

**Draft agreement between the Regulatory Authority for Electricity and Gas of Italy (*Autorità per l'energia elettrica e il gas*) and the Regulatory Authority for Energy of Greece (*ΠΥΘΜΙΣΤΙΚΗ ΑΡΧΗ ΕΝΕΡΓΕΙΑΣ*) for the allocation of the electricity transfer capacity for the year 2002 on the High Voltage Direct Current link interconnecting Italy and Greece**

The present agreement contains the general rules adopted by the *Autorità per l'energia elettrica e il gas* (hereafter: AEEG) and the *Regulatory Authority for Energy* (hereafter: RAE) aimed at defining terms and conditions for allocating the transfer capacity for the year 2002 on the High Voltage Direct Current link interconnecting Italy and Greece (hereafter: HVDC link).

**1. The HVDC link as an infrastructure belonging to the national transmission systems to the benefit of the European internal electricity market**

- 1.1. The HVDC link is an important infrastructure enabling the electricity interconnection between Greece (ultimately, the whole Balkan area) and continental Europe and contributing to strengthen the European power systems in terms of system mutual support, security of supply, and diversification of primary sources. The HVDC link is an essential facility to third parties allowing electricity exchanges among Countries for trading purposes which also integrates peripheral Countries of the European Union within the context of the internal electricity market.
- 1.2. The realization of HVDC link was initiated in 1996. Facilities are now available for entering in operation. The infrastructure has been co-financed, other than by national investments, by the European Commission through a grant (taken from the structural funds) of approximately 40% of the entire cost of the project. Ownership of the HVDC link is defined as 25% for PPC (Greece) and 75% for Terna Spa (Italy), according to the participations in the investment undertaken by the two companies.
- 1.3. According to the national legislations on the subject (Italy: the decree of June 25, 1999 by the Minister of Industry, Trade and Crafts of Italy; Greece: the Grid Code), the HVDC link is included – according to the said repartition of ownerships – in the respective national transmission grids of the two countries. AEEG and RAE jointly recognize the HVDC link as an essential infrastructure to be included, in the same way applied for the existing assets of the national transmission grid, in the context of assets remunerated through the network access tariffs defined by the respective regulatory entities.
- 1.4. As for the Italian side, the remuneration of investments (once deducted the EC financial support), costs due to asset depreciation as well as to operation and maintenance activities undertaken by Terna Spa (according to the ownership repartition) are covered by the existing system of network tariffs as fixed by AEEG. The access to and use of HVDC link will be remunerated starting from the date of its commercial operation.
- 1.5. As for the Greek side, the remuneration of capital (once deducted the financial support by the European Commission) and operation costs, as attributed to asset depreciation as well as to operation and maintenance activities undertaken by PPC SA, are covered by the existing system of network tariffs as published by HTSO.

## **2. Joint allocation performed by the Transmission System Operator of Italy in co-operation with the Hellenic Transmission System Operator**

- 2.1. The HVDC link constitutes the electrical border between Italy and Greece.
- 2.2. Available capacity to support electricity exchanges between Italy and Greece has been defined with reference to the electrical border between Italy and Greece for a total around 500 MW. The available capacity figure must be finally agreed by the *Gestore della rete di trasmissione nazionale* (hereafter: GRTN) and Hellenic Transmission System Operator (hereafter: HTSO).
- 2.3. The allocation will be made by a joint committee, formed by GRTN and HTSO as per a specific GRTN-HTSO agreement approved by AEEG and RAE. Operators accessing the electrical border between Italy and Greece present requests according to the arrangements in this agreement.
- 2.4. It is noted that:
  - a) the novelty of the HVDC link introduces the need to have a trial period;
  - b) the possible congestion problems within the Italian transmission grid may arise with importing electricity into Italy;
  - c) the seasonal conditions affecting electricity trades are mainly expected in the summer period.

It is strongly recommended to define and allocate annual (as much as possible) and monthly firm capacity rights relevant to the HVDC link.

Based on the experience gained during the trial period, the two TSOs shall submit a report to the regulators, possibly including a proposal for a permanent system for capacity allocation. The permanent allocation system shall be in accordance with the principles for cross-border tariff and congestion management agreed by the Council of European Energy Regulators and in the European Union Forum on Electricity Regulation.

## **3. Network access**

- 3.1. Network access conditions to the Italian grid for generators and loads are defined by the AEEG Order no. 228/01, of October 18, 2001.
- 3.2. Network access conditions to the Greek grid are defined by the Grid Code.
- 3.3. AEEG and RAE agree that no additional charge – with exception of the fee stated in 3.5 - can be imposed for the use of the HVDC link during the trial period.
- 3.4. There is a common willingness to reach a degree of harmonisation in terms of G & L charges applied in Italy and Greece, as well as within the European internal market. With reference to the respective transmission grids (EHV-HV), the following figures apply at present:
  - a) Italy: G = 5%; L = 95% of the use-of-the-network tariff for a flat load profile HV customer consuming about 50 GWh/year;
  - b) Greece: G = 30%; L = 70% of the use-of-the-transmission system cost attributed to all consumers.
- 3.5. A specific fee, authorized by AEEG and RAE, may be imposed in a non-discriminatory manner, to individual transactions on the HVDC link to cover redispatching costs in case of unforeseen (or forced) unavailability of the HVDC link.

#### **4. Allocation of available capacity on the electrical border between Italy and Greece**

- 4.1. GRTN and HTSO define the capacity firmly available for the period between the date of commercial operation of the HVDC link (not later than May 31, 2002) and December 31, 2002, which is defined as a trial period. The capacity is divided in parts of constant width (e.g. 1 MW each) in every hour of the whole period and the allocation procedure ends before the date of commercial operation of the HVDC link.
- 4.2. GRTN and HTSO define the capacity firmly available for each month of the period between the date of commercial operation of the HVDC link and December 31, 2002, exceeding the capacity defined by the procedure as per para 4.1. The capacity is divided in parts of constant width (e.g. 1 MW each) in every hour of each month and the allocation procedure ends before the date of commercial operation of the HVDC link, and starts after the conclusion of the procedure as per para 4.1.
- 4.3. In case of scarcity of available capacity in a direction (scarcity direction) of the link, the allocation as per para 4.1 and 4.2 is carried out, relevant to the same direction, through a pro-rata mechanism, limiting at 35 % of the whole capacity in the scarcity direction the requests of each company or group of companies and disregarding the requests below 3 MW, after the pro-rata application.
- 4.4. Requests can only be made primarily by final customers for their own use and secondarily by other operators only on behalf of final customers.
- 4.5. Users holding capacity allocation rights have to declare to the two TSOs, monthly (or weekly or daily) before the starting of the relevant period, their eventual intention not to exercise such rights; not exercised rights correspond to release the relevant transport capacity. Released capacity will be reallocated on a monthly (or weekly or daily) basis and re-allocation follows the procedure defined in para 4.3 and 4.4.
- 4.6. A mandatory use for the capacity allocated, as per para 4.1 and 4.2, and not released, as per para 4.5, and re-allocated capacity, as per para 4.5, must be foreseen in terms of energy exchange program fixed, in each hour, equal to the allocated capacity.
- 4.7. The same allocation mechanism is applied in case of any additional capacity becoming available during the year 2002.

#### **5. Allocation rules**

- 5.1. The general rules for the allocation procedures are jointly proposed by GRTN and HTSO within terms as per para 5.2. The general rules enter into operation once approved by AEEG and RAE.
- 5.2. Rules for allocation should be proposed by May 10, 2002.

#### **6. Organisation of the joint allocation by GRTN and HTSO**

- 6.1. GRTN and HTSO enter into the agreement to propose a common regulation for the electrical border between Italy and Greece allocation and to execute the same allocation once the relevant rules has been approved by AEEG and RAE. Agreement shall be drawn according to AEEG and RAE orders on the matter and shall be notified to the relevant regulatory entity.