

**REQUEST FOR AMENDMENT (RfA) BY THE ITALY NORTH CCR  
REGULATORY AUTHORITIES**

**ON**

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

**15 June 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 15 June 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 BT CCM Proposal was received by the last Regulatory Authority on 15 December 2022, thus, according to article 5(6) of EBGL, the deadline for taking a decision by concerned NRAs is the 15 June 2023.

NRAs consulted and closely cooperated with each other to reach an agreement and make decisions within six months following receipt of submissions of the last relevant Regulatory Authority concerned according to article 5(6) 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 5(7) of the EBGL, and constitutes the basis on which NRAs will each subsequently request an amendment to the BT CCM Proposal pursuant to Article 5(6) of the EBGL.

The legal provisions that lie at the basis of the BT CCM proposal and this NRAs' agreement on requesting an amendment to the abovementioned methodology can be found in Articles 3, 5, 6, 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 cross-zonal 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 Italy North TSOs through ENTSO-E from 11 July 2022 to 2 September 2022, in line with Article 10 of the EBGL. In the public consultation, Italy North TSOs were seeking input from stakeholders and market participants on the draft proposal. 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 NRAs received the submission on 15 December 2022. Therefore, the deadline for taking a decision by NRAs is 15 June, according to art. 5(6) of EBGL.

## **III. The NRAs' assessment**

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

However, the NRAs consider that the BT CCM Proposal does not satisfy the request to include a clear description and the implementation timeline of an interim solution, that should be developed and implemented before the go-live of the target solution, that will not happen before Q4 2027. The BT CCM Proposal submitted by TSOs contains the provision that TSOs will pursue under best effort the implementation of an interim solution and that the solution will be based on the same methodology as the target solution, but using alternative inputs. The timeline for the implementation will be discussed among NRAs and TSOs 12 months after the approval of the methodology.

Both in the text of the BT CCM Proposal and in the constant alignments between NRAs and TSOs during the decisional process, the TSOs justified their approach saying that it is impossible for them to commit to a stricter deadline for the implementation of the interim solution because of two reasons: i) the dependency on the full implementation of other projects (such as the adoption of CGMES models), for which the completion date is currently not known, and ii) the lack of resources on TSOs side, which would require to de-prioritize some projects to work on the interim solution. Moreover, the TSOs state that not all the work done to develop the interim solution will be preparatory for the target solution, resulting in a waste of resources.

NRAs acknowledge the difficulties in defining a firm timeline for the implementation of an interim solution, because of the many uncertainties on the projects that are requested even for the transitional methodology, and understand the issue of the allocation of resources on different projects, that could lead to a general delay of both the interim and the target solution, making invalid any potential benefit of a transitional approach. Therefore, NRAs agree to focus on the implementation of the target solution only.

However, the NRAs deem it necessary to introduce in the BT CCM methodology a safeguard solution, that would take over in case the development of the target methodology is delayed beyond a certain date. This compromise ensures the mitigation of the risk that the capacity calculation methodology is delayed for a very long period, considering also its dependency on the implementation of a very complex methodology, such as the Regional Operational Security Coordination (ROSC), pursuant to art. 76 of Commission Regulation (EU) 2017/1485, guaranteeing that an alternative solution will be anyway applied.

Therefore, NRAs request TSOs to prepare and submit an amendment, pursuant to art. 6(1) of EBGL, taking into account the following specific requirements.

## Specific requirements

### Article 14

NRAs invite TSOs to remove from the BT CCM Proposal any reference to the interim solution and its implementation and to replace it with a process which leads to the development and implementation of a safeguard solution. NRAs acknowledge that it is challenging to include already now specific details on the functioning of the safeguard solution, because the status of tools and procedures that can be re-used for this purpose are unknown. Therefore, NRAs consider that the best approach is to amend the methodology as soon as the safeguard is activated, by including the specific details only when they are clearer.

In the NRAs view, the process for activating and developing the safeguard solution should include at least:

- Quantitative indicator(s) to be monitored for activating the safeguard solution. NRAs understand that the implementation of the ROSC methodology and the availability of the Coordinated Regional Operational Security Analysis (CROSA) results are the main necessary conditions for the BT CCM, therefore the set of indicators shall include at least the latest estimation of the go-live date of such methodology. TSOs can propose even other indicators in case they are deemed useful.
- Predefined thresholds for the indicators, which trigger the development of the safeguard solution. The value of the thresholds shall be justified and proportionate and the BT CCM shall mandate the TSOs to periodically monitor the value of the indicator and to report to NRAs any change beyond the thresholds.

- The formal steps for amending the methodology once one (or more) indicator(s) reaches the threshold. The steps shall provide at least the deadline (e.g. 3-6 months) by which the TSOs shall issue a proposal for amendment with the details of the safeguard solution and a maximum implementation timeline of 12 months. A longer implementation period can be proposed and approved by NRAs, if it is duly justified.
- A possible “circuit breaker” that could be proposed by TSOs 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 not to proceed with the safeguard.

### **III. Conclusion**

NRAs have assessed, consulted and closely cooperated and coordinated to reach the agreement that the BT CCM Proposal submitted by the TSOs, cannot be approved by all NRAs.

According to article 6(1) of the EBGL, NRAs hereby request an amendment to the BT CCM Proposal. The amended proposal shall take into account the NRAs’ assessment stated above and shall be submitted by TSOs no later than two months after receiving the NRA’s RfA, in accordance with Article 6(1) of the EBGL.

NRAs must make their decision to request an amendment to the proposal on the basis of this agreement.