

**Italy North TSOs proposal for design of Long Term Transmission Rights in accordance with Article 31 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation**

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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 “Italy North Borders Long Term Rights Design”, or “ITNB Long Term Rights Design”, or “Proposal”), 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 design of Long Term Transmission Rights in Italy North Region. This proposal is required by Article 31 of the FCA Regulation.
- (3) According to Article 31 (4) of the FCA Regulation, the Italy North Borders Long Term Rights Design shall include a time schedule for implementation and at least the description of the following items specified in the allocation rules: (a) type of long-term transmission rights; (b) forward capacity allocation time frames; (c) form of product (base load, peak load, off-peak load); (d) the bidding zone borders covered.
- (4) The proposed ITNB Long Term Rights Design 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 Proposal defines Long Term base load Products for both yearly and monthly timeframes, which correspond to the timeframes with the most liquidity on power hedging markets.
  - Article 3(b) of the FCA Regulation aims at optimising the calculation and allocation of long-term cross-zonal capacity  

This Proposal defines Long Term Products, which are allocated in both yearly and monthly timeframes, fitting also with the capacity calculation timeframes (art. 9 of FCA), allowing in this way the optimization of the allocated capacity.
  - Article 3(c) of the FCA Regulation aims at providing non-discriminatory access to long-term cross-zonal capacity  

Long Term Products are auctioned among all market participants by the Allocation Platform, which is a unique platform for all market participants acting on Italy North Borders, already used for other timeframes. 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.  

The Long Term Products are allocated through Auctions, which rely on transparent auction rules that are approved by the relevant national regulatory authorities after a consultation period.
  - Article 3(e) of the FCA Regulation aims at respecting the need for a fair and orderly forward capacity allocation and orderly price formation  

The Long Term Products are allocation through Auctions, which rely on a mechanism described in public auction rules. The algorithm used by the Auctions calculates moreover a marginal price for the offered capacity according to the bid prices of the market participants and is thus market based.
  - Article 3(f) of the FCA Regulation aims at ensuring and enhancing the transparency and reliability of information on forward capacity allocation  

Long Term Products are auctioned by the Allocation Platform, which is a unique platform which publishes the market rules and the results of the corresponding auctions.

- Article 3(g) of the FCA Regulation aims at contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union

Long Term Products are auctioned among all market participants by the Allocation Platform, which is a unique platform, in order to ensure an efficient and harmonized allocation process, promoting the full market participation, reducing the overall costs allowing scale economies.

## **GENERAL PROVISIONS**

### **Article 1**

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

1. As required under Article 31 of the FCA Regulation, all Italy North TSO shall jointly develop a proposal for the regional design of long-term transmission rights to be issued on each bidding zone border within the capacity calculation region.
2. The Long Term Transmission Rights, as determined in this Proposal shall be considered as the common proposal of Italy North Region TSOs of the design of long-term transmission rights on cross-zonal capacity allocation in the forward markets. The Long Term Transmission Rights design proposal shall cover the following:
  - a. Long Term Transmission Rights in Italy Nord-France bidding zone border; and
  - b. Long Term Transmission Rights in Italy Nord-Austria bidding zone border; and
  - c. Long Term Transmission Rights in Italy Nord-Slovenia bidding zone border.

### **Article 2**

#### **Definitions**

1. For the purpose of this proposal, the definitions in Article 2 of the FCA Regulation and Article 2 of EU HAR shall apply.
2. In addition, the following definitions shall apply:
  - a. 'Allocation Platform' means the entity appointed and commissioned by the TSOs to act on their behalf and on its own name for the auctioning of Long Term Products;
  - b. 'base load products' means a product with a fixed amount of cross-border capacity over its delivery period;
  - c. 'Harmonized Auction Rules' or 'EU HAR' means the rules for the forward capacity allocation adopted pursuant to Article 51 of FCA guidelines, applied by the Allocation Platform, and published on the Allocation Platform website<sup>1</sup>, always in its last version;

## **ITALY NORTH BORDERS LONG TERM RIGHTS DESIGN**

### **Article 3**

#### **Type of long-term transmission rights**

The type of Long Term Transmission Rights in Italy North Region are Physical Transmission Right with UIOSI principle.

### **Article 4**

#### **Forward capacity allocation time frames**

For the Italy North Region, the allocation timeframes per bidding zone border are yearly and monthly timeframes.

### **Article 5**

#### **Form of products**

For the Italy North Region, the long-term transmission rights shall be offered in the form of base load products that may include reduction periods.

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

## **FINAL PROVISIONS**

### **Article 6 Implementation**

The products described in Articles 3 and 4 shall be implemented with immediate effect after approval of all relevant National Regulation Authorities.

### **Article 7 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.