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**Italy North TSOs' communication on the withdrawal of the proposal for a methodology for the allocation of cross-zonal capacity based on an economic efficiency analysis in accordance with Article 42 of Commission Regulation 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (EBGL Regulation)**

27 May 2021

Dear representatives of Italy North NRAs and ACER,

With this letter the TSOs of the Italy North Region would like to inform the NRAs of the Region and ACER about the way forward regarding the proposal for a methodology for the allocation of cross-zonal capacity based on an economic efficiency analysis in accordance with Article 42 of EBGL Regulation (hereafter referred to as “Economic Efficiency methodology Proposal”).

The TSOs of the Italy North Region developed and submitted the first Economic Efficiency methodology Proposal to the Italy North NRAs for approval in December 2019, followed by two updated proposals after due consideration of Requests for Amendment from the Italy North NRAs in September 2020 and March 2021.

In the beginning May 2021, the Italy North NRAs informed the TSOs of the Region that they will most probably not be able to reach a joint decision on the Economic Efficiency methodology Proposal.

In consideration of:

1. the fact that Article 42(1) of EBGL Regulation does not stipulate an obligation for the Italy North TSOs to develop an Economic Efficiency methodology Proposal;
2. the fact that the Italy North TSOs developed the Economic Efficiency methodology Proposal on a voluntary basis in case a subset of the or all Italy North TSOs would intend to apply it;
3. the fact that by December 2022, all TSOs shall develop, pursuant to Article 38(3) of EBGL Regulation, a proposal to harmonise the methodology for the allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves per timeframe, with the Italy North TSOs contributing to these all TSOs activities; and
4. the fact that the Italy North TSOs consider the relevance of an Economic Efficiency methodology Proposal which is approved but not applied by any TSO to be limited

the Italy North TSOs decided unanimously to discontinue the process for the Economic Efficiency methodology Proposal.

In line with that decision, the Italy North TSOs hereby formally withdraw, with immediate effect, the Economic Efficiency methodology Proposal pursuant to Article 42 of EBGL Regulation from the regulatory approval process. This message should be used as a basis to not trigger an escalation of the decision to ACER pursuant to Article 5(7) of EBGL Regulation.

## Italy North TSOs



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Each of the Italy North TSOs will inform the respective NRA in due time and in accordance with the applicable national rules.

The TSOs of Italy North thank the NRAs for the constructive discussions held in the last months on this proposal.

Kind regards

On behalf of all TSOs of the Italy North Region  
Harald Köhler  
Chairman of the Italy North Steering Committee