

**APPROVAL BY ITALY NORTH REGULATORY
AUTHORITIES AGREED AT THE ITALY NORTH ENERGY
REGULATORS' REGIONAL FORUM**

OF

**ITALY NORTH TSOs PROPOSAL FOR DESIGN OF
LONG TERM TRANSMISSION RIGHTS**

12 October 2017

I. Introduction and legal context

This document elaborates an agreement of Italy North Regulatory Authorities, made at the Italy North Energy Regulators' Regional Forum on 12 October 2017, on the Italy North TSOs Proposal for design of Long Term Transmission Rights (LTTR) submitted in accordance with Article 31 of the Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a Guideline on Forward Capacity Allocation (Regulation 2016/1719).

This agreement of Italy North Regulatory Authorities shall provide evidence that a decision on the design for LTTR does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of the Regulation 2016/1719. It is intended to constitute the basis on which Italy North Regulatory Authorities will each subsequently make national decisions pursuant to Article 4(9) Regulation 2016/1719 to approve the design for LTTR, submitted by Italy North TSOs in line with Article 31 of Regulation 2016/1719.

The legal provisions relevant to the submission and approval of the design for LTTR, and this Italy North Regulatory Authorities agreement on the design for LTTR, can be found in Articles 3, 4, and 31 of Regulation 2016/1719. They are set out here for reference.

Article 3 of Regulation 2016/1719:

This Regulation aims at:

- (a) promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants;*
- (b) optimising the calculation and allocation of long-term cross-zonal capacity;*
- (c) providing non-discriminatory access to long-term cross-zonal capacity;*
- (d) ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants;*
- (e) respecting the need for a fair and orderly forward capacity allocation and orderly price formation;*
- (f) ensuring and enhancing the transparency and reliability of information on forward capacity allocation;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.*

Article 4 of Regulation 2016/1719:

- 1. TSOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the competent regulatory authorities within the respective deadlines set out in this Regulation. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of these terms and conditions or methodologies.*
- 2. (...)*
- 3. (...)*
- 4. (...)*
- 5. Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7.*
- 6. (...)*
- 7. The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region*
 - (a) (...)*
 - (b) (...)*
 - (c) the regional design of long-term transmission rights pursuant to Article 31;*
 - (d) (...)*
 - (e) (...)*

8. *The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the competent regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.*
9. *Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the competent regulatory authorities shall consult and closely cooperate and coordinate with each other in order reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6 and 7 within six months following the receipt of the terms and conditions or methodologies by the regulatory authority or, where applicable, by the last regulatory authority concerned.*
10. *Where the regulatory authorities have not been able to reach an agreement within the period referred to in paragraph 9, or upon their joint request, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within six months, in accordance with Article 8(1) of Regulation (EC) No 713/2009.*
11. (...)
12. (...)
13. *TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the competent regulatory authorities or, if no such approval is required, after their establishment, except where such information is considered as confidential in accordance with Article 7.*

Article 31 of Regulation 2016/1719

Regional design of long-term transmission rights

1. *Long-term cross-zonal capacity shall be allocated to market participants by the allocation platform in the form of physical transmission rights pursuant to the UIOSI principle or in the form of FTRs — options or FTRs — obligations.*
2. *All TSOs issuing long-term transmission rights shall offer long-term cross-zonal capacity, through the single allocation platform, to market participants for at least annual and monthly time frames. All TSOs in each capacity calculation region may jointly propose to offer long-term cross-zonal capacity on additional time frames.*
3. *No later than six months after the entry into force of this Regulation, TSOs in each capacity calculation region where long-term transmission rights exist 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 (...).*
4. *The proposals referred to in paragraph 3 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.*
5. *The proposals shall be subject to consultation in accordance with Article 6. For the proposed long-term transmission rights to be issued, each TSO shall duly consider the result of the consultation.*
6. *The allocation of physical transmission rights and FTRs — options in parallel at the same bidding zone border is not allowed. The allocation of physical transmission rights and FTRs — obligations in parallel at the same bidding zone border is not allowed.*
7. (...)
8. (...)
9. (...)

10. (...)

II. The Italy North TSOs proposal

The Italy North TSOs proposal for the design for LTTR, dated April 11th 2017, was received by the last Regulatory Authority on April 20th 2017. The proposal is effective once approved by the Regulatory Authorities of the concerned region. The proposal was consulted from February 7th 2017 to March 9th 2017.

Article 4(9) of Regulation 2016/1719 requires Italy North Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach agreement, and make decisions within six months following receipt of submissions of the last Regulatory Authority concerned. A decision is therefore required by each Regulatory Authority by October 20th 2017.

The Italy North TSOs proposal for the design for LTTR specifies the features of the LTTR to be issued on the borders Italy-France, Italy-Austria and Italy-Slovenia. In particular for all the above mentioned borders:

- (a) LTTR are PTR with UIOSI principle;
- (b) LTTR are allocated on a yearly and monthly timeframes;
- (c) LTTR are offered as base products that may include reduction periods.

III. All Regulatory Authority position

The Italy North TSOs proposal for design for LTTR takes into account the few remarks emerged during the public consultation process. Above all the proposal refers to the Harmonised Allocation Rules defined by all TSOs pursuant to Article 51 of Regulation 2016/1719 always in their last version and it does not include references to past HAR developed on voluntary basis: in particular the version currently in force is the one approved by ACER decision 03/2017 issued on October 2nd 2017.

The proposed type of LTTR, as well as the proposed timeframes, are in line with current practices, and Italy North Regulatory Authorities note that no feedback from market participants was received during the public consultation process. Italy North Regulatory Authorities also consider that offering base load products well represent market participants needs; besides, since maintenance periods could have a significant impact on the available transmission capacity for the Italy North bidding zones border, Italy North Regulatory Authorities consider that the possibility of including reduction periods is justified in order to increase, on average, the capacity offered to the market on the yearly timeframe.

Based on the proposal provided by TSOs, Italy North Regulatory Authorities have reached the agreement that the proposal for the design for LTTR is complying with the provisions of Regulation 2016/1719.

IV. Conclusions

Italy North Regulatory Authorities have assessed, consulted and closely cooperated and coordinated to reach agreement that the design for LTTR proposed by Italy North TSOs meets the requirements of the Regulation 2016/1719 and as such can be approved by Italy North Regulatory Authorities.

Italy North Regulatory Authorities must therefore make their decisions by October 20th 2017, on the basis of this agreement in accordance with the six months deadline as set out in the Regulation 2016/1719. Following national decisions taken by each Regulatory Authority, Italy North TSOs will be required to publish the methodology on the internet in line with Article 4(13) of Regulation 2016/1719.