

Consultation document 03/2016

Intraday Market coupling Italy-Slovenia

1. Introduction

The (EU) Regulation 2015/1222 of the Commission of 24 July 2015 establishing guidelines on capacity allocation and congestion management (hereinafter referred to as the CACM) governs, among other things, the Target Model of reference for the management of the integration processes of the European electricity markets both on the Day Ahead context and on the Intraday markets.

In this context, in order to proceed to the correct transposition and application of the above-mentioned *Target Models*, the Power Exchanges (PXs) and Transmission System Operators (TSOs) in Italy and Slovenia have agreed to undertake a path of evolution of the current models used for the intraday allocation of interconnection capacity available on the IT-SI border (hereinafter referred to as the Ita-Slo project), to be achieved by replacing the current method of allocation, based on explicit auction models, with a *market coupling* mechanism, based on an implicit auction model consistent with the one used for the Day Ahead contexts.

In order to bring to the attention of the market participants on the features of the project, as well as to collect their comments, by this consultation document, GME illustrates the details of the regulatory interventions which will amend the Integrated Text of the Rules of the electricity market in light of the operational phase of the project as well as the timing of its implementation.

The interested parties must submit their comments to GME – Relazioni Istituzionali e Comunicazione -Institutional Relations and Communication, no later than April 15, 2016, by one of the following ways:

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2. Description of the ID Ita-Slo project

The ID Ita-Slo project will be implemented following the model, already operational, of the day-ahead markets that, as known, involves the PXs and TSOs of the two neighboring countries, namely, respectively, GME and Terna, as Italian PX and TSO, BSP and Slovenian Eles as PX and TSO.

The goal to be pursued is to develop with reasonably short timelines, starting from the border between Italy and Slovenia, a pilot project of implicit auction at regional level that, for the purpose of implicit allocation of the intraday transmission capacity, acts as a mechanism complementary to the XBID¹ project, which is based, instead, on continuous trading and constitutes the benchmark solution to be applied on a European scale.

Indeed the CACM, although it sets a Target Model for the European intraday coupling based on an implicit allocation model of the interconnection capacity through the integration of energy markets based on continuous trading, it also provides that, within the region implicit auctions, complementary to the management of the allocation mechanism in continuous trading, can also be implemented, upon occurrence of specific conditions.

Given the aim of considering the ID Ita-Slo a pilot project, to be developed in a short term, it is foreseen to develop this project on the basis of procedures similar to those already adopted by the PXs and the TSOs in the PCR for the coupling of the day-ahead market. Through such procedures, the operations of certain Italian MI sessions will be coordinated with similar sessions of the intraday market that BSP is in the process to introduce in Slovenia.

The ID Ita-Slo would be implemented initially in the MI2 and MI5 sessions as they are considered more compatible with the features of the operational project.

¹ The Cross Border Intra Day (XBID) project is the project, involving the main European PXs and TSOs for the development, implementation and launch, from the third quarter of 2017, of an intraday cross-border market in Europe, based on a continuous trading mechanism that allows the TSOs allocating the implicit interconnection capacity, in line with the market model (Target model) outlined by the provisions of the European CACM Rules



Differently from what would happen with the sole Intraday coupling in continuous trading, the ID Ita-Slo project will have the significant advantage of allowing an economically efficient use of the interconnection capacity allocated, thus providing a response to the request contained in Article 55 the CACM to develop a proposal for a methodology for the "*pricing of the capacity between areas*" for the intraday market. At the same time, it would provide a boost to intra-day liquidity of the markets of Italy and Slovenia. Moreover, while extending and replicating the same terms of use of the interconnection capacity implemented within the time day-ahead context and also the ID market context, it would be increased the consistency and continuity of the complex allocation processes of the interconnection capacity available on a daily basis.

The integration of intraday markets will not, however, affect significantly the operations of the corresponding intraday market sessions, already active in Italy.

3. Regulatory actions required

To implement the project in the terms described above, it is necessary to introduce certain amendments to the Integrated Text of the Electricity Market Rules and the relevant Technical Rules.

In detail, with regard to the Market Rules, it will be provided, also with reference to the provisions governing the market results of the MIs – consistently with the regulation already provided for the MGP - that: *(i)* for the purposes of determining the ID Market Coupling results, the purchasing and selling offers related to the internal MIs involved as well as the purchasing and selling offers related to other European markets involved the ID Market coupling will be taken in account, it being understood that in respect of each relevant market, the applicable rules for determining the market results shall be enforced; *(ii)* GME will disclose, by indicative and non-binding way, the prices and the quantities accepted on the MIs involved the ID Market Coupling, as well as the related purchase and selling curves.

However, with regard to the Technical Rules, trading hours of the MI5 session will be anticipated by 15 minutes compared to the current timing in order to ensure the operational compatibility.

4. Timing for implementing the ID Ita-Slo

Following the adjustment of the reference regulatory framework, the operational launch of the project is estimated for the end of the second quarter of 2016.

