

**APPROVAL BY THE ITALY NORTH CCR REGULATORY
AUTHORITIES AGREED AT THE ITALY NORTH ENERGY
REGULATORS' REGIONAL FORUM**

OF

**THE ITALY NORTH CCR TSOs' METHODOLOGY FOR A
COORDINATED CAPACITY CALCULATION IN ACCORDANCE WITH
ARTICLE 37 OF COMMISSION REGULATION (EU) 2017/2195 OF
23 NOVEMBER 2017 ESTABLISHING A GUIDELINE ON
ELECTRICITY BALANCING**

24 November 2023

I. Introduction and legal context

This document elaborates an agreement of the Italy North CCR Regulatory Authorities (hereinafter referred to as "NRAs") made at the Italy North Energy Regulators' Regional Forum on 24 November 2023, on the Italy North CCR TSOs' (hereinafter referred to as "TSOs") proposal for a methodology for a coordinated capacity calculation in the balancing timeframe within Italy North CCR (hereinafter referred to as "BT CCM Proposal"), in accordance with Article 37 of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing, (hereinafter referred to as "EBGL").

The initial proposal was received by the last Regulatory Authority on 15 December 2022. On 15 June 2023, according to article 5(6) of the EBGL, NRAs unanimously agreed to issue a request for amendment.

Pursuant to article 6(1) of the EBGL, the Italy North TSOs submitted an amended proposal that was received by the last regulatory authority on 28 September 2023.

NRAs consulted and closely cooperated each other to reach an agreement and make decisions within two months following receipt of submissions of the last relevant Regulatory Authority concerned, according to article 6(1) of the EBGL.

This agreement of the NRAs shall provide evidence that a decision on the BT CCM Proposal does not, at this stage, need to be adopted by ACER, pursuant to Article 6(2) of the EBGL, and constitutes the basis on which NRAs will each subsequently approve the BT CCM Proposal pursuant to Article 6(1) of the EBGL.

The legal provisions that lie at the basis of the BT CCM proposal and this NRAs' agreement on approving the abovementioned methodology can be found in Articles 3, 5, 37 of the EBGL. They are set out here for reference.

Article 3 Objectives and regulatory aspects

1. This Regulation aims at:

(a) fostering effective competition, non-discrimination and transparency in balancing markets;

(b) enhancing efficiency of balancing as well as efficiency of European and national balancing markets;

(c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;

(d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;

(e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity;

(f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;

(g) facilitating the participation of renewable energy sources and support the achievement of the European Union target for the penetration of renewable generation.

2. When applying this Regulation, Member States, relevant regulatory authorities, and system operators shall:

(a) apply the principles of proportionality and non-discrimination;

(b) ensure transparency;

(c) apply the principle of optimisation between the highest overall efficiency and lowest total costs for all parties involved;

- (d) ensure that TSOs make use of market-based mechanisms, as far as possible, in order to ensure network security and stability;*
- (e) ensure that the development of the forward, day-ahead and intraday markets is not compromised;*
- (f) respect the responsibility assigned to the relevant TSO in order to ensure system security, including as required by national legislation;*
- (g) consult with relevant DSOs and take account of potential impacts on their system;*
- (h) take into consideration agreed European standards and technical specifications.*

Article 5 Approval of terms and conditions or methodologies of TSOs

- 1. Each regulatory authority or where applicable the Agency, as the case may be, shall approve the terms and conditions or methodologies developed by TSOs under paragraphs 2, 3 and 4. Before approving the terms and conditions or methodologies, the Agency or the relevant regulatory authorities shall revise the proposals where necessary, after consulting the respective TSOs, in order to ensure that they are in line with the purpose of this Regulation and contribute to market integration, non-discrimination, effective competition and the proper functioning of the market.*
- 2. [...]*
- 3. The proposals for the following terms and conditions or methodologies and any amendments thereof shall be subject to approval by all regulatory authorities of the concerned region:*
 - f. the cross-zonal capacity calculation methodology for each capacity calculation region pursuant to Article 37(3);*
- 4. [...]*
- 5. [...]*
- 6. Where the approval of the terms and conditions or methodologies in accordance with paragraph 3 of this Article or the amendment in accordance with Article 6 requires a decision by more than one regulatory authority, the relevant regulatory authorities shall consult and closely cooperate and coordinate with each other in order to reach an agreement. Where the Agency issues an opinion, the relevant regulatory authorities shall take that opinion into account. Regulatory authorities or, where competent, the Agency shall decide on the terms and conditions or methodologies submitted in accordance with paragraphs 2, 3 and 4, within 6 months following the receipt of the terms and conditions or methodologies by the Agency or the relevant regulatory authority or, where applicable, by the last regulatory authority concerned. The period shall begin on the day following that on which the proposal was submitted to the Agency in accordance with paragraph 2, to the last regulatory authority concerned in accordance with paragraph 3 or, where applicable, to the relevant regulatory authority in accordance with paragraph 4.*
- 7. Where the relevant regulatory authorities have not been able to reach agreement within the period referred to in paragraph 6, or upon their joint request, or upon the Agency's request according to the third subparagraph of Article 5(3) of Regulation (EU) 2019/942, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within 6 months from the day of referral, in accordance with Article 5(3) and the second subparagraph of Article 6(10) of Regulation (EU) 2019/942.*

Article 6 Amendments to terms and conditions or methodologies of TSOs

- 1. Where the Agency, all relevant regulatory authorities jointly or the relevant regulatory authority require an amendment in order to approve the terms and conditions or methodologies submitted in accordance*

with Article 5(2), (3) and (4) respectively, the relevant TSOs shall submit a proposal for amended terms and conditions or methodologies for approval within 2 months following the request from the Agency or the relevant regulatory authorities. The Agency or the relevant regulatory authorities shall decide on the amended terms and conditions or methodologies within 2 months following their submission.

2. *Where the relevant regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies within the 2-month deadline, or upon their joint request, or upon the Agency's request according to the third subparagraph of Article 5(3) of Regulation (EU) 2019/942, the Agency shall adopt a decision concerning the amended terms and conditions or methodologies within 6 months, in accordance with Article 5(3) and the second subparagraph of Article 6(10) of Regulation (EU) 2019/942. If the relevant TSOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in Article 4 shall apply.*
3. *[...]*

Article 37 Cross-zonal capacity calculation

1. *After the intraday-cross-zonal gate closure time, TSOs shall continuously update the availability of cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting process. Cross-zonal capacity shall be updated every time a portion of crosszonal capacity has been used or when cross-zonal capacity has been recalculated.*
2. *Before the implementation of the capacity calculation methodology pursuant to paragraph 3, TSOs shall use the cross-zonal capacity remaining after the intraday cross-zonal gate closure time.*
3. *By five years after entry into force of this Regulation, all TSOs of a capacity calculation region shall develop a methodology for cross-zonal capacity calculation within the balancing timeframe for the exchange of balancing energy or for operating the imbalance netting process. Such methodology shall avoid market distortions and shall be consistent with the cross-zonal capacity calculation methodology applied in the intraday timeframe established under regulation (EU) 2015/1222.*

II. The TSOs' proposal

A draft BT CCM Proposal was consulted by the TSOs through ENTSO-E from 11 July 2022 to 2 September 2022, in line with Article 10 of the EBGL. NRAs closely observed, analysed and continuously provided feedback and guidance to the TSOs during meetings and through a shadow opinion, dated 2 September 2022.

The final BT CCM Proposal has been submitted by TSOs in December and the last NRA received the submission on 15 December 2022.

On 15 June NRAs agreed to issue a request for amendments according to article 5(6) of the EBGL; the TSOs submitted an amended version of the BT CCM Proposal in September, and the last NRA received it on 28 September 2023.

III. The NRAs' assessment

The concerned NRAs have assessed the BT CCM Proposal against the requirements of EBGL, the inputs provided during the interactions with the TSOs, through the shadow opinion and the formal request for amendments. NRAs welcome the submitted version of the BT CCM Proposal and acknowledge that the TSOs improved the content with respect to the previous submission, in line with the NRAs' inputs.

In particular, the TSOs introduces in the BT CCM the concept of a safeguard solution, that would take over in case the development of the target methodology is delayed beyond a certain date, due to the dependency from other processes. The amended proposal does not include a description of the safeguard solution, but the process and the formal steps to submit an amendment, aimed at describing this solution, in case of delays of the target methodology. Moreover, the TSOs added a clause to stop the activation and implementation of the safeguard solution, in case the time horizon between the trigger of the safeguard and the delayed go-live of the methodologies needed for the implementation of the target BT CCM is too short, or in case the NRAs and TSOs agree to not proceed with the safeguard option.

NRAs understand that the activation of the clause (included in article 14(11)) can occur through a request signed by TSOs that shall be endorsed by NRAs through a joint letter.

III. Conclusion

NRAs have assessed, consulted and closely cooperated and coordinated to reach the agreement that they approve the BT CCM Proposal submitted by the TSOs, pursuant to Article 6(1) of the EBGL.

NRAs should issue their national decisions to approve the BT CCM Proposal on the basis of this agreement.