

**Italy North TSOs fallback procedures 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**

EXPLANATORY NOTE

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1. INTRODUCTION

Article 44 of the Commission Regulation 2015/1222 establishing a Guideline on Capacity Allocation and Congestion Management (hereinafter referred to as 'Regulation 2015/1222') requires that, by 16 months after the entry into force of Regulation 2015/1222, 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.

This document is an explanatory note accompanying the common proposal developed by all Transmission System Operators (hereafter referred to as "TSOs") within the Italy North Capacity Calculation Region (hereafter referred to as "Italy North Region") regarding the proposal for fallback procedure (hereafter referred to as "Italy North Borders Fallback Procedure").

In this document, all definitions of Italy North Borders Fallback Procedure shall apply.

2. ITALY NORTH BORDERS FALLBACK PROCEDURE

Several mechanisms of fallback procedure in the event of unavailability of single day-ahead coupling process can be in general implemented, such as:

- Equal share of offered capacity between all the market participants;
- Allocation of offered capacity in the subsequent relevant allocation process (e.g. intraday allocation process);
- Explicit Allocation of offered capacity in the form of Physical Transmission Rights (PTR) on a daily basis (Shadow Auctions).

The Italy North Borders Fallback Procedure consists in the execution of Shadow Auctions on borders where there is a risk that single day-ahead coupling process may be unable to produce results.

Shadow Auctions are executed by the Allocation Platform, pursuant to applicable version Shadow Allocation Rules consists in following steps:

- 1- Market participants have to be registered with the Allocation Platform in order to participate to Shadow Auctions, pursuant conditions stated in the Shadow Allocation Rules. This registration is non-discriminatory and free of charge;
- 2- Once registered, market participants can submit and/or update their default bids to the Allocation Platform without any time limit and prior to the effective execution of a Shadow Auction. These default bids will be used by the Allocation Platform during the execution of the Shadow Auction;
- 3- When the Italy North Borders Fallback Procedure is launched, the latest version of default bids submitted by the market participants are used by the Allocation Platform in order to run a Shadow Auction: during the execution of Shadow Auctions, market participants don't have the possibility to modify their default bids;
- 4- The offered capacity used in the Shadow Auctions is the same as the one transmitted by the TSOs to NEMOs for the purpose of day ahead coupling process in normal conditions;
- 5- The results of a Shadow Auction are determined according to the algorithm described in the Shadow Allocation Rules, which calculates a marginal price for the offered capacity according to the default bid prices;
- 6- The results of the Shadow Auctions are provided to the market participants only in the case where the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs, and no later than 13:58 market time day-ahead.

3. REQUIREMENTS FOR ESTABLISHING ITALY NORTH BORDERS FALLBACK PROCEDURE

3.1 Efficiency

Firstly, Shadow Auctions are performed by the Allocation Platform: the IT tools and operational teams used for Shadow Auctions are the same as the ones used for explicit allocations in other timeframes (year ahead, month ahead, daily, intraday) and most of the European borders. This reduces the specific costs for this process and thus increase its economic efficiency.

Secondly, the Shadow Auction process described in the §2 above can be launched as a parallel process in background of the single day-ahead coupling process as soon as the information of the risk that single day-ahead coupling process may be unable to produce results is known by the TSOs. Shadow Auctions might indeed be triggered during the session of day-ahead market coupling or can be activated in advance if it is known beforehand that the day-ahead coupling will be unable to produce results. In the latter case, Shadow Auctions are not performed in background mode in single day-ahead coupling process but in replacement of it. This ensures that results of the Shadow Auctions are provided to the market participants as soon as possible after the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs. The latest time to confirm the unavailability of single day-ahead coupling results is 13:50 market time day-ahead, which means that the results of the Shadow Auctions are sent to the market participants at the latest within a couple of minutes after 13:50 market time day-ahead. The latest time to complete the sending of results of the Shadow Auctions to the market participants is 13:58 market time day-ahead according to the operational procedures for market coupling.

Finally, the Shadow Auction process is already in place since several years as a fallback of the day-ahead coupling process. This implies that the Italy North Borders Fallback Procedure relies on well-proven and known processes (both by TSOs and market participants), and that it doesn't requires any additional investments.

3.2 Robustness and reliability

The IT tools and operational teams used for Shadow Auctions are the same as the ones used for the explicit allocations, and furthermore apply on most of the coupled borders, which means that:

- The systems used for Shadow Auctions come with the same service level as the other regular allocation processes (up to a daily frequency);
- The operational teams running the Shadow Auctions are used to handle the relevant systems and procedure, including communication and data exchanges with the market participants;
- This increase the potential use of such processes and therefore its reliability.

Moreover, the Shadow Allocation Rules define fallback procedures for data exchanges between market participants and the Allocation Platform to cope with situations where these data exchanges cannot be performed through the standard processes by the applicable deadlines. Fallback procedures for data exchanges between market participants and the Allocation Platform consist in exchanging data by e-mail, which is an efficient communication mode that can be easily used by all market participants, and allow an efficient processing of data received by the Allocation Platform in tense situations, especially compared to fax or phone.

Then, the Italy North Borders Fallback Procedure provides provisions to manage possible delays in the execution of Shadow Auctions: in case the execution of Shadow Auction faces difficulties to be conducted in time (due to technical difficulties, or additional delays to process data exchanges with fallback procedures as described above), the Allocation Platform will attempt to postpone it.

Finally, if none of the of the above measures is considered by the Allocation Platform as being possible (especially due to lack of time with regards to other processes on TSOs' side following Shadow Auction results), this Shadow Auction

will be cancelled and all bids already submitted will automatically be deemed null and void, in compliance with the provisions of Shadow Allocation Rules.

4. PUBLIC CONSULTATION RESPONSES AND TSO REACTIONS

Article	Consultation - Comment	Italy North TSO feedback
Article 3	Article 3 could be taken out	Article 3 is necessary to formalize under which conditions the fallback procedure is triggered
Article 4	<p>Article 4 could be limited to:</p> <p>"When an implicit daily auction is cancelled the daily offered capacity is allocated to the subsequent relevant intraday allocation processes."</p>	<p>This article shall be detailed enough to explain and show the robustness of the fallback procedure, which is important because it is one step closer to the situation that no day-ahead capacity is allocated</p>
All	<p>As the shadow auctions have not proven to be efficient in the past (being an emergency measure + Auction Office not able of running these properly), we would recommend a use of the "standard" procedures, so that capacity is given to the intraday process as the fallback measure.</p>	<p>The execution of Shadow Auctions is associated with fallback modes in order to guarantee that the auction can run with the higher degree of robustness. All TSOs are making sure that the processes run by JAO are robust and with a high level of quality.</p> <p>Furthermore, all TSOs and regulator consider it important, that a fallback process can ensure that the capacity is allocated in day-ahead in case the implicit auction cannot be executed</p>