for LTTR, can be found in Articles 3, 4, 51, 52 and 55 of Regulation 2016/1719. They are set out here for reference.

Article 3 of Regulation 2016/1719:

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 Regulation 2016/1719:

- 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 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. (...)
 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 Regulation 2016/1719

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 Regulation 2016/1719

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 Regulation 2016/1719

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. (...)
3. (...)

Article 55 of Regulation 2016/1719

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 Italy North TSOs proposal

The Italy North TSOs proposal for the Regional Specific Annex for CCR Italy North to the HAR for LTTR, dated April 10th 2017, was received by the last Regulatory Authority on April 21st 2017 together with the HAR main body and a separated explanatory document. The Annex is effective at the date of entry into force of the HAR as approved by the Agency with the Decision 03/2017 issued on October 2nd 2017, according to the request agreed by all Regulatory Authorities pursuant to Article 4(10) of Regulation 2016/1719.

The HAR main body was consulted from January 16th 2017 to February 17th 2017, together with specific Annexes regarding regional requirements: specific provisions for CCR Italy North were included in Annex 1 (listing all the borders subject to the HAR and giving information about the application of a cap to compensation according to Article 55 of Regulation 2016/1719) and in Annex 6 (regarding specific rules to be applied to the Italian borders).

The final version sent to Italy North Regulatory Authorities slightly deviates from the consulted one: Annex 1 was deleted (no border list is needed, since HAR are applicable to all the borders where LTTR are issued; provisions about cap application are moved in the regional specific annexes) and Annex 6 was split in two Regional Specific Annex, one for CCR Italy North and one for CCR GRIT (and amended to include the provisions about cap application).

Article 4(9) of Regulation 2016/1719 requires Italy North 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 October 21st 2017.

The Regional Specific Annex for CCR Italy North to the HAR for LTTR specifies that a cap to compensation is applied according to Article 55 of Regulation 2016/1719 to the following borders: Italy-Austria; Italy-France; Italy Austria.

III. All Regulatory Authority position

The application of a cap to compensations for LTTR reductions on the borders of the CCR Italy North is in line with the current situation. It protects end consumers from having to support, through network tariffs, the potential net loss which would be incurred by TSOs if the amount of compensations was higher than the congestion rents associated with the issuance of transmission rights.

Based on the proposal provided by TSOs, Italy North Regulatory Authorities therefore have reached the agreement that the proposed Regional Specific Annex for CCR Italy North to the HAR for LTTR is complying with the provisions of Regulation 2016/1719.

IV. Conclusions

Italy North Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach agreement that the Regional Specific Annex for CCR Italy North to the HAR for LTTR meets the requirements of the Regulation 2016/1719 and as such can be approved by Italy North Regulatory Authorities.

Italy North Regulatory Authorities must therefore make their decisions by October 21st 2017, on the basis of this agreement in accordance with the six months deadline as set out in the Regulation 2016/1719. Following national decisions taken by each Regulatory Authority, Italy North TSOs will be required to publish the methodology on the internet in line with Article 4(13) of Regulation 2016/1719, together with the HAR main body as approved by the Agency with the Decision 03/2017.