

**APPROVAL BY THE ITALY NORTH REGULATORY
AUTHORITIES**

Of

**ITALY NORTH TSOs PROPOSAL FOR COORDINATED
REDISPATCHING AND COUNTERTRADING
METHODOLOGY IN ACCORDANCE WITH ARTICLE 35
OF COMMISSION REGULATION (EU) 2015/1222 OF 24
JULY 2015 ESTABLISHING A GUIDELINE ON CAPACITY
ALLOCATION AND CONGESTION MANAGEMENT**

18 May 2019

I. Introduction and legal context

This document elaborates an agreement of the Italy North Regulatory Authorities (in the following: IN NRAs), agreed on 18 May 2019 at Italy North Energy Regulators' Regional forum, on the Italy North TSOs (in the following: IN TSOs) proposal for Coordinated Redispatching and Countertrading Methodology (in the following: IN CTRD), submitted in accordance with Article 35 of Commission Regulation 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (in the following: CACM).

This agreement of the IN NRAs shall provide evidence that a decision on the IN CTRD does not, at this stage, need to be adopted by ACER pursuant to Article 9(11) of CACM. It is intended to constitute the basis on which the IN NRAs will each subsequently issue a national decision to approve the IN CTRD pursuant to Article 9(12) of CACM.

The legal provisions that lie at the basis of the IN CTRD, and this IN NRAs agreement on the above mentioned methodology, can be found in Articles 3 and 35 of CACM. They are set out here for reference.

Article 3 – Objectives of capacity allocation and congestion management cooperation

This Regulation aims at:

- (a) Promoting effective competition in the generation, trading and supply of electricity;*
- (b) Ensuring optimal use of the transmission infrastructure;*
- (c) Ensuring operational security;*
- (d) Optimising the calculation and allocation of cross-zonal capacity;*
- (e) Ensuring fair and non-discriminatory treatment of TSOs, NEMOs, the Agency, regulatory authorities and market participants;*
- (f) Ensuring and enhancing the transparency and reliability of information;*
- (g) Contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union;*
- (h) Respecting the need for a fair and orderly market and fair and orderly price formation;*
- (i) Creating a level playing field for NEMOs;*
- (j) Providing non-discriminatory access to cross-zonal capacity*

Article 35 – Coordinated redispatching and countertrading

- 1. Within 16 months after the regulatory approval on capacity calculation regions referred to in Article 15, all the TSOs in each capacity calculation region shall develop a proposal for a common methodology for coordinated redispatching and countertrading. The proposal shall be subject to consultation in accordance with Article 12.*
- 2. The methodology for coordinated redispatching and countertrading shall include actions of cross-border relevance and shall enable all TSOs in each capacity calculation region to effectively relieve physical congestion irrespective of whether the reasons for the physical congestion fall mainly outside their control area or not. The methodology for coordinated redispatching and countertrading shall address the fact that its application may significantly influence flows outside the TSO's control area.*
- 3. Each TSO may redispatch all available generation units and loads in accordance with the appropriate mechanisms and agreements applicable to its control area, including interconnectors. By 26 months after the regulatory approval of capacity calculation regions, all TSOs in each capacity calculation region shall develop a report, subject to consultation in accordance with Article 12, assessing the progressive coordination and harmonisation of those mechanisms and agreements and including proposals. The report shall be submitted to their respective regulatory authorities for their assessment. The proposals in the report shall prevent these mechanisms and agreements from distorting the market.*

4. *Each TSO shall abstain from unilateral or uncoordinated redispatching and countertrading measures of crossborder relevance. Each TSO shall coordinate the use of redispatching and countertrading resources taking into account their impact on operational security and economic efficiency.*
5. *The relevant generation units and loads shall give TSOs the prices of redispatching and countertrading before redispatching and countertrading resources are committed. Pricing of redispatching and countertrading shall be based on:*
 - (a) prices in the relevant electricity markets for the relevant time-frame; or*
 - (b) the cost of redispatching and countertrading resources calculated transparently on the basis of incurred costs.*
6. *Generation units and loads shall ex-ante provide all information necessary for calculating the redispatching and countertrading cost to the relevant TSOs. This information shall be shared between the relevant TSOs for redispatching and countertrading purposes only.*

II. The IN TSOs proposal

The IN CTRD was consulted by IN TSOs through ENTSO-E for one month from 23 February 2018 to 23 March 2018, in line with Article 12 and Article 35 of CACM¹. The final proposal on IN CTRD was received by the last Regulatory Authority of the Italy North Capacity Calculation Region on 24 May 2018. The proposal includes proposed timescales for its implementation and a description of its expected impact on the objectives of CACM, in line with Article 9(9) of CACM.

The final IN CCM proposals were received by the last Regulatory Authority of the Italy North Capacity Calculation Region on 24 May 2018. On 23 November 2018 IN NRAs agreed on a request for amendment: the last Regulatory Authority sent this request on 18 December 2018. The amended versions were received by the last Regulatory Authority on 18 March 2018.

Article 9(12) of CACM requires IN NRAs to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make decisions within two months following receipt of submission of the last Regulatory Authority concerned. A decision is therefore required by 18 May 2018.

IN CTRD is based on an optimization process with the aim to minimize the overall cost related to the activation of countertrading and redispatching resources within the entire region. This coordinated process is launched after the coordination of all non-costly remedial actions: in other words, a sequential approach is proposed, with a preliminary activation of all non-costly remedial actions, followed by the activation of countertrading and redispatching resources only if there are residual congestions.

The optimization process focuses on the network elements belonging to the Area of Common Interest (in the following: ACI). ACI is in principle the same set of the critical network elements and contingencies relevant for the capacity calculation process. IN TSOs justify this choice in order to ensure consistency between the different methodologies and timeframes and to safeguard the secure operation of the systems in the region and to guarantee optimal use of the transmission infrastructure and the availability and firmness of the capacity. The extent of ACI is then possibly reduced in order to filter out all the elements that are not significantly affected by countertrading and redispatching.

The coordinated process is ran in the afternoon of D-1, once the day-ahead market results are published and resulting schedules are incorporated in each TSOs individual grid model; the process is repeated in day D whenever needed. The TSOs may also adopt a fast activation process with a lower degree of coordination: this process is followed whenever a congestion is detected quite close to the real time and there is not enough time to follow the standard coordinated one.

¹ The public consultation is available on the ENTSO-e website: https://consultations.entsoe.eu/markets/italy-north-tsos-methodology-for-coordinated-r-c/consult_view/

The relevant resources are identified by each TSO according to the relevant national framework and communicated to the optimization function along with an estimation of the associated costs. The optimization function provides the results of the optimization (i.e. the resources to be activated), but the effective activation is up to the TSOs.

The implementation of IN CTRD is subject to the regulatory approval of the CTRD proposal and of the associated cost sharing proposal, and to the implementation of the capacity calculation methodology; the development of the proper IT systems to support all the activities related to countertrading and redispatching is also a fundamental prerequisite. Moreover, the IN TSOs intend to make the implementation of IN CTRD subject to the approval of the proposals pursuant to Articles 75 and 76 of the Regulation EU 2017/1485 (in the following: SOGL).

The effective implementation is expected no later than 24 months after all the above mentioned conditions are fulfilled; the TSOs will revise and submit a new version of IN CTRD once more details about the optimization algorithm are available.

III. The Italy North Regulatory Authorities position

IN NRAs welcome the effort by IN TSOs to address all the remarks included in the request for amendment. All the general elements (high level description of the optimization algorithm, roles and responsibilities of each involved party, criteria to refuse the activation of the resources, identification of congestions to be solved within the process) are addressed and the overall process is clear and understandable.

IN NRAs are aware that more details (above all those related to the optimization algorithm) cannot be provided at this stage and they will be agreed during the implementation phase: IN NRAs appreciate, thus, the commitment by IN TSOs to resubmit the IN CTRD proposal once these details become available, and at the latest 12 months after all the conditions listed in Article 10(2) and 10(3) are fulfilled.

IN NRAs consider the proposal approvable, nonetheless they want to share with IN TSOs some comments and further improvements that TSOs are invited to accommodate.

Link between CCM, CTRD and SOGL proposals

A number of activities are planned in the afternoon D-1 after the day ahead market results are available:

- a) coordinated security analysis and optimization of relevant remedial actions pursuant to Articles 75 and 76 of SOGL;
- b) countertrading and redispatching pursuant to Article 35 of CACM;
- c) intraday capacity calculation pursuant to Article 20 of CACM.

IN TSOs are invited to include in the explanatory note a detailed timeline of the above mentioned activities, along with the description of possible overlaps. In particular the relation between the countertrading and redispatching process foreseen under CACM umbrella and the optimization of remedial actions under SOGL perspective shall be highlighted.

Sharing of remedial actions between different CCRs.

The coordination between adjacent CCRs is being discussed by ACER within the decision about the coordinated security analysis methodology (in the following: CSAM) in accordance with Article 75 of SOGL. IN TSOs are invited to align the IN CTRD with the provisions that will be included within the CSAM itself.

Area of Common Interest (ACI)

Article 4 of the proposal states that *“the ACI as defined in this methodology is the same list of elements used in capacity calculation [...] in order to ensure consistency between different methodologies and timeframes and to safeguard the secure operation of the systems in the Region and to guarantee optimal use of the transmission infrastructure and the availability and firmness of the capacity.”* IN NRAs understand that the ACI is defined as the set of CNEs considered in the capacity calculation methodology, but it could be reduced when a congestion on such a CNE cannot be solved efficiently by cross border remedial actions.

Indeed, IN NRAs would like to underline that consistency between methodologies does not necessarily mean that the same critical network elements need to be considered in all the methodologies; the approach chosen in IN CTRD is a possible solution, but the possibility to have different geographical scopes between the methodologies should be investigated. In particular, the cost sharing methodology could apply on a subset of the CNEs considered in the IN CTRD methodology: this situation is, for example, being investigated in the Core CCR where the CTRD methodology may have a geographical scope different from the cost sharing one. However, IN TSOs are indeed expected to ensure a consistency between the ACI as defined in the CTRD proposal on the one hand, and the coordination perimeter that will be described in the methodologies following article 75 and 76 of SOGL on the other hand.

IV. Conclusions

The IN NRAs have consulted and closely cooperated and coordinated to reach agreement that **they approve the IN CTRD submitted by IN TSOs pursuant to Article 35 of CACM.**

The IN NRAs must make their national decisions to approve IN CTRD methodology, on the basis of this agreement