

**DECISION OF THE ITALY NORTH REGULATORY  
AUTHORITIES**

**ON THE AMENDED VERSION OF THE  
SPLITTING LONG-TERM CROSS-ZONAL CAPACITY  
METHODOLOGY FOR ITALY NORTH CCR IN  
ACCORDANCE WITH ARTICLE 16 OF THE  
COMMISSION REGULATION (EU) 2016/1719 OF 26  
SEPTEMBER 2016 ESTABLISHING A GUIDELINE ON  
FORWARD CAPACITY ALLOCATION**

**27 March 2024**

## I. Introduction and legal context

The Commission Regulation (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation as amended by Commission implementing regulation (EU) 2021/280 of 22 February 2021 amending Regulations (EU) 2015/1222, (EU) 2016/1719, (EU) 2017/2195 and (EU) 2017/1485 in order to align them with Regulation (EU) 2019/943 (hereafter referred to as “FCA”) sets out detailed rules on cross-zonal capacity allocation in the forward markets, on the establishment of a common methodology to determine long-term cross-zonal capacity, on the establishment of a single allocation platform at European level offering long-term transmission rights and on the possibility to return long-term transmission rights for subsequent forward capacity allocation or transfer long-term transmission rights between market participants.

This document elaborates an agreement of the Italy North Regulatory Authorities (hereinafter: IN NRAs), agreed on 27 March 2024 at Italy North Energy Regulators’ Regional forum, on the proposal by the Italy North Transmission System Operators (hereinafter: IN TSOs) for amending the methodology on splitting the long-term cross-zonal capacity (hereinafter: IN FCA Splitting Methodology) adopted according to Article 16 FCA.

This agreement of the IN NRAs shall provide evidence that a decision on the IN FCA Splitting Methodology does not, at this stage, need to be adopted by ACER pursuant to Article 4(10) of FCA. It is intended to constitute the basis on which the IN NRAs will each subsequently issue a National decision to approve the IN FCA Splitting Methodology pursuant to Article 4(9) of FCA.

The current IN FCA Splitting Methodology applies to EU borders of the IN CCR only and foresees the definition of the maximum volume of capacity for each long-term timeframe according to the following requirements:

- a) the offered capacity shall not exceed, in each market time unit, the available capacity equal to the difference between the long-term cross-zonal capacity and the capacity allocated in the previous timeframe.
- b) each product shall be valid (i.e. entirely available) for at least 80% of the hours of the delivery period and cannot encompass more than 25 reductions for yearly products and more than 5 reductions for monthly products; if the resulting volume is less than 10 MW, the 80% threshold for validity may be reduced till 50% in order to maximize the volume offered to the market.
- c) the offered capacity in import direction of Italy on the yearly timeframe shall not exceed 85% of the average capacity resulting from the yearly long-term capacity calculation.
- d) on Italy-France border, the offered capacity in export direction of Italy on the yearly timeframe shall not exceed 85% of the average capacity resulting from the yearly long-term capacity calculation.
- e) for Italy-Slovenia and Italy-Austria borders, the offered capacity in the export direction of Italy on the yearly timeframe shall not exceed 20% of the average capacity resulting from the yearly long-term capacity calculation;
- f) for Italy-Slovenia and Italy-Austria borders, the sum of the offered capacity in the export direction of Italy on the monthly timeframe and the already allocated capacities on yearly timeframe shall not exceed 50% of the average capacity resulting from the yearly long-term capacity calculation;
- g) the offered capacity in the monthly timeframe shall include capacity returned from the yearly timeframe according to the provisions of EU Harmonized Allocation Rules for long term transmission rights.

The current IN FCA Splitting Methodology was first amended and approved by the IN NRAs in December 2020 introducing a specific Article (Article 7) dedicated to a reassessment of the methodology to be performed every two years by the TSOs: Article 7 asks IN TSOs to publish every 2 years by 30/06 a report (duly consulted with market participants) analysing the long-term capacity allocation results in the IN CCR; the report needs to be submitted to the IN NRAs with a proposal to keep or change relevant parameters of the IN FCA Splitting Methodology. In this process:

- market data of the past two years shall be considered,
- TSOs shall present major conclusions from the assessment of the data,
- TSOs shall submit an amended Splitting Methodology, if this has to be updated according to the conclusions; the amended proposal shall include the date and time of the foreseen entry into force.

The legal provisions that lie at the basis of the IN FCA Splitting Methodology, and this IN NRAs agreement, can be found in Articles 3, 4, 9, and 16 of FCA and on Article 7 of the current version of the IN FCA Splitting.

They are set out here for reference.

## **FCA**

### **Article 3**

#### ***Objectives of forward capacity allocation***

*This Regulation aims at:*

- (a) promoting effective long-term cross-zonal trade with long-term cross-zonal hedging opportunities for market participants;*
- (b) optimising the calculation and allocation of long-term cross-zonal capacity;*
- (c) providing non-discriminatory access to long-term cross-zonal capacity;*
- (d) ensuring fair and non-discriminatory treatment of TSOs, the Agency, regulatory authorities and market participants;*
- (e) respecting the need for a fair and orderly forward capacity allocation and orderly price formation;*
- (f) ensuring and enhancing the transparency and reliability of information on forward capacity allocation;*
- (g) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.*

### **Article 4**

#### ***Adoption of terms and conditions or methodologies***

- 1. TSOs shall develop the terms and conditions or methodologies required by this Regulation and submit them for approval to the Agency or the competent regulatory authorities within the respective deadlines set out in this Regulation. In exceptional circumstances, notably in cases where a deadline cannot be met due to circumstances external to the sphere of TSOs, the deadlines for terms and conditions or methodologies may be prolonged by the Agency in procedures pursuant to paragraph 6, and jointly by all competent regulatory authorities in procedures pursuant to paragraph 7. Where a proposal for terms and conditions or methodologies pursuant to this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of the ENTSO for Electricity, shall regularly inform the competent regulatory authorities and the Agency about the progress of the development of those terms and conditions or methodologies.*

[...]

5. Each regulatory authority shall be responsible for approving the terms and conditions or methodologies referred to in paragraphs 6 and 7. Before approving the terms and conditions or methodologies, the Agency or the competent 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.
6. (...)
7. The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:
  - b. (...)
  - c. the methodology for splitting cross-zonal capacity pursuant to Article 16;

[...]

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 in accordance with paragraph 7 shall be submitted to the Agency within 1 week of their submission to the 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 in accordance with paragraph 7 or the amendment in accordance with paragraph 11 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 to reach an agreement. Where applicable, the competent regulatory authorities shall take into account the opinion of the Agency. Regulatory authorities or, where competent, the Agency shall take decisions concerning the submitted terms and conditions or methodologies in accordance with paragraphs 6 and 7, within six months following the receipt of the terms and conditions or methodologies by the Agency 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 6 or to the last regulatory authority concerned in accordance with paragraph 7.
10. (...)
11. In the event that the Agency or all competent regulatory authorities jointly request an amendment to approve the terms and conditions or methodologies submitted in accordance with paragraphs 6 and 7, the relevant TSOs shall submit a proposal for amended terms and conditions or methodologies for approval within two months following the request from the Agency or the regulatory authorities. The Agency or the competent regulatory authorities shall decide on the amended terms and conditions or methodologies within two months following their submission. Where the competent regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies pursuant to paragraphs 6 and 7 within the two-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 six 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 paragraph 4 shall apply. (...)
12. (...)
13. TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet after approval by the Agency or 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 7.

## **Article 16**

### **Methodology for splitting long-term cross-zonal capacity**

1. *No later than the submission of the capacity calculation methodology referred to in Article 10, the TSOs of each capacity calculation region shall jointly develop a proposal for a methodology for splitting long-term cross-zonal capacity in a coordinated manner between different long-term time frames within the respective region. The proposal shall be subject to consultation in accordance with Article 6.*
2. *The methodology for splitting long-term cross-zonal capacity shall comply with the following conditions:*
  - (a) it shall meet the hedging needs of market participants;*
  - (b) it shall be coherent with the capacity calculation methodology;*
  - (c) it shall not lead to restrictions in competition, in particular for access to long-term transmission rights.*

## **Current version of the IN FCA Splitting**

### **Article 7**

#### **Amendment to the methodology**

1. *Reassessment of the methodology and suitability of offered long-term products is needed every two years following the implementation.*
2. *An analysis and report (duly consulted with market participants) shall be prepared every second year by 30/06 by the TSOs of Italy North CCR and submitted to the regulatory authorities of Italy North CCR with the proposal to keep or change relevant parameters. In this process:*
  - a. market data of the past two years shall be considered,*
  - b. TSOs shall present major conclusions from the assessment of the data,*
  - c. TSOs shall submit an amended Splitting Methodology, if this has to be updated according to the conclusions; the amended proposal shall include the date and time of the foreseen entry into force.*

*The first edition of the report shall be submitted to the regulatory authorities of Italy North CCR by 30/06 of the year following the first year of application of the Splitting Methodology.*

## **II. The Italy North TSOs amendment proposal**

The first edition of the report foreseen at Article 7 of the splitting methodology has been sent by IN TSOs to IN NRAs on the 31<sup>st</sup> of July 2023: on the basis of the analysis performed, the report introduced a proposal to amend the existing IN FCA Splitting methodology to reduce the yearly CAP from 85% to 75% to allow a more even distribution of the capacity between the yearly and the monthly auctions; and to add an additional limitation of the monthly capacity allocation in the import direction towards Italy on the AT-IT and SI-IT borders.

IN TSOs have consequently consulted the above-mentioned amendment proposal via the ENTSO-E consultation hub) between 19 September and 20 October 2023, in accordance with Article 6 of the FCA Regulation.

Based on the inputs collected during the consultation process the IN TSOs have revisited their original solution, avoiding introducing any change on the IT-FR border and limiting the amendments to the borders between Italy and Slovenia and Italy and Austria.

The proposal introduces 4 changes to the current version of the methodology:

- Article 3c is amended to lower, only for IT-AT and IT-SI borders, the cap to the capacity offered in import direction of Italy on the yearly timeframe **from 85% to 75%** of the average capacity resulting from the yearly capacity calculation according to Article 10 of the FCA Regulation.
- A new Article 3d is added to introduce, only for IT-AT and IT-SI borders, a **cap** to the sum of the capacity offered in import direction of Italy on the monthly timeframe and the already allocated capacities on yearly timeframe, which is **set at 75% of the average capacity** resulting from the monthly capacity calculation according to Article 10 of the FCA Regulation.
- Article 3e is amended to preserve, for the IT-FR border, the current cap to the offered capacities on the yearly timeframe which is set, both in the import and export directions of Italy, at 85% of the average capacity resulting from the yearly capacity calculation according to Article 10 of the FCA regulation.
- Article 6 is updated to take into account the implementation of the long-term capacity calculation methodology in accordance with Article 10 of the FCA Regulation.

The proposal was received by the last Regulatory Authority of the Italy North Capacity Calculation Region **on 27 February 2024**. Article 4(9) of FCA requires IN NRAs to consult and closely cooperate and coordinate with each other in order to reach an agreement and take a decision within six months following receipt of submissions of the last Regulatory Authority concerned. A decision is therefore required by **27 August 2024**.

### **III. The Italy North Regulatory Authorities position**

IN NRAs see the purpose of splitting of the capacities, as foreseen by the FCA regulation to assure market participants' possibilities to hedge their positions also for shorter term trading activities

IN NRAs appreciate the analysis performed by IN TSOs based on Article 7 of the IN FCA Splitting Methodology and agree with the IN TSOs position that the caps set in the current methodology may not always ensure that enough monthly and daily capacities are made available at some borders.

IN NRAs unanimously agree on the suggested changes to ensure that a higher level of capacity products is offered on the IT-AT and IT-SI borders in the shorter timeframe.

### **IV. The Italy North Regulatory Authorities agreement**

IN NRAs have consulted, closely cooperated and coordinated to jointly agree that they adopt the amended IN FCA Splitting Methodology submitted by IN TSOs pursuant to Article 16 of FCA. IN NRAs must make their national decisions to adopt the amended IN FCA Splitting Methodology based on this agreement.