

**REQUEST FOR AMENDMENT BY THE ITALY NORTH AND GREECE
ITALY REGULATORY AUTHORITIES**

OF

**THE ITALY NORTH AND GREECE-ITALY NEMO and TSO
PROPOSAL FOR COMPLEMENTARY REGIONAL INTRADAY
AUCTIONS**

31 July 2017 – agreed at GRIT CCR

01 August 2017 – agreed at Italy North CCR

I. Introduction and legal context

This document elaborates an agreement of the Italy North and Greece-Italy Regulatory Authorities (hereinafter: “concerned NRAs”), agreed on 31 July 2017 at Italy North Energy Regional Regulator’s Forum and at GRIT Energy Regional Regulator’s Forum, on the Italy North and Greece-Italy NEMO and TSO (hereinafter: “concerned NEMOs and TSOs”) proposal for Complementary Regional Intraday Auctions (hereinafter: “CRIDA proposal”), submitted 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 (hereinafter: “CACM”).

This agreement of the concerned NRAs shall provide evidence that a decision on the CRIDA proposal 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 concerned NRAs will each subsequently request an amendment to the proposal for CRIDA pursuant to Article 9(12) of CACM.

The legal provisions that lie at the basis of the CRIDA, and this concerned NRAs agreement on the CRIDA,, can be found in Article 3, 9, 51, 55(1), 55(3),59(1) , and 63 of CACM. They are set out here for reference.

- **Article 3 of CACM:**

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 9 of CACM:**

1. *TSOs and NEMOs 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 or NEMO, the participating TSOs and NEMOs shall closely cooperate. TSOs, with the assistance of ENTSO for Electricity, and all NEMOs shall regularly inform the competent regulatory authorities and the Agency about the progress of developing these terms and conditions or methodologies.*
[...]
5. *Each regulatory authority shall approve the terms and conditions or methodologies used to calculate or set out the single day-ahead and intraday coupling developed by TSOs and NEMOs. They shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6, 7 and 8.*
6. *The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities:*
 - a. (...)
 - b. (...)
 - c. (...)
 - d. (...)
 - e. (...)
 - f. (...)
 - g. (...)
 - h. (...)
 - i. (...)
 - j. *the intraday capacity pricing methodology to be developed in accordance with Article 55(1);*
 - k. *the intraday cross-zonal gate opening and intraday cross-zonal gate closure times in accordance with Article 59(1);*
 - l. (...)
 - m. (...)
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. (...)
 - d. (...)
 - e. (...)
 - f. *complementary regional auctions in accordance with Article 63(1);*
 - g. (...)
 - h. (...)

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, 7 and 8, 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. *TSOs and NEMOs 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 13.*

- **Article 51 of CACM:**

1. *From the intraday cross-zonal gate opening time until the intraday cross-zonal gate closure time, the continuous trading matching algorithm shall determine which orders to select for matching such that matching:*
 - (a) *aims at maximising economic surplus for single intraday coupling per trade for the intraday market time-frame by allocating capacity to orders for which it is feasible to match in accordance with the price and time of submission;*
 - (b) *respects the allocation constraints provided in accordance with Article 58(1);*
 - (c) *respects the cross-zonal capacity provided in accordance with Article 58(1); (d) respects the requirements for the delivery of results set out in Article 60; (e) is repeatable and scalable.*
2. *The continuous trading matching algorithm shall produce the results provided for in Article 52 and correspond to the product capabilities and functionalities set out in Article 53.*

- **Article 55 of CACM:**

1. *Once applied, the single methodology for pricing intraday cross-zonal capacity developed in accordance with Article 55(3) shall reflect market congestion and shall be based on actual orders.*
2. (...)
3. *By 24 months after the entry into force of this Regulation, all TSOs shall develop a proposal for a single methodology for pricing intraday cross-zonal capacity. The proposal shall be subject to consultation in accordance with Article 12.*
4. (...)

- **Article 59(1) of CACM:**

1. *By 16 months after the entry into force of this Regulation, all TSOs shall be responsible for proposing the intraday cross-zonal gate opening and intraday cross-zonal gate closure times. The proposal shall be subject to consultation in accordance with Article 12.*
2. (...)

3. (...)
4. (...)

- **Article 63 of CACM:**

1. *By 18 months after the entry into force of this 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. The proposal shall be subject to consultation in accordance with Article 12.*
2. *Complementary regional intraday auctions may be implemented within or between bidding zones in addition to the single intraday coupling solution referred to in Article 51. In order to hold regional intraday auctions, continuous trading within and between the relevant bidding zones may be stopped for a limited period of time before the intraday cross-zonal gate closure time, which shall not exceed the minimum time required to hold the auction and in any case 10 minutes.*
3. *For complementary regional intraday auctions, the methodology for pricing intraday cross-zonal capacity may differ from the methodology established in accordance with Article 55(3) but it shall nevertheless meet the principles provided for in Article 55(1).*
4. *The competent regulatory authorities may approve the proposal for complementary regional intraday auctions if the following conditions are met:*
 - a. *regional auctions shall not have an adverse impact on the liquidity of the single intraday coupling;*
 - b. *all cross-zonal capacity shall be allocated through the capacity management module;*
 - c. *the regional auction shall not introduce any undue discrimination between market participants from adjacent regions;*
 - d. *the timetables for regional auctions shall be consistent with single intraday coupling to enable market participants to trade as close as possible to real-time;*
 - e. *regulatory authorities shall have consulted the market participants in the Member States concerned.*
5. *At least every two years after the decision on complementary regional auctions, the regulatory authorities of the Member States concerned shall review the compatibility of any regional solutions with single intraday coupling to ensure that the conditions above continue to be fulfilled.*

II. The Italy North and Greece Italy NEMOs and TSOs proposal

The CRIDA proposal was consulted on by the concerned NEMOs and TSOs for one month from December 6th 2016 until January 13th 2017, in line with Article 63 and Article 12 of CACM.¹ The final CRIDA proposal, dated 14 February 2017, was received by the last concerned NRA in the Italy North CCR on 22 March 2017 and in the Greece Italy CCR on 14 February. 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.

Article 9(10) of CACM requires concerned NRAs 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

¹ The public consultation held from 6th December 2016 to 13th January 2017 was available on the website: www.jao.eu

of the last concerned Regulatory Authority. A decision is therefore required by each Regulatory Authority in the Italy North CCR by 22 September 2017 and in the Greece Italy CCR by 14 August 2017.

The CRIDA proposal, as understood by the concerned NRAs, is primarily based on two implicit auctions:

- i) the first auction should be performed at 22:00 of the day preceding the delivery day, and it should allocate capacity concerning all the 24 hours
- ii) the second auction should be performed at 7:30 of the delivery day and it should allocate capacity concerning the hours from 12 to 24.

Moreover, the proposal prescribes that the intraday continuous session should not be opened for hours of delivery traded in a subsequent auction.

III. The Italy North and Greece Italy NRAs position

Concerned NRAs have no objections against the geographical scope of CRIDA proposal (Art. 1(1)) provided that this does not automatically imply the inclusion of Switzerland into any ID pan-European project, as for instance the XBID Project .

Concerned NRAs consider that CRIDA proposal should better address the relationship with the pan European methodologies that are going to be approved or amended, according to the CACM implementation. Methodologies (and corresponding Requests for Amendment) that should be taken into account in the CRIDA proposal are at least **Algorithm, Product, Back-up**, Harmonized minimum and maximum prices for intraday (hereinafter: **HMMP**) , Intraday Cross Zonal Capacity Pricing (hereinafter: **IDCZCP**), Intraday Cross Zonal Gate Opening Time (hereinafter: **IDCZGOT**) .

1. Coordination of CRIDA and Algorithm proposal

Concerned NRAs agreed that, for the sake of coherence with the MCO Plan request for amendments, no explicit reference to PCR and XBID shall be made in CRIDA proposal. Moreover, concerned NEMOs and TSOs should explain if the algorithm that will be exploited for running CRIDAs will be the same for day ahead, for which all NEMOs submitted to all NRAs a proposal, according to Art 37.5 of CACM. If so, they have to clarify whether all the methodologies already submitted for the SDAC will hold, with reference to products, fall back, back-up procedure and governance. They have also to clarify which HMMP will be used for the CRIDA. Moreover the concerned NEMOs and TSOs should clarify the additional costs for using the common algorithm for a regional purpose.

In case concerned NEMOs and TSOs would implement a different algorithm with respect to the one used for the SDAC, concerned NRAs see the need for the submission of methodologies for approval, covering at least to: algorithm, products, maximum and minimum prices, fall back and back-up procedures,.

However, also with reference to the algorithm, NEMOs and TSOs should consider the similarity between CRIDA and Intra Day Auction (hereinafter: IDA) proposed for IDCZCP, in order to exploit all the possibilities for harmonization.

2. Coordination of CRIDA and Product proposal

In the request for amendment concerning the proposal of products “All Regulatory Authorities suggest that NEMOs make, where appropriate, reference to the market time unit, without specifying the actual timeframe considered”. For the sake of coherence with the request for amendment on product proposal, the concerned NRAs suggest that also in the CRIDA proposal no reference should be made to the actual timeframe considered for the market time unit (hereinafter: MTU).

3. Coordination of CRIDA and IDCZCP proposal

All TSOs held, a public consultation from April 11th 2017 until May 12th 2017 on the all TSOs’ proposal for the single methodology for pricing intraday cross zonal capacity. The all TSOs proposal for IDCZCP is based on a hybrid model, which is a mix of auctions and continuous trading. In particular, the IDCZCP proposal establishes two IDAs: one at 22:00 in day D-1 for all hours of day D and one at 10:00 in day D for hours from 12:00 until the end of day D. The CRIDA methodology proposed establishes also two intraday auctions: one at 22:00 in day D-1 for all hours of day D and one at 7:30 in day D for hours from 12:00 until the end of day D. Both proposals foresee that the continuous trading session shall be run for MTUs that will no longer be traded in subsequent auctions (Art. 4.10 of IDCZCP proposal and Art.3.4 of CRIDA proposal). This implies that the ID continuous trading is organized in two discrete sessions ; thus, the gate opening time (GOT) for the first continuous trading session is different from the one for the second continuous trading session. Concerned NRAs acknowledge that, even though the opening auction is not a first best solution, in the context of intraday capacity pricing, a solution other than IDAs has not been developed yet. However, as mentioned in the all NRAs’ shadow opinion on the methodology for IDCZCP, TSOs should not propose a solution that could lead to a fragmentation of the continuous trading, unless duly justified.

In addition, all the concerned NRAs would like to recall that, in line with the Art 63.2 of CACM regulation, the continuous trading within and between the relevant bidding zones may be stopped for a limited period that shall not exceed 10 minutes.

Both proposals rely on two auctions and the first one is foreseen at the same time in day D-1, but in the CRIDA proposal no reference is made to the IDCZCP proposal and the relationship between the two set of auctions is unclear. Concerned NEMOs and TSOs are requested to better explain how CRIDA and IDA will be coordinated and whether they can coincide, at least with reference to the first auction. Concerning the second auction proposed by the two proposals, NRAs do not see merit in running two different auctions close to each other and therefore ask for a full harmonization of CRIDA with IDA.

4. Coordination of CRIDA and IDCZGOT

Concerned NRAs acknowledge that the timing for opening the cross border intraday market could be different among CCRs (notably due to the specificities of the networks and the length of the processes to run capacity calculation) and thus invite concerned NEMOs and TSOs to adjust the proposal for CRIDA, considering also the request for amendments of all-NRAs on IDCZGOTs. In particular, in the CRIDA proposal reference should be made to the GOT set forth in the proposal for IDCZGOT. In case NEMOs and TSOs want to propose multiple continuous session GOTs for different MTUs (as it is the case in the CRIDA proposal),

they need to duly justify them. Moreover, the GOT for each MTU should be specified in the proposal for IDCZGOT.

Furthermore, regarding the postponement of the continuous session GOT for the second trading session with respect to the first trading session, concerned NEMOs and TSOs should take into account the Shadow Opinion on IDCZCP proposal and explain how the proposal of multiple GOTs for the continuous trading on a regional level in CRIDA proposal could be made coherent with IDCZCP proposal.

In any case, concerned NRAs consider capacity re-calculation as a prerequisite for the second CRIDA as foreseen in article 4(6) of the CRIDA proposal.

Considering the complexity of pricing the capacity when it is allocated continuously, NRAs acknowledge that complementary implicit auctions run, once the intraday capacity is calculated, constitute an efficient mean to price the intraday capacity. On the other hand, when no scarcity occurs, continuous trading does not endanger efficiency and capacity can be allocated at no cost. In this respect, complementary implicit auctions can be used to assess whether capacity is not a scarce resource and therefore if it can be allocated at no cost through continuous trading with no loss in efficiency. Concerned NRAs understand that the CRIDA proposal is based on the principle that capacity should be allocated at no cost only after the last available assessment on capacity scarcity takes place. Thus, the implementation of multiple CRIDA, where only the MTUs until the next auction can be available on the continuous trade, would require multiple GOTs for continuous trading, i.e. one GOT for each continuous trading session. In order to assess the impact of splitting continuous trading on market liquidity, NEMOs are requested to provide historical data of volume traded in existing ID continuous trading markets, indicating the time interval between the trade and the pertinent MTUs.

IV. Conclusions and actions

Based on the above rationale, all Regulatory Authorities request an amendment to the CRIDA proposal. This amendment should contain the following elements:

1. To coordinate the CRIDA proposal with the Algorithm proposal and in particular:
 - i. to delete any explicit reference the PCR and XBID projects;
 - ii. to clarify if the CRIDA algorithm is the same as the Day Ahead algorithm;
 - iii. to clarify which back-up procedures, fallback procedures, price limits, and governance should apply to CRIDA.
2. To coordinate the CRIDA proposal with the Product proposal and, in particular, to delete any reference to the actual timeframe considered for the market time unit.
3. To coordinate the CRIDA proposal with the IDCZCP proposal and in particular:
 - i. to provide justifications for the proposed fragmentation of the continuous trading;
 - ii. to clarify whether the first CRIDA and the first IDA coincide;
 - iii. to harmonize the second CRIDA and the second IDA;

4. To coordinate the CRIDA proposal with the IDCZGOT proposal and in particular:
 - i. to make reference to the GOTs set forth in the IDCZGOT amended proposal;
 - ii. to explain how multiple GOTs proposed in CRIDA are compatible with the request for amendment on IDCZGOT;
 - iii. to assess the impact on market liquidity of splitting continuous trading in different sessions.

5. To substitute in Article 3(2) the word “auction” with the word “auctions”, since the CRIDA proposal involves two auctions and in Article 4(7) the reference at “Article 3.6” with the reference at “Article 4.6”.