Greece-Italy TSOs proposal for splitting long-term cross-zonal capacity in accordance with Article 16 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation

November 2019

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WHEREAS

(1) The Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (hereinafter "the FCA Regulation") lays down detailed rules on cross-zonal capacity allocation in the forward markets, on the establishment of a common methodology to determine long-term cross-zonal capacity, on the establishment of a single allocation platform at European level offering long-term transmission rights, and on the possibility to return long-term transmission rights for subsequent forward capacity allocation or transfer long-term transmission rights between market participants.

(2) This document (hereafter referred to as "Greece-Italy Border Long Term Splitting Methodology", or "Proposal"), 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 a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different timeframes within Greece-Italy Region. This proposal is required by Article 16 of the FCA Regulation.

(3) According to Article 16 of the FCA Regulation, the Greece-Italy Border Long Term Splitting Methodology shall comply with the following conditions: (a) it shall meet the hedging needs of market participants; (b) it shall be coherent with the capacity calculation methodology; (c) it shall not lead to restriction in competition, in particular for access to long-term transmission rights.

(4) The proposed Greece Italy Border Long Term Splitting Methodology contributes to and does not in any way hinder the achievement of the objectives of Article 3 of FCA Regulation.

- Article 3(a) of the FCA Regulation aims at promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants.

  This methodology guarantees an equal balance between yearly and monthly capacity to be offered to the market, promoting in this manner effective long-term cross zonal trade for market participants.

- Article 3(b) of the FCA Regulation aims at optimising the calculation and allocation of long-term cross-zonal capacity.

  This Proposal guarantees an offered capacity with adequate level of firmness, optimising the allocation of long-term cross-zonal capacity.

- Article 3(c) of the FCA Regulation aims at providing non-discriminatory access to long-term cross-zonal capacity.

  This methodology, subject to capacity availability, guarantees at least one yearly and one monthly product giving the market participant the possibility to access the long-term capacity in both time frames. This contributes to creating the same level playing field for all market participants willing to access forward markets.

- Article 3(d) of the FCA Regulation aims at ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants.

  This methodology relies on transparent and auditable data and it is approved by the relevant national regulatory authorities after a consultation period.

- Article 3(f) of the FCA Regulation aims at ensuring and enhancing the transparency and reliability of information on forward capacity allocation.

  This methodology relies on transparent and auditable data. The splitting results is reproducible using public data.

(5) According to Article 30.3 of the FCA Regulation, and following a decision of the competent regulatory authority, long term transmission rights shall not be issued on Italian internal bidding zone borders.

(6) According to the regional design of the long-term transmission rights approved on GRIT CCR (Article 31 of the FCA Regulation), the long-term capacity shall be offered on yearly and monthly timeframes in form of base load products that may include reduction periods.

GENERAL PROVISIONS

Article 1
Subject matter and scope

1. As required under Article 16 of the FCA Regulation, all Greece-Italy TSO shall jointly develop a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different timeframes.
2. The splitting methodology, as determined in this Proposal, shall be considered as the common proposal of Greece-Italy Region TSOs for splitting long-term transmission cross-zonal capacity in a coordinated manner between different time frames within the respective region. The proposal shall cover the Italy - Greece border.

Article 2
Definitions

1. For the purpose of this proposal, the definitions in Article 2 of the FCA Regulation and Article 2 of HAR shall apply.
2. In addition, the following definitions shall apply:
    a. 'GR-IT border' means bidding zone border between Greece and the connecting Italian bidding zone;
    b. 'Yearly Capacity' means the capacity calculated on the yearly timeframe according to the methodology based on Article 10 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation;
    c. 'Monthly Capacity' means the capacity calculated on the monthly timeframe according to the methodology based on Article 10 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.

METHODOLOGY FOR SPLITTING LONG-TERM CROSS-ZONAL CAPACITY

Article 3
Methodology requirements

According to Article 16.2 of the FCA, the methodology for splitting long-term cross-zonal capacity shall comply with the following conditions:

1) it shall meet the hedging needs of market participants;

    i. The risk of capacity reduction affects the hedging opportunity of Market Participants. In order to guarantee an appropriate level of firmness of the yearly product, for capacity allocation purposes the 5th percentile of NTC historical data has to be considered. This means that capacity offered on the yearly time frame is statistically guaranteed for 95% of the hours.

    ii. In order to provide an appropriate hedging level to the market, a minimum amount of yearly product must be guaranteed. For this reason, in this methodology a lower threshold is applied.

2) it shall be coherent with the Greece-Italy capacity calculation methodology developed in accordance with Article 10 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.

    The capacity offered on yearly timeframe cannot be higher than the Yearly Capacity. This constraint ensures the coherence between the two methodologies.

3) it shall not lead to restriction in competition, in particular for access to long-term transmission rights.

    This provision is guaranteed as in order to allow market participants to cover their hedging needs on both yearly and monthly basis, the Yearly Capacity shall not be allocated for the entire volume in the yearly auction. Not more than 50% of the Yearly Capacity is offered on yearly basis in order to guarantee an equal balance between yearly and monthly capacity to be offered to the market, thus allowing to Market

Operator to compete on all the timeframes. Moreover, Long Term Products related to this methodology are allocated through Auctions, which rely on a mechanism described in public auction rules.

Article 4
Steps for implementation

The capacity to be allocated on the yearly timeframe (Yearly Product Y_p) is calculated according to the following formula:

$$Y_p = min\left[50\%Y_{cc,max}; max\left(Y_5; 10\%Y_{cc,max}\right)\right]$$

Where:

- $Y_{cc,max}$: is the maximum value of the Yearly Capacity;
- Y_5: is the 5th percentile of the historical distribution of NTC data of the last two years (without taking into account the periods of the yearly planned outage). It corresponds to the NTC value that has been guaranteed in at least 95% of the hours.

A Reduction Period is applied in all days in which $Y_{cc,h} < Y_p$ in at least one hour.

Where:

- $Y_{cc,h}$: is the value of the Yearly Capacity in the hour h.

The total number of the days in which the Reduction Periods are applied cannot be higher than the 70% of the days of the year. In order to comply with this provision, Y_p is reduced until it is satisfied.

The capacity to be allocated on the monthly timeframe (Monthly Product M_p) is calculated according to the following formula:

$$M_p = \max ATC_d$$

where:

- ATC_d : is the available capacity on the day d calculated according to the following formula

$$ATC_d = \min\left\{max\left[\left(M_{cc,h} - Y_{p,h}\right); 0\right]\right\} \qquad \forall\, h \in d$$

- $M_{cc,h}$: is the value of the Monthly Capacity in the hour h;
- $Y_{p,h}$: is the allocated yearly product in the hour h.

A Reduction Period is applied in all days in which $M_{cc,h} < M_p$ in at least one hour.

The total number of the days in which the Reduction Periods are applied cannot be higher than the 70% of the days of the month. In order to comply with this provision, M_p is reduced until it is satisfied.

FINAL PROVISIONS

Article 5
Implementation

The GRIT TSOs shall implement the methodology at the date of implementation of the capacity calculation methodology in accordance with Article 10 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation.

Article 6
Language

The reference language for this Proposal shall be English. For the avoidance of doubt, where TSOs need to translate this Proposal into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 4 (13) of the FCA 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 this Proposal.