# Greece-Italy CCR's TSOs fallback procedures in accordance with Article 44 of the Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a Guideline on Capacity Allocation and Congestion Management

## EXPLANATORY NOTE

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## 1. INTRODUCTION

Article 44 of the Commission Regulation 2015/1222 establishing a Guideline on Capacity Allocation and Congestion Management (hereinafter referred to as 'Regulation 2015/1222') requires that, by 16 months after the entry into force of Regulation 2015/1222, each TSO, in coordination with all the other TSOs in the capacity calculation region, shall develop a proposal for robust and timely Fallback procedures to ensure efficient, transparent and non-discriminatory capacity allocation in the event that the single day-ahead coupling process is unable to produce results. The proposal for the establishment of Fallback procedures shall be subject to consultation in accordance with Article 12.

Following a decision on SDAC in November of 2019 to change the operational timings, this fallback procedure methodology (including the shadow allocation rules) has to be updated accordingly.

In particular, within the SDAC framework a shift from 13:50 to 14:00 for decoupling declaration was approved. This shifting was retained necessary in order to give more time to the algorithm to find a feasible solution.

This document is an explanatory note accompanying the common proposal developed by all Transmission System Operators (hereafter referred to as "TSOs") within the Greece-Italy Capacity Calculation Region (hereafter referred to as "GRIT Region") regarding the proposal for Fallback procedure.

In this document, all definitions of GRIT Region Fallback Procedure shall apply.


## 2. GREECE – ITALY CCR BORDERS FALLBACK PROCEDURE

Several mechanisms of Fallback procedure in the event of unavailability of Single Day-Ahead Coupling process can be in general implemented, such as:

- Equal share of offered capacity between all the market participants;

- Allocation of offered capacity in the subsequent relevant allocation process (e.g. intraday allocation process);

- Explicit Allocation of offered capacity in the form of Physical Transmission Rights (PTR) on a daily basis (Shadow Auctions).

At the moment two different Fallback Procedures are foreseen within the Capacity Calculation Region, in fact a distinction within this CCR has to be made:

- The allocation of the Italy SUD-GR border cross-zonal capacity is currently performed on the day-ahead time frame through explicit auctions. The Fallback procedure described in the proposal will be therefore applicable following the introduction of the Single Day Ahead Coupling process on this border, in compliance with CACM procedures;


- The allocation of the cross-zonal capacity between Italian internal bidding zones is performed through the Single Day Ahead Coupling. The Fallback procedure related to this allocation is described into the paragraph 4 of this procedure (Italian Internal Fallback Procedure).

## 3. ITALY SUD - GREECE BORDER FALLBACK PROCEDURE

The Italy SUD-GR Border Fallback Procedure consists in the execution of Shadow Auctions where there is a risk that single day-ahead coupling process may be unable to produce results.

Shadow Auctions are executed by the Allocation Platform, pursuant to applicable version of the Shadow Allocation Rules and consist in following steps:

1- Market participants have to be registered with the Allocation Platform in order to participate to Shadow Auctions, pursuant conditions stated in the Shadow Allocation Rules. This registration is non-discriminatory and free of charge;

2- Once registered, market participants can submit and/or update their default bids to the Allocation Platform without any time limit and prior to the effective execution of a Shadow Auction. These default bids will be used by the Allocation Platform during the execution of the Shadow Auction;

3- When the Italy SUD-GR Border Fallback Procedure is launched, the latest version of default bids submitted by the market participants are used by the Allocation Platform in order to run a Shadow Auction: during the execution of Shadow Auctions, market participants don't have the possibility to modify their default bids;

4- The offered capacity used in the Shadow Auctions is the same as the one transmitted by the TSOs to NEMOs for the purpose of day ahead coupling process in normal conditions;

5- The results of a Shadow Auction are determined according to the algorithm described in the Shadow Allocation Rules, which calculates a marginal price for the offered capacity according to the default bid prices;

6- The results of the Shadow Auctions are provided to the market participants only in the case where the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs, and no later than 14:08 market time day-ahead.


## 4. ITALIAN INTERNAL BIDDING ZONE BORDERS FALLBACK PROCEDURE

In case of unavailability of the Single Day Ahead Coupling results , the Italian internal bidding zone borders Fallback procedure consists in the execution of  the Italian Local Day-Ahead Market (Local MGP) executed  by  the NEMO designated in Italy as local day ahead spot market , independently of other national day ahead  spot markets as described in the  procedure. The execution of Local MGP can be performed until 17:00 by using either PCR Market Coupling Algorithm or, in case this algorithm is not able to produce results, the local spot market algorithm.

The fallback procedure covers the energy delivery for the whole 24 hours of the subsequent day.


## 5. REQUIREMENTS FOR ESTABLISHING GREECE-ITALY CCR'S FALLBACK PROCEDURE

### 5.1 Efficency

#### 5.1.1    Efficiency of Shadow Auctions

Firstly, Shadow Auctions are performed by the Allocation Platform: the IT tools and operational teams used for Shadow Auctions are the same as the ones used for explicit allocations in other timeframes (year ahead, month ahead, daily, intraday) and most of the European borders. This reduces the specific costs for this process and thus increase its economic efficiency.

Secondly, the Shadow Auction process described in the §2 above can be launched as a parallel process in background of the single day-ahead coupling process as soon as the information of the risk that single day-ahead coupling process may be unable to produce results is known by the TSOs. Shadow Auctions might indeed be triggered during the session of day-ahead market coupling or can be activated in advance if it is known beforehand that the day-ahead coupling will be unable to produce results. In the latter case, Shadow Auctions are not performed in background mode in single day-ahead coupling process but in replacement of it. This ensures that results of the Shadow Auctions are provided to the market participants as soon as possible after the unavailability of single day-ahead coupling results is effectively confirmed by the NEMOs. The latest time to confirm the unavailability of single day-ahead coupling results is 14:00 market time day-ahead, which means that the results of the Shadow Auctions are sent to the market participants at the latest within a couple of minutes after 14:00 market time day-ahead. The latest time to complete the sending of results of the Shadow Auctions to the market participants is 14:08 market time day-ahead according to the operational procedures for market coupling.

Finally, the Shadow Auction process is already in place since several years as a Fallback of the day-ahead coupling process. This implies that the Italy North Borders Fallback Procedure relies on well-proven and known processes (both by TSOs and market participants), and that it doesn't requires any additional investments.

### 5.1.2    Efficiency of local MGP

The Local MGP is performed through the same platform used by Market Participants in order to participate to the Single Day-Ahead Coupling  process. This ensure an optimal IT resources allocation, offering a single point of contact for Market Participants and allowing the maximum extension in participation.

Then, here the allocation mechanism is still implicit, guaranteeing in this way the simultaneous allocation of capacity and energy, even in Fallback mode.

### 5.2 Robustness and reliability of Shadow Auctions

The IT tools and operational teams used for Shadow Auctions are the same as the ones used for the explicit allocations, and furthermore apply on most of the coupled borders, which means that:

- The systems used for Shadow Auctions come with the same service level as the other regular allocation processes (up to a daily frequency);

- The operational teams running the Shadow Auctions are used to handle the relevant systems and procedure, including communication and data exchanges with the market participants;

- This increase the potential use of such processes and therefore its reliability.

Moreover, the Shadow Allocation Rules define Fallback procedures for data exchanges between market participants and the Allocation Platform to cope with situations where these data exchanges cannot be performed through the standard processes by the applicable deadlines. Fallback procedures for data exchanges between market participants and the Allocation Platform consist in exchanging data by e-mail, which is an efficient communication mode that can be easily used by all market participants, and allow an efficient processing of data received by the Allocation Platform in tense situations, especially compared to fax or phone.

Then, the Italy SUD-GR Border Fallback Procedure provides provisions to manage possible delays in the execution of Shadow Auctions: in case the execution of Shadow Auction faces difficulties to be conducted in time (due to technical difficulties, or additional delays to process data exchanges with Fallback procedures as described above), the Allocation Platform will attempt to postpone it.

Finally, if none of the of the above measures is considered by the Allocation Platform as being possible (especially due to lack of time with regards to other processes on TSOs' side following Shadow Auction results), this Shadow Auction will be cancelled and all bids already submitted will automatically be deemed null and void, in compliance with the provision Shadow Allocation Rule

## 5.3 Robustness and reliability of Local MGP

The Local MGP is performed through the same platform used by Market Participants in order to participate to the Single Day-Ahead Coupling process which ensure the same service level as the other regular allocation processes, the reliability of the team to handle the relevant system and procedure.

In addition, robustness and reliability of Local MGP rely on the extension of the timeframe for the execution of Local MGP from 14:00 (deadline for triggering of decoupling and fallback procedure) until 17:00 (deadline for the Local MGP). During this additional timeframe, recovering from issues which prevented the correct execution of the implicit allocation in the coupling process may be completed by;

- in case issues preventing execution of the Single Day-Ahead Coupling are not related either to PCR Market Coupling Algorithm or local IT systems and procedures (i.e.: issues of other NEMOs, of other PCR assets than algorithm), the execution of Local MGP in isolated mode, which can be performed according the standard local procedures by using PCR Market Coupling Algorithm;

- in case issues preventing execution of the Single Day-Ahead Coupling are related to PCR algorithm, the execution of Local MGP in isolated mode, which can be performed according the standard local procedure by using local spot market algorithm.

Moreover, in case of failure of Local MGP due to issues which have not been solved during the addition timeframe for fallback procedures, the provisions contained within the Italian Grid Code, with reference to the cases in which the Day Ahead results for the Energy Market are not available, shall apply.