
Italy North TSOs proposal for methodology for redispatching and countertrading cost-sharing in accordance with Article 74 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management

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TSOs of the Italy North Region taking into account the following:

Whereas

- (1) This document is the common proposal developed by the Transmission System Operators of the Italy North Capacity Calculation Region (hereafter referred to as “TSOs”) for common methodology for redispatching and countertrading cost sharing (hereafter referred to as the “Cost Sharing Proposal”) in accordance with Article 74 of Commission Regulation (EU) 2015/1222 establishing a guideline on Capacity Allocation and Congestion Management (hereafter referred to as the “CACM Regulation”).
- (2) According to Article 9 (9) of the CACM Regulation, a timeline for implementation of the proposed Cost Sharing Proposal has to be included. The timeline for implementation is presented in Article 11 of this document.
- (3) According to Article 9 (9) of the CACM Regulation, the expected impact of the proposed Cost Sharing Proposal on the objectives of the CACM Regulation has to be described. The impact is presented below (point 7 of the Whereas).
- (4) The TSOs aim at ensuring consistency with the redispatching and countertrading cost sharing methodologies of other Capacity Calculation Regions in which same bidding zones are concerned whilst acknowledging the specific characteristics of the interconnectors within the Italy North Capacity Calculation Region.
- (5) This proposal takes into account the TSOs' proposal for a day-ahead and intraday capacity calculation methodologies (hereinafter referred to as the “Italy North DA and ID CC Methodologies”) in accordance with Article 20 of the CACM Regulation and submitted to the NRAs of the Italy North Capacity Calculation Region for approval on 04 May 2018.
- (6) This proposal takes into account the TSOs' proposal for the coordinated Redispatching and Countertrading methodology (hereinafter referred to as the “Italy North RD and CT Methodology”) in accordance with Article 35 of the CACM Regulation and submitted to the NRAs of the Italy North Capacity Calculation Region for approval on 04 May 2018. The main aim of Countertrading and Redispatching methodology is to maximize cross border capacity over the Italy North CCR, while ensuring the grid security.
- (7) The Cost Sharing Proposal contributes to and does not in any way hinder the achievement of the objectives of Article 3 of the CACM Regulation. In particular this Cost Sharing Proposal:
 - a. Establishes a common process for the Redispatching and Countertrading cost sharing by defining a set of harmonised rules for congestion management and as such serves the objective of promoting effective competition in the generation, trading and supply of electricity in accordance with Article 3(a) of the CACM Regulation;
 - b. Contributes to the objective of ensuring optimal use of the transmission infrastructure in accordance with Article 3 (b) of the CACM Regulation by using last available inputs based on the best possible forecast of transmission systems and market results at the time of each security analysis, updated in a timely manner, for the detection of Coordinated Redispatching and Countertrading needs
 - c. Contributes to the objective of ensuring and enhancing the transparency and reliability of information in accordance with Article 3 (f) of CACM Regulation by providing mechanism to verify the needs, monitor, assess the impact and allow improvement of Countertrading in the Italy North Region (Article 74 (5) of CACM Regulation).
 - d. Contributes to the objective of respecting the need for a fair and orderly market and price formation in accordance with Article 3 (h) by developing rules within this methodology that ensure a fair distribution of costs and benefits between the involved TSOs.



(8) According to Article 74 (4) of CACM Regulation, the redispatching and countertrading cost sharing methodology shall at least:

- a. determine which costs incurred from using remedial actions are eligible for sharing between the TSOs in accordance with the capacity calculation methodology set out in Articles 20 and 21 of CACM Regulation.

This Cost Sharing Proposal provides this information in Article 3.

- b. define which costs incurred from using redispatching or countertrading to guarantee the firmness of cross-zonal capacity are eligible for sharing between the TSOs.

This Cost Sharing Proposal provides this information in Articles 4 and 5.

- c. set rules for region-wide cost sharing as determined in accordance with points (a) and (b) above.

This Cost Sharing Proposal provides this information in Article 8.

(9) According to Article 74 (5) of CACM Regulation, the redispatching and countertrading cost sharing methodology shall include:

- a. a mechanism to verify the actual need for redispatching or countertrading between the TSOs.

This Cost Sharing Proposal provides this element in Articles 8 and 10.

- b. an ex post mechanism to monitor the use of remedial actions with costs.

This Cost Sharing Proposal provides this element in Articles 7 and 8.

- c. a mechanism to assess the impact of the remedial actions, based on operational security and economic criteria.

This Cost Sharing Proposal provides this element in Articles 8 and 10.

- d. a process allowing improvement of the remedial actions;

This Cost Sharing Proposal provides this element in Article 10.

- e. a process allowing monitoring of each capacity calculation region by the competent regulatory authorities.

This Cost Sharing Proposal provides this element in Article 7.

(10) According to Article 74 (6) of CACM Regulation, the redispatching and countertrading cost sharing methodology shall also:

- a. provide incentives to manage congestion, including remedial actions and incentives to invest effectively.

The cost sharing arrangements defined in this Cost Sharing Proposal ensure a fair distribution of costs between the TSOs, thus facilitating the use of countertrading and redispatching measures, among other available measures, in order to manage the congestions.

The cost sharing arrangements defined in this Cost Sharing Proposal are compliant with the Congestion income (as defined at art. 73 of CACM Regulation and art. 57 of FCA Regulation) collected by the TSOs, and thus do not alter the signals for investments to TSOs given by the Congestion income.

- b. be consistent with the responsibilities and liabilities of the TSOs.

The cost sharing arrangements defined in this Cost Sharing Proposal are sharing the costs between all TSOs.



- c. ensure a fair distribution of costs and benefits between the TSOs.

The cost sharing arrangements defined in this Cost Sharing Proposal are based on the Congestion income (as defined at art. 73 of CACM Regulation and art. 57 of Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation, hereafter referred to as the “FCA Regulation”) collected by the TSOs.

- d. be consistent with other related mechanisms, including at least:

- i. the methodology for sharing congestion income set out in Article 73.

The cost sharing arrangements defined in this Cost Sharing Proposal are based on the Congestion income (as defined at art. 73 of CACM Regulation and art. 57 of FCA Regulation) collected by the TSOs, which is shared pursuant to the methodology set out in Article 73 of CACM Regulation and Article 57 of FCA Regulation.

- ii. the inter-TSO compensation mechanism, as set out in Article 13 of Regulation (EC) No 714/2009 and Commission Regulation (EU) No 838/2010 (1).

The cost sharing arrangements defined in this Cost Sharing Proposal is not linked with, neither impacts inter-TSO compensation mechanism.

- e. facilitate the efficient long-term development and operation of the pan-European interconnected system and the efficient operation of the pan-European electricity market;
- f. facilitate adherence to the general principles of congestion management as set out in Article 16 of Regulation (EC) No 714/2009.

Article 16 of Regulation (EC) No 714/2009 states that “The maximum capacity of the interconnections and/or the transmission networks affecting cross-border flows shall be made available to market participants, complying with safety standards of secure network operation”. By allowing the application of the Countertrading and Redispatching methodology, the cost sharing arrangements defined in this Cost Sharing Proposal contribute to the maximization of the cross border capacity over the Italy North CCR, while ensuring the grid security.

Article 16 of Regulation (EC) No 714/2009 states that “Any revenues resulting from the allocation of interconnection shall be used for guaranteeing the actual availability of the allocated capacity”. The cost sharing arrangements defined in this Cost Sharing Proposal are based on the Congestion income (as defined at art. 73 of CACM Regulation and art. 57 of FCA Regulation) collected by the TSOs, which facilitate the allocation of the revenues resulting from the allocation of interconnection to the costs of countertrading and redispatching measures used to guarantee the allocated cross border capacity.

- g. allow reasonable financial planning.

The cost sharing arrangements defined in this Cost Sharing Proposal are based on elements known by all TSOs at the moment these arrangements are applied.

- h. be compatible across the day-ahead and intraday market time-frames.

The cost sharing arrangements defined in this Cost Sharing Proposal can be applied in both day-ahead and intraday market time-frames.

- i. comply with the principles of transparency and non-discrimination.

The cost sharing arrangements defined in this Cost Sharing Proposal are described in a transparent way and are agreed by all TSOs. Moreover, the cost sharing arrangements defined in this Cost



Sharing Proposal are based on elements known by all TSOs at the moment these arrangements are applied.

SUBMIT THE FOLLOWING REDISPATCHING AND COUNTERTRADING COST SHARING METHODOLOGY TO THE NATIONAL REGULATORY AUTHORITIES OF THE REGIO

GENERAL PROVISIONS

Article 1

Subject matter and scope

This Cost Sharing Proposal is the common proposal of all TSOs of the Italy North Capacity Calculation Region in accordance with Article 74 of the CACM Regulation.

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 (abbreviations) shall apply:
 - a) ‘Cross-border relevance’ means a cross-border impact of neighbouring NIB TSOs on critical network element, which is recognized as significantly constraining one during the capacity calculation process.
 - b) ‘Remedial actions (RA)’ means an action, which consist as a set of non-costly or costly remedial measures in order to solve overload on congested element.
 - c) ‘Operational security analysis (OSA)’ means an analysis performed by the relevant RSC to identify if operation of the power system is safe and secure for the analysed period.
 - d) ‘Regional Security Coordinator (RSC)’ means an entity, which is responsible to perform OSA and to coordinate implementation of remedial actions within TSOs of the same CCR and among the relevant CCRs.
 - e) ‘Not Coordinated Action (NCA)’ means any action (PST tap change, topological action, etc..) applied by a TSO without coordinating it with the other TSOs of the CCR.
3. In these proposal, including its annexes, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) references to one gender include all other genders;
 - c) any reference to legislation, regulations, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it then in force;
 - d) any reference to another agreement or document, or any deed or other instrument is to be construed as a reference to that other agreement, or document, deed or other instrument as amended, varied, supplemented, substituted or novated from time to time.

ELIGIBLE COSTS FOR COST-SHARING

Article 3

Cross-border relevance of congestions

Eligible costs for cost-sharing arrangements defined in Article 7 of this proposal are only those of countertrading or Redispatching measures implemented pursuant to the “Italy North RD and CT Methodology” to solve a constraint on a critical network element as defined in the Italy North DA and ID CC Methodologies.

Article 4

Countertrading costs

Costs of countertrading shall be the incurred costs to solve a constraint, including imbalancing costs where relevant. Costs of countertrading shall be auditable and transparent.

Article 5

Redispatching costs

1. Costs of redispatching shall be the incurred costs to solve a constraint, consisting of costs and revenues for upward and downward regulated energy and It may include imbalance costs where relevant, start-up costs and shut-down costs where a generation unit has been started or stopped exclusively to solve a congestion on a critical network element at the time of the decision. Costs of redispatching shall be auditable and transparent.
2. All costs and revenues, which belong to one remedial action, will be summed up (netted) in order to get the total costs for each measure. The total costs are used as the starting point for cost sharing as defined in Article 7.

Article 6

Activation of costly remedial actions

1. The activation of costly remedial actions can be applied only after all available non-costly remedial actions are exhausted, as it is described in the “Italy North RD and CT Methodology”. Both measures are applied exclusively with an aim to ensure firmness of already allocated cross-zonal capacities during DA and ID timeframe in the North Italian CCR.
2. The decision for activation of costly remedial actions is usually taken by all NIB TSOs after finishing the detection and coordination process. The detection of an expected congestion is based on the last CGM made available by the relevant RSCs that will propose to use an optimal set of non-costly/costly remedial action(s) in order to solve the congestion. If costly remedial action is selected, the coordination process begins amongst the impacted Northern Italian border TSOs and the relevant RSCs. By the end of the coordination process, the resources that are activated as remedial actions are known, including expected total costs.

COST SHARING PROPOSAL

Article 7

Cost-sharing arrangements

1. Costs arising from Countertrading and Redispatching application in accordance with Article 35 of CACM shall be shared on the basis of the congestion income splitting among the TSOs belonging to Italy North CCR in accordance with Article 73 of CACM Regulation and Article 57 of FCA Regulation.
2. The share of the cost for each TSO is calculated in the following manner:

$$COST_a = \frac{CI_a}{CI_{tot}}$$

Where:

$COST_a$ = share in percentage (%) of the cost to be borne by TSO A for a Countertrading and Redispatching application in accordance with art. 35 of CACM to be applied for the year Y.

Ci_a = Congestion income (as defined at art. 73 of CACM Regulation and art. 57 of FCA Regulation) collected by TSO A in the year Y-2

Ci_{tot} = Congestion income (as defined at art. 73 of CACM Regulation and art. 57 of FCA Regulation) collected by all TSO of the Italy North CCR in the year Y-2

3. In case of the unexpected event of having zero congestion income, the split shall be based on the Net Transfer Capacity splitting in direction towards Italy.

FINAL PROVISIONS

Article 8

Monitoring of the costs incurred

1. For every activation of a remedial action, regardless if countertrading or redispatching is applied, a set of data shall be stored in a central database. The documentation shall be such that it allows for a yearly review for improvement. The following process steps shall be documented on the central database for each activation of a remedial action:
 - a) the security violation;
 - b) the grid model used for the decision for the remedial action, i.e. the grid model that shows the overload;
 - c) the resources selected by the resource selection process ;
 - d) the cost of the selected resources given as an input to the resource selection process;
 - e) the final cost of the selected resources used for settlement;
 - f) the grid model containing the implementation of the remedial action, i.e. the grid model that shows the effectiveness of the remedial action;
2. Upon request, TSOs shall provide copies of the credit or debit notes between generators and TSOs. In case of confidentiality issues, the responsible TSO undertakes its best effort to provide the information in an alternative manner.

Article 9

Reporting to Regulatory Authorities

A quarterly report based on the documentation described in Art. 8 shall be submitted to all National Regulatory Authorities. The quarterly report shall:

- a) list all activations of remedial actions including the security violation, the activated resources and the associated costs;
- b) give an overview of the total cost per TSO for remedial actions within the quarter according to the applied cost sharing key;
- c) give an overview of the total cost per TSO since the entry into force of the multilateral contract among the TSOs of Italy North region.

Article 10

Yearly review for improvement

Based on the documented data in Art. 8, a yearly review for improvement shall be performed. The review shall consist of:

- a) an assessment of the effectiveness of the activated remedial actions in terms of volume and cost;
- b) an assessment of the proper functioning of the general process with a focus on:
 - i. deadlines regarding the delivery of data and information;
 - ii. deadlines regarding the settlement process;
 - iii. quality of cost estimations;
- c) an assessment of the cost-sharing methodology against the criteria mentioned in Art. 74 (6) of CACM Regulation;

Article 11 Implementation

1. The TSOs of Italy North region shall publish the methodology for cost-sharing of redispatching and countertrading without undue delay after relevant national regulatory authorities have approved the proposed methodology or a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 9 (10), Articles 9 (11) and 9 (12) of the CACM Regulation.
2. The implementation of this methodology for redispatching and countertrading cost-sharing is subject to:
 - a) Regulatory approval of this Redispatching and Countertrading Cost Sharing Methodology in accordance with Article 9 of the CACM Regulation;
 - b) Regulatory approval of Common Coordinated Capacity Calculation Methodology required by Article 20 of the CACM Regulation in accordance with Article 9 of the CACM Regulation and its implementation;
 - c) Regulatory approval of the RD and CT Methodology required by Article 35 of the CACM Regulation in accordance with Article 9 of the CACM Regulation and its implementation;

Article 12 Language

The reference language for this Italy North Borders Cost Sharing Proposal shall be English. For the avoidance of doubt, where TSOs need to translate this Italy North Borders Cost Sharing 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 Cost Sharing Proposal.