

**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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18 October 2017

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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").

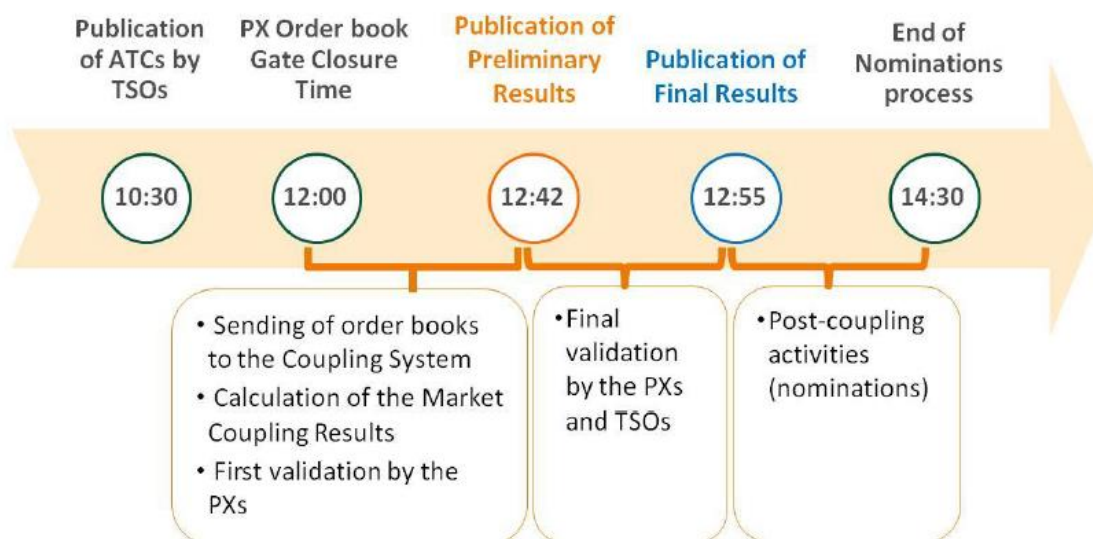
In this document, all definitions of Italy North Borders Fallback Procedure shall apply.

## 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);
- Local market coupling (see §3.3).

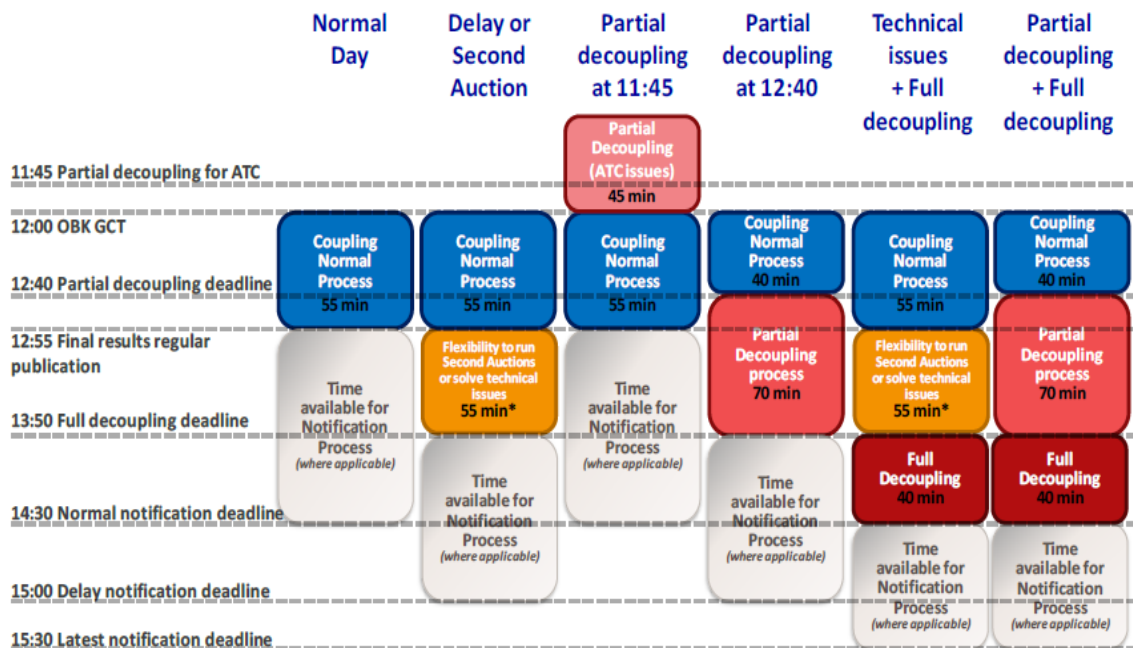
Before going into details of fallback procedures, the following picture is indicating the regular timings and deadlines (normal operation) of the market coupling of the Northern Italian CCR borders:



In particular the timings together with a description of actions on every time stamp are given in the following table:

<b>Pre-Coupling</b>	09:00 10:20 11:00 11:15 11:45	<b>Start of the Market Coupling session</b> <b>Target time for submission of the CZCs from TSOS to PXs</b> Latest time to start IC for Network data missing in PMB Risk of Partial Decoupling for one or more interconnectors <b>Partial Decoupling for one or more interconnectors</b>
<b>PCR Normal Process 55 min</b>	12:00 12:10 12:10 12:20 12:20 12:22 12:34  12:40 12:35 12:42 12:42 12:42 12:52 12:53	<b>PX OBK Gate Closure Time</b> <b>PMB GCT, reception of all OBK in PMBs → Start of Calculation</b> Latest time to start an IC for ATC or OBK related reasons <b>Deadline to send message for risk of partial Coupling</b> <b>End of Calculation</b> Reception of Results in all PX Systems + Start of 10 min preliminary validation <b>End of preliminary PX validation process → Generation of Preliminary PX Confirmations</b>  <b>Deadline to declare Partial Coupling</b> Reception of Global Preliminary PX Confirmation in every PX IT System <b>Publication of preliminary results</b> to the market and sending of the results to TSOS Deadline to send a publication delayed message <b>Start of 10 min Final Confirmation process</b> End of final validation process → Generation of Final Confirmations <b>Reception of all Final Confirmations in the PMB → Sending of Global Final Confirmation</b>
<b>Nomination Process 60 min</b>	12:54 12:55 13:05 13:20 13:50	<b>Reception of Global Final Confirmation in the Local PMBs</b> <b>Publication of Final Results and Start of the Notification Process</b> Latest time to start an IC and invite TSOS <b>Deadline to send message for risk of full decoupling</b> <b>Deadline to declare a Full Decoupling</b>  <b>Nomination Process according to local Procedures (involving TSOS and CCPs)</b>

In addition to the normal operation (Normal Day) exceptional situations due to technical constraints or special market situation are foreseen within the currently installed IBWT market coupling used for Italy North CCR. Such situations may lead to a partial decoupling (PD) or full decoupling (FD) as shown in the figure below.



\* This is the maximum time which could be used to solve a technical issue in order to avoid a decoupling. If the technical problem is solved in less than 55 min, the next processes will start earlier.

It can be ascertained that market results are always given before 13:50. This is also the case for all exceptional situations. If an issue cannot be solved before this deadline, a decoupling situation is declared and Fallback Procedures are necessary to manage to get results for Day-Ahead capacity allocation process.

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.

Once the full decoupling of the single day-ahead coupling is declared (see further details in §4), 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, with special rules and timelines adapted to short deadlines in the fallback situations. This reduces the specific costs for this process and thus increase its economic efficiency.

Secondly, the Shadow Auction process described in the §3.2 below 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.

In case Italy North Borders Fallback Procedure is unable to be initiated (art. 4 of the Proposal), further fallback procedures for data exchange can be activated. In this case, Shadow Auctions will be postponed. In any case, in order not to collide with subsequent processes, the Allocation Platform will use its best effort to send the results to the Market Participants before 13:58 market time day ahead.

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 similar 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.

### 3.3 Evaluation of local market coupling as a possible fallback solution

When evaluating the execution of local market coupling as a possible fallback solution, following points were considered:

In order to execute a local market coupling between two bidding zones on Italy North Region, order books in the relevant bidding zones have to be re-opened, and then coupled: thus, in bidding zones both concerned by such local market coupling, and part of other Capacity Calculation Regions (i.e. potentially Austria, France and Slovenia bidding zones), a separation of order books would theoretically be needed to deal with other local coupling (established by the respective Fallback Proposals established pursuant to Art.

44 of CACM Regulation, or NEMOs Back-up methodology established pursuant to Art. 36.3 of CACM Regulation, as the case may be), to avoid the computation of two distinct prices per bidding zones.

Different local market coupling processes executed as fallback procedures in different CCR, when relevant, should therefore be coordinated and executed simultaneously across these CCR: such local market coupling would then need to be assessed taking into account other mechanisms defined outside the present Italy North Borders Fallback Procedure, established only for Italy North CCR. This means that resulting processes wouldn't be defined in CCR only proposals.

However, on the border SI-IT, as part of current procedures already applied at the time of the present Italy North Borders Fallback Procedure proposal, a local coupling involving Italian and Slovenian TSOs and NEMOs (hereafter "local SI-IT coupling") can be performed in case no results can be provided for Italy and Slovenian bidding zones. This procedure is valid for all cases except for the case where partial decoupling procedures are applied due to the reasons related to SI-IT border (i.e. missing CZCs). In this case, as for all other Italy North borders, Shadow Auctions are performed. This solution is to a large extent possible due to a nature of technical cooperation (usage of the same trading platform) between Slovenian PX BSP and Italian PX GME. This process is further described in §4, and is executed as the single fallback solution on the border SI-IT. The local SI-IT coupling has thus been included in the present proposal in order to reflect existing procedures, knowing that the implementation of the single day-ahead coupling is not completed yet.

TSOs will monitor the implementation of the single day-ahead coupling and associated proposal from NEMOs established pursuant to CACM Regulation, in order to take into account necessary adaptations in the Italy North Borders Fallback Procedure proposal, as the case may be.

#### 4. PROCESS OF ITALY NORTH BORDERS SHADOW AUCTIONS PROCEDURE

The following table describes the detailed process of Italy North Borders Shadow Auctions Procedure for IT-FR, IT-SI<sup>1</sup> and IT-AT borders:

#	Process	Timing <sup>2</sup>
1	NEMOs inform TSOs that the market coupling is delayed	Between 12:42 and 13:05
2	The Allocation Platform informs the Market Participants that the market coupling process is delayed and that they can update their Shadow Auction bids in the eventuality of a Full Decoupling.	As soon as possible after step 1
3	The Allocation Platform reminds the Market Participants of the Shadow Auctions bid submission deadline.	13:20
4	The Allocation Platform ends the bid submission for the Shadow Auctions.	13:40
5	The Allocation Platform starts the Shadow Auction calculation.	13:40
6	NEMOs inform that the Full Decoupling is declared	No later than 13:50
7	The Allocation Platform informs the Market Participants that the Full Decoupling is declared and that the Shadow Auction results will be available on the website within the next 8 minutes.	13:50
8	The Allocation Platform starts the sending of the Shadow Auction results and corresponding Transmission Rights.	As of 13:50

<sup>1</sup> In case partial decoupling procedures are applied due to the reasons related to SI-IT border.

<sup>2</sup> Day Ahead market time.

#	Process	Timing <sup>2</sup>
9	The Allocation Platform confirms to the NEMOs that the results of the Shadow Auction are sent	No later than 13:58
10	NEMOs may reopen their order books to allow Market Participants to update their orders according to the Shadow Auction Results.	As soon as possible after step 9
11	NEMOs close their order books	As defined by NEMOs
12	Market participants send to the TSOs the Nomination of their Transmission Rights calculated pursuant to the Shadow Auction	No later than 15:30

The following table describes the detailed process of Italy North Borders Fallback Procedure for IT-SI border:

#	Process	Timeline
1	BSP and GME shall declare if Shadow Auction might be needed on IT-SI border.	No later than 13:20
2	BSP and GME will forward a message with notification for IT-SI border to inform market participants on bilateral coupling on IT-SI border	No later than 13:20
3	The Allocation Platform reminds the Market Participants of the Shadow Auctions bid submission deadline <b>with notification on bilateral coupling on IT-SI border</b>	No later than 13:20
4	GME and BSP will forward the message with special notification for IT-SI border to inform market participants on bilateral coupling on IT-SI border	No later than 13:50
5	GME and BSP will proceed with local market coupling according to local procedures	As defined by NEMOs in local Procedures

The flowchart below summarizes the normal and fallback Day Ahead Processes, and subsequent timings of Intraday processes according to CACM Regulation:

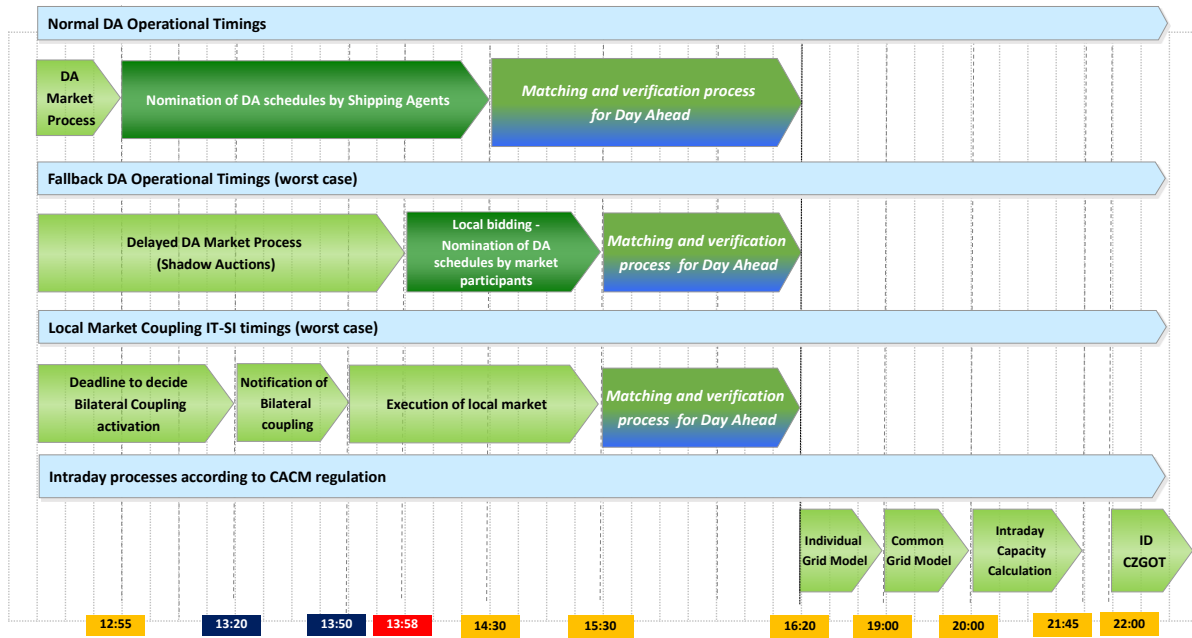
- Fallback procedure is completed no later than 15:30;
- Then the Matching and verification process for Day Ahead occurs until 16:20, to allow TSOs to confirm all cross-border schedules for the upcoming delivery day;
- After 16:20, the processes related to Intraday timeframe preparation start:
  - o Individual Grid Model creation by each TSO;
  - o Common Grid Model creation by all TSOs;
  - o Intraday Capacity Calculation by all TSOs: this step should end so that Cross-zonal capacity and allocation constraints are provided to the NEMOs no later than 15 minutes before the intraday cross-zonal gate opening time, which is defined at 22:00<sup>3</sup>.

In the worst case, in which Shadow Auction Results are delivered at 13:58, there are no conflict between Italy North Borders Fallback Procedure and other processes at both regional and pan-European level.

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<sup>3</sup> According to the version of intraday cross-zonal gate opening time proposal under approval process at the time of the present document.





## 5. 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	Article 4 could be limited to: “When an implicit daily auction is cancelled the daily offered capacity is allocated to the subsequent relevant intraday allocation processes.”	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
All	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.	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. 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

## 6. CONSULTATION OF NEMO

Pursuant to the request of amendments from National Regulatory Authorities of 01 August 2017 on the Italy North Borders Fallback Procedure proposal, TSOs have consulted the NEMOs involved in Italy North CCR.

EPEX SPOT has transmitted the following comment:

*“EPEX SPOT has noted the proposed fallback solution for the Italian-Slovenian border, consisting in a local Day-Ahead Market Coupling using the local spot market algorithm (cf. Italy North TSOs proposal for fallback procedure, art.3.7). Considering that this solution is “to a large extent possible due to a nature of technical cooperation (usage of the same trading platform) between Slovenian PX BSP and Italian PX GME” (cf. Italy North TSOs explanatory note for fallback procedure, art.3.3), EPEX SPOT is questioning the compatibility of such solution with a possible multi-NEMOs situation in Slovenia (where no legal monopoly NEMO exist).*

*We would be grateful that this question is considered by the TSOs and the NRAs in charge of updating and approving the Italian North fallback procedure.”*

TSOs have provided the following feedback:

*“The procedure of bilateral coupling, as a fallback on SI-IT, has been in place since February 2015. This is the main reason why it has been included in the fallback proposal.*

*For the time being there is no multi NEMO situation in Slovenia, therefore assessment of compliance is not relevant. Should there be have a multi NEMO situation in Slovenia in the future, all relevant aspects of the changed situation will be properly addressed.”*