

**Italy North TSOs proposal for fallback procedure 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**

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## WHEREAS

- (1) This document (hereafter referred to as “Italy North Borders Fallback Procedure”, or “ITNB Fallback Procedure”) is a 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 procedures in the event that the single day-ahead coupling process is unable to produce results. This proposal is required by Article 44 of Regulation (EU) 2015/1222 on Capacity Allocation and Congestion Management (the “CACM Regulation”).
- (2) According to Article 9 (9) of the CACM Regulation, a timeline for implementation of the proposed Italy North Borders Fallback has to be included. The timeline for implementation is presented in Article 5 of this document.
- (3) According to Article 9 (9) of the CACM Regulation, the expected impact of the proposed Italy North Borders Fallback Procedure on the objectives of the CACM Regulation has to be described. The impact is presented below (point 4 of the Whereas).
- (4) The proposed Italy North Borders Fallback Procedure contributes to and does not in any way hinder the achievement of the objectives of Article 3 of CACM Regulation:

- Article 3(a) of Regulation 2015/1222 aims at promoting effective competition in the generation, trading and supply of electricity.

The Italy North Borders Fallback Procedure is performed through Shadow Auctions executed by the Allocation Platform, which is a unique platform for all market participants acting on Italy North Borders, already used for other timeframes. Moreover, the registration for the Shadow Auctions is free of charge.

This contributes to creating the same level playing field for all market participants willing to access day ahead markets.

- Article 3(b) of Regulation 2015/1222 aims at ensuring optimal use of the transmission infrastructure.

The Italy North Borders Fallback Procedure makes sure that even in case of failure of the day ahead coupling processes, the cross-border capacity can still be allocated to the market participants for this timeframe. This ensures the optimal use of the transmission infrastructure, maximizing the sum of Registered Participants’ Surplus and the congestion income while respecting the constraints of relevant offered Capacity.

- Article 3(e) of Regulation 2015/1222 aims at ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants.

The Italy North Borders Fallback Procedure is performed through Shadow Auctions which rely on transparent auction rules that are approved by the relevant national regulatory authorities after a consultation period.

- Article 3(h) of Regulation 2015/1222 aims at respecting the need for a fair and orderly market and fair and orderly price formation.

The Italy North Borders Fallback Procedure is performed through Shadow Auctions which rely on a mechanism described in public auction rules. The algorithm used by Shadow Auctions calculates moreover a marginal price for the offered capacity according to the bid prices of the market participants and is thus market based. Compared with others fallback procedure options, pricing of capacity allocated by Shadow Auctions reflects better its actual value, ensuring an efficient allocation.

- Article 3(j) of Regulation 2015/1222 aims at providing non-discriminatory access to cross-zonal capacity.

The Italy North Borders Fallback Procedure ensures a transparent and non-discriminatory approach towards facilitating cross zonal capacity allocation in the event that the single day-ahead coupling process is unable to produce results.

## **GENERAL PROVISIONS**

### **Article 1**

#### **Subject matter and scope**

1. As required under Article 44 of the CACM Regulation, each TSO of Italy North Capacity Calculation Region, in coordination with all the other TSOs, 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 within the Italy North Region. This procedure shall apply to all relevant borders of Italy North Region.
2. According to Article 50 of CACM Regulation, the fallback procedure shall be initiated whenever NEMOs performing MCOs functions are unable to deliver part or all of the results of the price coupling algorithm in a timely manner.

### **Article 2**

#### **Definitions**

1. For the purpose of this proposal, the definitions in Article 2 of the CACM Regulation shall apply.
2. In addition, the following definitions shall apply:
  - a. 'APG' means Austrian Power Grid AG, the Austrian system operator;
  - b. 'Allocation Platform' means the entity appointed and commissioned by the TSOs to act on their behalf and on its own name for the attribution of Cross Zonal Capacity through the Shadow Auctions;
  - c. 'ELES' means ELES d.o.o. , the Slovenian system operator;
  - d. 'RTE' means Réseau de Transport d'Electricité, the French system operator;
  - e. 'Shadow Allocation Rules' means the rules for the Shadow Auctions applied by the Allocation Platform, and published on the Allocation Platform website<sup>1</sup>;
  - f. 'Shadow Auction' means the explicit auction run by the Allocation Platform by which daily Cross Zonal Capacity is offered as fallback procedure for the single day-ahead coupling process and allocated to market participants who submit Bid(s);
  - g. 'TERNA' means TERNA S.p.A. Rete Elettrica Nazionale, the Italian system operator.

## **ITALY NORTH REGION FALLBACK PROCEDURE**

### **Article 3**

#### **Initiation of Italy North Borders Fallback Procedure**

1. As soon as the NEMOs inform the TSOs of Italy North Region of the risk that single day-ahead coupling process may be unable to produce results, or, if such information is not available from NEMOs, as soon as this risk is known by those TSOs, the latter will initiate the Italy North Borders Fallback Procedure.
2. The Italy North Borders Fallback Procedure consists in executing Shadow Auctions on the Allocation Platform for the relevant borders of Italy North Region where there is a risk that single day-ahead coupling process may be unable to produce results pursuant to information given in Article 3.1, except if one of the situations specified in Article 4 is to apply.
3. In order to ensure that results of the Shadow Auctions are provided to the market participants on time, the execution of Shadow Auctions on the Allocation Platform can be launched as a parallel process in background of the single day-ahead coupling process as soon as the information given in Article 3.1 is known by the TSOs.

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<sup>1</sup> <http://www.jao.eu/support/resourcecenter/overview>

4. The results of the Shadow Auctions are sent to the market participants as soon as the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs, and no later than 13:58 market time day-ahead.
5. When the conditions described in Articles 3(1) and Articles 3(2) are met, Shadow Auctions can be held seven days a week, including weekend and public holidays, provided that the offered capacity for Shadow Auctions is at least one MW unit.
6. The execution of Shadow Auctions is based on Shadow Allocation Rules in their version 1.3 of 1st August 2016. Any change of the Shadow Allocation Rules related to Italy North Capacity Calculation Region borders shall lead to a request for amendment of the present Italy North Borders Fallback Procedure, according to Article 9(13) of the CACM Regulation.

#### **Article 4**

##### **Italy North Borders Fallback Procedure unable to be initiated**

1. If the data exchanges cannot be performed through the standard processes by the applicable deadlines defined by the Allocation Platform during the execution of Shadow Auctions, relevant fallback procedures for these data exchange shall be used in accordance with Shadow Allocation Rules. The latter consist in exchanging data by e-mail with the Allocation Platform.
2. If the Italy North Borders Fallback Procedure cannot be implemented as necessary to enable a Shadow Auction to be conducted in time, based on decision of Allocation Platform, the Shadow Auction will be postponed.
3. If none of the of the above measures is considered by the Allocation Platform as being possible, the Shadow Auction will be cancelled and all bids already submitted will automatically be deemed null and void, based on objective grounds and in compliance with Shadow Allocation Rules.
4. When an implicit daily auction is cancelled and the associated Italy North Borders Fallback Procedure is also cancelled, the daily offered capacity is allocated to the subsequent relevant intraday allocation processes on the borders of Italy North Region.

#### **FINAL PROVISIONS**

##### **Article 5**

##### **Implementation**

1. The procedures described in Articles 3 and 4 shall be applicable with immediate effect as from the approval of all NRAs of Italy North Region.

##### **Article 6**

##### **Language**

1. The reference language for this Italy North Borders Fallback Procedure proposal shall be English. For the avoidance of doubt, where TSOs need to translate this Italy North Borders Fallback Procedure proposal into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 9 (14) of the CACM 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 the Italy North Borders Fallback Procedure proposal.