Intraday Coupling Model proposal for Italian Borders in accordance with Article 63 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management

13th February 2017

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WHEREAS

(1) This document (hereafter referred to as "Intraday Coupling model for Italian Borders", or "IB model"), is a common proposal developed by Power Exchanges (hereafter referred to as "PXs/NEMOs") and the Transmission System Operators (hereafter referred to as "TSOs") within the Italian Borders (hereafter referred to as "IB") regarding the proposal for Intraday Coupling model for Italian Borders. This proposal is required by Article 63 of Regulation (EU) 2015/1222 on Capacity Allocation and Congestion Management (the "CACM Regulation").

(2) According to Article 63(1) of the CACM Regulation, the Intraday Coupling model proposal shall be subject to consultation in accordance with Article 12 of the CACM Regulation.

(3) According to Article 9(1) of the CACM Regulation, where a proposal needs to be developed and agreed by more than one TSO or NEMO, TSOs and NEMOs shall closely cooperate to develop a common methodology.

(4) According to Article 9 (7f) of the CACM Regulation, the Intraday Coupling model for Italian Borders shall be subject to approval by all national regulatory authorities (hereinafter: "NRAs") of the concerned region.

(5) According to Article 9 (9) of the CACM Regulation, a timeline for implementation of the proposed Intraday Coupling model for Italian Borders has to be included.

(6) According to Article 9 (9) of the CACM Regulation, the expected impact of the proposed Intraday Coupling model for Italian Borders on the objectives of the CACM Regulation has to be described. The impact is presented below (point 7 of the Whereas).

(7) The proposed Intraday Coupling model for Italian Borders contributes to and does not in any way hinder the achievement of the objectives of Article 3 of CACM Regulation. The proposal fulfils the objectives set out in Article 3 of CACM Regulation:

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

  The complementary regional intraday auctions are open to all market participants with no additional requirements compared to those for participation to the national intraday markets. By performing a capacity calculation before a complementary regional intraday auction, the probability of offering additional capacities to the market is higher and therefore increases the competition in the generation, trading and supply of electricity across market areas for the intraday timeframe.

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

  Complementary regional intraday auctions are preceded by an updated capacity calculation with the best forecast from TSOs on the available cross border capacities for the hours traded in the auctions. Combining this updated calculation followed an implicit auction, this ensures the optimization of generation and supply across the region and an optimal use of the transmission infrastructure.

- Article 3(c) of CACM Regulation aims at ensuring operational security.

  Complementary regional intraday auctions are preceded by an updated capacity calculation with the best forecast from TSOs on the available cross border capacities for the hours traded in the auctions. In this way it will be ensured that the allocation of intraday capacity will consider possible security constraints.

- Article 3(d) of CACM Regulation aims at optimising the calculation and allocation of cross-zonal capacity.

  By starting the continuous trading, after the opening auction, and only for the hours not traded in the second complementary regional intraday auction, TSOs ensure the most efficient capacity calculation possible in the intraday timeframe since this decreases the uncertainty on the forecast of net position used for the calculation.

  The implicit allocation of cross-zonal capacities ensures also an efficient pricing of the cross-zonal capacity since it will reflect the market congestion and amount to the difference between the corresponding intraday clearing prices of the respective bidding zones. By applying the same principles for capacity allocation and pricing of capacity as in day-ahead timeframe, where possible using existing technical solutions, NEMOs and TSOs are willing to facilitate the participation of market parties in these complementary regional intraday auctions.

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

Using common European mechanism for capacity allocation, namely XBID and PCR, ensures that none of the TSOs, NEMOs, the Agency, regulatory authorities and market participants is discriminated. Complementary regional intraday auctions shall be performed in compliance with transparent market rules that are approved by the relevant national regulatory authorities after a consultation period.

- Article 3(f) of CACM Regulation aims at ensuring and enhancing the transparency and reliability of information.

  Complementary regional intraday auctions shall be performed in compliance with transparent market rules that are approved by the relevant national regulatory authorities after a consultation period.

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

  As a result of an updated calculation of the available cross-zonal capacities with the best forecast of the network situation before an implicit allocation, the pricing of the cross-zonal capacity will reflect more efficiently the market congestion. This allows a more realistic valuation of the congestion income in the intraday timeframe on the region that could be invested in the development of the electricity transmission system in accordance with EU Regulation 714/2009.

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

  The market is open for all market participants as long as they fulfil the requirements to participate in the national intraday market. The price formation will be performed via the implicit auction which will ensure an efficient allocation of intraday capacities according to the direction of market price differences.

- Article 3(i) of the CACM Regulation aims at creating a level playing field for NEMOs.

  Using a common European mechanism for capacity allocation, namely XBID and PCR, ensures that none of the NEMOs involved is discriminated.

- Article 3(j) of the CACM Regulation aims at providing non-discriminatory access to cross-zonal capacity.

  Using a common European mechanism for capacity allocation, namely XBID and PCR, ensures that none of the NEMOs or market participants involved are discriminated. Complementary regional intraday auctions shall be performed in compliance with transparent market rules that are approved by the relevant national regulatory authorities after a consultation period.

GENERAL PROVISIONS

Article 1
Subject matter and scope

1. The IB in this context cover the electrical borders, for both power flow directions, between Italy and Slovenia, Italy and Switzerland, Italy and Austria, Italy and France, Italy and Greece, the borders between Italian internal bidding zones and the border between Austria and Slovenia.
2. CACM Regulation defines, among others, the requirements for the single intraday coupling ("SIDC") which relies on a continuous energy trading mechanism. In addition, as required under Art 55 (3) of the CACM Regulation, all TSOs shall develop by 24 months after the entry into force of CACM a single methodology for pricing intraday cross-zonal capacity that shall reflect market congestion and be based on actual orders ("the Pricing of Intraday Capacity"). The Pricing of Intraday Capacity methodology has not yet been submitted by all TSOs to NRAs' approval.
3. As required under Article 63(1) of the CACM Regulation, the relevant NEMOs and TSOs on bidding zone borders may jointly submit a common proposal for the design and implementation of complementary regional intraday auctions by 18 months after the entry into force of CACM.
4. This Proposal is the common proposal of relevant TSOs and NEMOs of the IB in accordance with Article 63 of CACM Regulation. The Proposal includes the implementation of continuous energy trading mechanism accommodating the implicit allocation of the intraday cross-zonal capacity and the implementation of Complementary Regional Intraday Auction Mechanism on IB.

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. 'ELES' means ELES d.o.o., the Slovenian system operator;
    c. 'ADMIE' means IPTO Independent Power Transmission Operator, the Greek system operator;
    d. 'RTE' means Réseau de Transport d'Electricité, the French system operator;
    e. 'Swissgrid' means Swissgrid AG, the Swiss system operator;
    f. 'TERNA' means TERNA S.p.A. Rete Elettrica Nazionale, the Italian system operator.

    Individually referred to as "**TSO**" and/or collectively referred to as "**TSOs**".

    g. 'BSP' means BSP Regional Energy Exchange, the Slovenian Power Exchange;
    h. 'EPEX' means EPEX Spot SE, the European Power Exchange;
    i. 'EXAA' means EXAA Abwicklungsstelle für Energieprodukte AG, the Austrian Power Exchange;
    a. 'GME' means Gestore dei Mercati Energetici S.p.A., the Italian Power Exchange;
    b. 'Nord Pool' means Nord Pool AS, the European Power Exchange;
    c. 'LAGIE' means Operator of Electricity Market S.A., the Greek Power Exchange.

    Individually referred to as "**NEMO**" and/or collectively referred to as "**NEMOs**";

Article 3

Single Intraday Coupling

1. NEMOs and TSOs of the NWE+ Region have developed a mechanism for the single intraday coupling, (SIDC) solution, which aims to be part of the target model for single intraday coupling. The SIDC will be adopted by all EU NEMOs/TSOs for continuous energy trading mechanism. Local implementation of the SIDC solution is organized on a local basis within Local Implementation Projects (LIPs).
2. The NEMOs and TSOs of the IB have launched a "LIP 14". The aim of "LIP 14" is to set up all the steps required to implement both the SIDC and a complementary regional intraday auction. Local implementation of the SIDC solution is organized on a local basis in abovementioned "LIP 14".
3. Based on the letter that Swissgrid received on 23rd December 2016 and the reference made therein to the Article 1 (4) of the CACM, the SIDC will not be implemented on the Swiss borders. The scope for the border between Italy and Switzerland is therefore strictly limited to the implementation of the complementary regional intraday auction.
4. For the IB, the SIDC shall be opened as soon as the results of complementary regional intraday auctions defined in Article 4.4 are published. Before the publication of results of the complementary regional intraday auctions defined in Article 4.6, the SIDC shall not be opened for hours of delivery traded on this auction.

Article 4

Complementary Intraday Regional Auctions

1. The NEMOs and TSOs of the Italian Borders developed a common proposal for complementary regional intraday auctions as foreseen in Article 63 (2) of the CACM regulation. In order to provide an efficient allocation procedure (also allowing pricing) for intraday cross-zonal capacity, NEMOs and TSOs of the IB aim to design and implement a complementary regional Intraday Auction Mechanism.
2. The Implicit Auction guarantees the efficient allocation of the cross zonal capacity, according to the price differences between the zones and increasing the social welfare.
3. Complementary regional intraday auctions would be performed based on last updated capacity calculations for the Intraday timeframe as required by Article 14 (1), (2) and (4) in CACM.
4. One complementary regional intraday auction shall be performed at 22:00 in the day preceding the delivery day. This auction shall allocate the intraday cross-zonal capacity for all hours of the delivery day. The available cross-zonal capacities as a result of an intraday capacity calculation shall be provided by TSOs of Italian Borders or coordinated capacity calculators to the relevant NEMOs no later than 21:45 in the day preceding the delivery day.
5. Results of the complementary regional intraday auction defined in Article 4.4 shall be published no later than 22:30 in the day preceding the delivery day.
6. One complementary regional intraday auction shall be performed at 7:30 in the delivery day. This auction shall allocate the intraday cross-zonal capacity for the hours of delivery starting from 12:00 to 24:00 of the delivery day. The available cross-zonal capacities as a result of an intraday capacity calculation shall be provided by TSOs or coordinated capacity calculators of Italian Borders to the relevant NEMOs no later than 7:15 in the delivery day.
7. Results of the complementary regional intraday auction defined in Article 3.6 shall be published no later than 8:00 in the delivery day.
8. In case of inability of the complementary regional intraday auctions to produce results by the deadlines defined respectively in Article 4.5 and Article 4.7, the available cross-zonal capacities shall be allocated in the single intraday coupling.
9. If updates to cross-zonal capacity are required, due to operational changes on the transmission system, each TSO or coordinated capacity calculator shall notify the relevant NEMOs.
10. In case the normal procedure for calculation of the intraday cross-zonal capacity cannot be executed in a capacity calculation region involved in the complementary regional intraday auction, the complementary regional intraday auction shall use the default value for intraday cross-zonal capacity foreseen in the back-up procedure for that capacity calculation region.

Article 5

Implementation of Intraday Coupling model for Italian Borders

1. The single intraday coupling mechanism and the complementary regional intraday auction mechanism can be implemented in several steps and on a border per border basis. All TSOs and NEMOs of Italian Borders should aim to fully implement the single intraday coupling mechanism before the complementary regional intraday auctions are established and both mechanisms shall be implemented no later than Q1 2019. Due to the dependency of this implementation with the readiness of the SIDC and the reform of the Italian ancillary service market, this deadline can be reviewed by competent national authorities on the request of NEMOs and TSOs.
2. The implementation of the single intraday coupling and the complementary regional intraday auctions on Italian Borders will replace the existing explicit and implicit allocation on those borders without disrupting them.
3. As soon as the mechanisms defined in Article 3 and 4 are successfully implemented on Italian Borders, "Allocation rules for Intraday Capacity on France-Italy, Switzerland-Italy and Austria-Italy borders" will not be applicable anymore.
4. Parties will take into account the provisions which will be defined with reference to the Pricing of the Intraday Capacity required by CACM regulation and also other regional auction initiatives when approved by NRAs.

Article 6

Amendment

1. After the approval of the methodology defined in the Article 55 of CACM Regulation, all NEMOs and TSOs of Italian Borders will assess its compatibility of the proposal of complementary regional intraday auctions and where technically possible, adjust this proposal.
2. Any modification of this proposal shall be consulted upon in accordance with Article 12 of CACM Regulation and lead to a request for amendment to competent national authorities in accordance with Article 9(13) of CACM Regulation.

FINAL PROVISIONS

Article 7

Language

1. The reference language for this IB Model proposal shall be English. For the avoidance of doubt, where TSOs or PXs need to translate this IB Model 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 IB Model proposal.