

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

Of

**ITALY NORTH TSOs PROPOSAL FOR COORDINATED
REDISPATCHING AND COUNTERTRADING
METHODOLOGY IN ACCORDANCE WITH ARTICLE 35
OF COMMISSION REGULATION (EU) 2015/1222 OF 24
JULY 2015 ESTABLISHING A GUIDELINE ON CAPACITY
ALLOCATION AND CONGESTION MANAGEMENT**

23 November 2018

I. Introduction and legal context

This document elaborates an agreement of the Italy North Regulatory Authorities (in the following: IN NRAs), agreed on 23 November 2018 at Italy North Energy Regulators' Regional forum, on the Italy North TSOs (in the following: IN TSOs) proposal for Coordinated Redispatching and Countertrading Methodology (in the following: IN CTRD), submitted in accordance with Article 35 of Commission Regulation 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management (in the following: CACM).

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

The legal provisions that lie at the basis of the IN CTRD, and this IN NRAs agreement on the above mentioned methodology, can be found in Articles 3 and 35 of CACM. They are set out here for reference.

Article 3 – Objectives of capacity allocation and congestion management cooperation

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 35 – Coordinated redispatching and countertrading

- 1. Within 16 months after the regulatory approval on capacity calculation regions referred to in Article 15, all the TSOs in each capacity calculation region shall develop a proposal for a common methodology for coordinated redispatching and countertrading. The proposal shall be subject to consultation in accordance with Article 12.*
- 2. The methodology for coordinated redispatching and countertrading shall include actions of cross-border relevance and shall enable all TSOs in each capacity calculation region to effectively relieve physical congestion irrespective of whether the reasons for the physical congestion fall mainly outside their control area or not. The methodology for coordinated redispatching and countertrading shall address the fact that its application may significantly influence flows outside the TSO's control area.*
- 3. Each TSO may redispatch all available generation units and loads in accordance with the appropriate mechanisms and agreements applicable to its control area, including interconnectors. By 26 months after the regulatory approval of capacity calculation regions, all TSOs in each capacity calculation region shall develop a report, subject to consultation in accordance with Article 12, assessing the progressive coordination and harmonisation of those mechanisms and agreements and including proposals. The report shall be submitted to their respective regulatory authorities for their assessment. The proposals in the report shall prevent these mechanisms and agreements from distorting the market.*

4. *Each TSO shall abstain from unilateral or uncoordinated redispatching and countertrading measures of crossborder relevance. Each TSO shall coordinate the use of redispatching and countertrading resources taking into account their impact on operational security and economic efficiency.*
5. *The relevant generation units and loads shall give TSOs the prices of redispatching and countertrading before redispatching and countertrading resources are committed. Pricing of redispatching and countertrading shall be based on:*
 - (a) prices in the relevant electricity markets for the relevant time-frame; or*
 - (b) the cost of redispatching and countertrading resources calculated transparently on the basis of incurred costs.*
6. *Generation units and loads shall ex-ante provide all information necessary for calculating the redispatching and countertrading cost to the relevant TSOs. This information shall be shared between the relevant TSOs for redispatching and countertrading purposes only.*

II. The IN TSOs proposal

The IN CTRD was consulted by IN TSOs through ENTSO-E for one month from 23 February 2018 to 23 March 2018, in line with Article 12 and Article 35 of CACM¹. The final proposal on IN CTRD was received by the last Regulatory Authority of the Italy North Capacity Calculation Region on 24 May 2018. 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 IN NRAs to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make decisions within six months following receipt of submissions of the last Regulatory Authority concerned. A decision is therefore required by 24 November 2018.

IN CTRD is based on an optimization process with the aim to minimize the overall cost related to the activation of countertrading and redispatching resources within the entire region. This coordinated process is launched after the coordination of all non-costly remedial actions: in other words a sequential approach is proposed, with a preliminary activation of all non-costly remedial actions, followed by the activation of countertrading and redispatching resources only if there are residual congestions.

The optimization process focuses on the network elements belonging to the Area of Common Interest (in the following: ACI). ACI is a subgroup of the critical network elements and contingencies relevant for the capacity calculation process: in particular only the elements whose congestions can efficiently be dealt with by countertrading and redispatching resources are kept.

The coordinated process is ran in the afternoon of D-1, once the day-ahead market results are published and resulting schedules are incorporated in each TSOs individual grid model; the process is repeated in day D whenever needed; no relevant timings are included in the legal document. The TSOs may also adopt a fast activation process with a lower degree of coordination: this process is followed whenever a congestion is detected quite close to the real time and there is not enough time to follow the standard coordinated one.

The relevant resources are identified by each TSO according to the relevant national framework and communicated to the optimization function along with an estimation of the associated costs. The optimization function provides the results of the optimization (i.e. the resources to be activated), but the effective activation is up to the TSOs.

¹ The public consultation is available on the ENTSO-e website: https://consultations.entsoe.eu/markets/italy-north-tsos-methodology-for-coordinated-r-c/consult_view/

The implementation of IN CTRD is subject to the regulatory approval of the CTRD proposal and of the associated cost sharing proposal, and to the implementation of the capacity calculation methodology; the development of the proper IT systems to support all the activities related to countertrading and redispatching is also a fundamental prerequisite. Moreover, the IN TSOs intend to make the implementation subject to the approval of the proposals pursuant to Articles 75 and 76 of the Regulation EU 2017/1485 (in the following: SOGL).

The effective implementation is expected no later than 24 months after all the above mentioned conditions are fulfilled; more details about the optimization algorithm will be provided in the first 12 months.

III. The Italy North Regulatory Authorities position

IN NRAs welcome the effort by IN TSOs to develop a proposal in the current framework where most of the activities of the coordinated capacity calculators (and in prospective of the regional security coordinators according to SOGL) are still under discussion. IN NRAs understand that most details of the CTRD methodology (above all those related to the optimization algorithm) may be agreed only during the implementation phase and that, thus, cannot be included in the IN CTRD at this stage. Nonetheless there are some concerns that are worth to share.

Swiss involvement

From technical point of view, as addressed in the request for amendment for capacity calculation methodology, the capacity on the Italian Northern borders cannot be computed in an efficient manner without taking into account duly the transmission network of Swissgrid and the effects this network has on the neighbouring TSOs.

Nonetheless as far redispatching and countertrading methodology is concerned, IN NRAs would like to express some concerns.

First of all, IN CTRD proposal is developed according to CACM that, being a EU regulation, is legally binding only for EU Member States and not for Switzerland. Therefore, in IN NRAs' view, Swissgrid cannot be considered as a participating TSOs for the countertrading and redispatching methodology, but only as a technical counterparty.

Moreover, IN NRAs are concerned that the remedial actions recommended to Swissgrid may be applied by the latter only on a voluntary basis, since there is no legal provision that binds Swiss TSO to do that.

For these reasons IN NRAs ask IN TSOs to modify the proposal accordingly, clarifying, wherever needed, that:

- a) the common grid model used for the optimization process for countertrading and redispatching can include Swissgrid network, subject to the conditions reported in Article 1 of the CGM proposal;
- b) the proposal is submitted to the respective regulatory authority only by Terna, RTE, ELES and APG, since they are the only TSOs legally bound by CACM Regulation;
- c) ACI cannot include any elements belonging to Swissgrid and any cross-zonal elements between Italy and Switzerland;
- d) any remedial actions involving Swissgrid shall not be considered by the optimization process; nonetheless the impact of the chosen remedial actions on Swissgrid network shall be taken into account to not endanger the overall system security of the continental Europe synchronous area.

The above mentioned issues shall not be meant as an obstacle to specific agreement between EU countries and Switzerland to deal with specific countertrading and redispatching issue.

High principles

Even if most details cannot be included (since not agreed or even known yet), in order to be approved the IN CTRD shall at least include the following key concepts:

- a) a general description of the objective function and the constraints adopted for the optimization of countertrading and redispatching resources: indeed, some details have been already included in the explanatory document, but they need to be moved in the methodology (an annex subject to approval is much welcomed to not hamper the readability of the overall proposal);
- b) the list of the different phases of the coordinated process along with the roles and responsibilities of the involved actors: in particular the legal methodology shall explicitly state who is in charge of which activity (posing particular attention, but not limited to, at who is in charge to identify congestions and who is in charge to activate the resources);
- c) the criteria each TSO can use to review the activation of countertrading and redispatching resources proposed in the coordinated process: in particular it shall be clear whether a TSO can refuse to activate a specific resource and, if yes, under which conditions and under which consequences;
- d) the criteria adopted to identify the relevant congestions on the elements belonging to the ACI that will be dealt with in the optimization process;
- e) the information each TSO is requested to share in addition to the information already included in the Individual Grid Model submitted to build the Common Grid Model; if no additional information is required, this shall be clearly stated in the methodology;

Regional Security Coordinators and Coordinated Capacity Calculators

The explanatory document seems assuming that the Regional Security Coordinator (in the following: RSC) will also act as Coordinated Capacity Calculator (in the following: CCC) and also is responsible for the coordinated process for countertrading and redispatching.

IN NRAs do agree that grouping the function of CCC and RSC in the same entity is an efficient solution, nonetheless the proposal shall be strengthened from legal point of view. In particular the following issues shall be taken into account;

- a) countertrading and redispatching methodology is submitted pursuant to Article 35 of CACM;
- b) CACM mentions only the CCC and its tasks, without any reference to the RSC concept that is, instead, extensively depicted in SOGL;
- c) CCC will be designated by the TSOs no later than four months after the approval of the capacity calculation methodology, according to Article 27(2) of CACM;
- d) RSC will be identified according to Article 77 of SOGL; the proposal of designation shall be included in the proposal submitted pursuant to Article 76 of SOGL (due no later than three months after the approval of the coordinated operational security analysis methodology submitted in accordance with Article 75 of SOGL).

As a consequence, IN NRAs deem it not correct to refer to the RSC while dealing with countertrading and redispatching. They, instead, suggest clarifying in the methodology that the coordinated process for countertrading and redispatching is assigned to the same entity responsible for capacity calculation. Eventually, the TSOs will assign CCC and RSC tasks to the same entity (or entities if more than one).

Sharing of remedial actions between different CCRs.

Since a TSO might be involved in more than one CCR, the sharing of remedial actions between different CCRs is a key topic to be properly addressed.

IN TSOs are, thus, requested to include in the IN CTRD some details about the above mentioned issue; in particular at least the criteria to identify the shared remedial actions and to coordinate their activation between the involved CCRs shall be addressed.

Area of common interest

IN NRAs are fine with the ACI concept, since it limits the effects of coordinated countertrading and redispatching remedial actions only to the network elements that are most sensible to cross-zonal exchanges

The purpose and scope of the ACI shall be, nonetheless, clearly described. If the ACI for redispatching and countertrading is based on the critical network elements for capacity calculation, this shall be motivated and justified. Furthermore, details shall be provided on whether

- a) all CNEs/CNECs are relevant for redispatching and countertrading, and/or
- b) all remedial actions that are deemed relevant for the ACI shall be shared and coordinated.

With regards to the latter point, the provisions of the currently available proposal on the Coordinated Security Analysis (in the following: CSAM), pursuant to Art. 75 of SO GL, on cross-border relevance shall be taken into account and compatibility between IN CTRD and CSAM needs to be ensured.

Also, the interaction of the ACI with neighboring CCRs (most notably Core and Italy-Greece) shall be described.

Resources and associated costs

IN NRAs take note that the following four articles tackle the calculation of costs to be shared among TSOs:

- Article 9 of IN CTRD submitted in accordance with article 35 of CACM;
- Article 3, 4 and 5 of the proposal about cost sharing submitted in accordance with article 74 of CACM (in the following: IN CTRDCS).

For the sake of clarity, IN NRAs are of the opinion that these articles should all be included in the IN CTRD.

On the content of the proposal, IN NRAs are of the opinion that the scope of the countertrading and redispatching costs considered and eligible for sharing is not sufficiently detailed. IN NRAs have the following remarks :

- a) about article 9 of IN CTRD proposal, while paragraph 4 is clear on the fact that only the costs and revenues resulting from the activation of energy (as opposed to potential capacity procurement costs) are taken into account, IN NRAs consider that the actual calculation of the cost is not completely clear; for example, it is not clear how start-up and shutdown costs will be accounted for, how redispatching and countertrading costs will be accounted for in case of a common pool used by the single TSO for pro active redispatching and countertrading and for real time balancing ;IN TSOs are asked to provide more details about the above mentioned pools that will be relevant to define the costs to be shared for the countertrading and redispatching optimization process, along with all the bids remunerated in those pools that will be taken into account in the optimization itself;
- b) About article 3 IN CTRDCS, IN NRAs take note of TSO's proposal to reduce the scope of coordination of countertrading and redispatching actions only to a subset of the critical network elements considered in the capacity calculation methodologies; however, this subset (referred to as ACI) is not mentioned in this article. The reference to the "critical network elements as defined in the Italy North DA and ID CC Methodologies" is also misleading to that regard; IN TSOs are asked to clarify the actual scope.

Fast activation process

It seems that the fast activation process can be activated at any time to cope with congestions that cannot be managed by the standard coordinated process: IN NRAs deem this approach not reasonable. They instead suggest to clarify in the methodology the time windows when each TSO is entitled to call for the fast activation process and the time windows where, instead, the coordinated process shall be used.

IN NRAs are of the opinion that costs associated to the fast activation process as well as potential fallout costs should be borne by the requesting TSO (i.e., the TSO responsible for the control area where a congestion was identified and for which the fast activation process leads to the activation of a costly remedial action). IN NRAs would thus welcome by TSOs some clarifications about the sharing of the costs associated to fast activation process foreseen: in particular IN TSOs shall consider applying the above rule.

The TSOs are also invited to provide in the explanatory note more details about the expected usage of the fast activation process.

Link between CTRD and SOGL proposals

Articles 75 and 76 of SOGL foresee the development of specific proposals (at European and CCR level) for coordinated operational security analysis. The coordinated process for countertrading and redispatching seems to be strictly correlated to the above mentioned analysis. IN TSOs are requested to better detail all the activities performed after the day-ahead market results are made available in the afternoon of day D-1. In particular, IN TSOs shall include a timetable listing at least all the activities related to:

- a) building of the day-ahead common grid model incorporating all day-ahead results,
- b) operational security analysis (coordinated and at national level) based on the day-ahead results,
- c) building of the common grid model for intraday capacity calculation;
- d) intraday capacity calculation and coordinated process for countertrading and redispatching.

Implementation timeline

IN NRAs deem it unescapable that a proper revision of the countertrading and redispatching methodology is submitted by TSOs once the details about the algorithm and the other pending issues are available.

The implementation timeline reported in Article 10 shall take into account the above consideration.

IV. Conclusions

The IN NRAs have consulted and closely cooperated and coordinated to reach agreement that **they request an amendment to the IN CTRD submitted by IN TSOs pursuant to Article 35 of CACM**. The amended proposal shall take into account the IN NRAs position stated above, and shall be submitted by TSOs no later than 2 months after the last national decision to request an amendment has been made, in accordance with Article 9(12) of CACM.

The IN NRAs must make their national decisions to request an amendment to IN CTRD methodology, on the basis of this agreement

List of Action points

- Clarify all the conditions related to Switzerland as detailed in the text
- Address at least the high principles proposed by IN NRAs, as general description of the optimization function, list of the different phases of the coordinated process, the criteria each TSO shall follow to activate the selected resources, the criteria adopted to identify congestions, the information each TSO shall share in addition to the information already included in the IGM
- Clarify that the coordinated countertrading and redispatching is performed by the CCC, avoiding any reference to RSC that has not been designated yet
- Address the sharing of the remedial actions between different CCRs
- Improve the ACI concept, ensuring the compatibility between CSAM and IN CTRD and analyzing the interaction with neighboring CCRs
- Include in IN CTRD all the articles about costs yet inserted in the cost sharing proposal

- Improve the description of the costs relevant for IN CTRD, specifying the relevant pools and associated bids that are taken into account
- Clarify the scope of article 3 of IN CTRDCS, by including a proper reference to ACI
- Give the time windows when the fast activation process is meant to be called, along with more details about the expected usage of such process
- Clarify the with the fast activation process all the costs are borne by the requester TSO and they are not shared
- Give a timeline of all the activities to be performed in the afternoon of D-1 once market coupling results are given
- Foresee in the implementation timeline of IN CTRD the submission of an amended methodology once more details are available