MARKET PARTIES PLATFORM
Linking Energy Markets

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To: Terna
From: The Market Parties Platform
Copy: TSOs and NRAs of the CWE and Italy North CCRs
Date: June 12th, 2020

Subject: **Market parties' concerns on the capacity curtailments on the Italian borders**

During those unprecedent times of pandemic, the European electricity sector – as well as other strategic sectors – is being put to the test and demonstrates daily its essential importance in supporting the European economy while striving to meet the European objectives of decarbonisation, quality and security of supply and economic efficiency.

In this context, we recognize the crucial role of TSOs, along with all electricity system stakeholders, to ensure the continued and safe operation of the system. We also acknowledge that TSOs may need to use a large spectrum of tools to achieve this objective, including cross-border capacity calculation depending on the timely circumstances.

We are however concerned by the frequency and magnitude of the long-term transmission right curtailments which are occurring at the Italy North borders since March 22nd, 2020 as reported on the JAO website, reflecting transmission capacities far below the expected values (i.e. the yearly NTCs) on these borders.

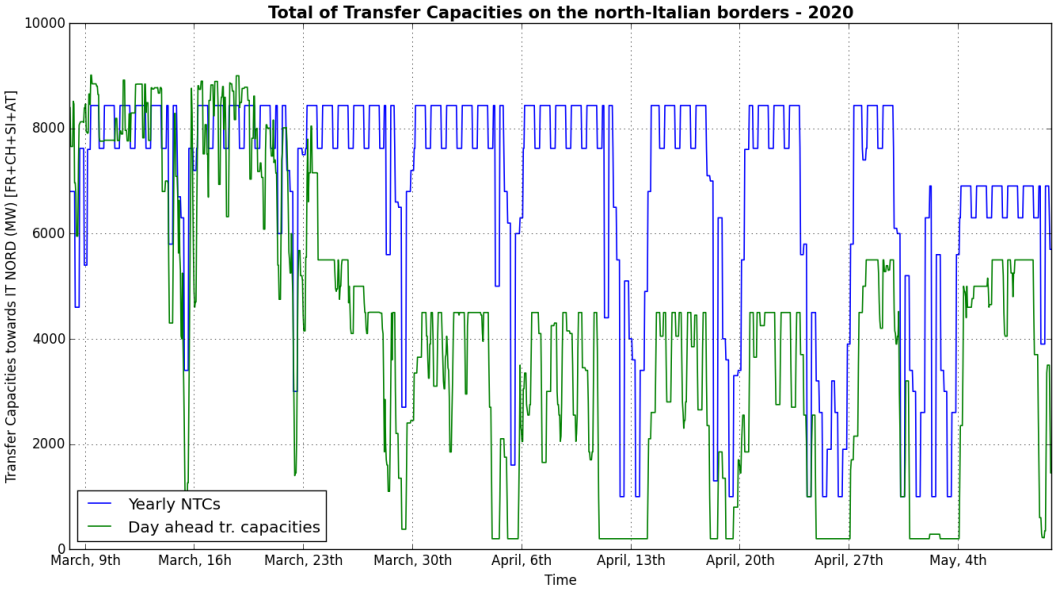
External allocation constraints have indeed scaled down transmission capacities at the Italy North borders, both in the day-ahead and week-ahead timeframes, and sometimes even reduced them to zero (e.g. during weekends).

For instance, as of June 5th, we have inventoried numerous occurrences of down-to-zero capacity reductions on the FR/IT NORD border (see annex): they occurred on 392 hours over the last 75 days, which represents approximately 20% of the time during which any exchange from foreign bidding zones towards Italy NORD was impossible (unlike exchanges from Italy CNOR towards Italy NORD which remained possible). A capacity reduction leading to a D-2 transmission capacity of less than 1 GW on the FR/IT NORD border occurred on 703 hours over the same period, namely 39% of the time[1].

Significant reductions in transfer capacities are being observed on North-Italian borders, as shown below. From March 22th to May 10th, yearly NTCs on the North-Italian borders amount to 6570 MW whereas the forecasted day ahead transfer capacities equal on average 3055 MW (i.e. a decline of 53%)[2].

[1] Between March 23rd and June 6th, 2019, this rate drops to 16%.

[2] These numbers and the figure below are based on *Yearly NTCs* published by Terna and *Day Ahead Transfer Capacities* published on ENTSO-E's Transparency Platform.



We acknowledge that the introduction of external allocation constraints has been approved by the NRAs of the Italy North region and that it might indeed be a possible tool to address system operation challenges foreseen by the relevant TSOs. Nevertheless, such constraints currently introduce a discrimination between a) exchanges from foreign bidding zones to Italy NORD, and b) exchanges from Italy CNOR to Italy NORD. The discrimination is even more obvious, as the Greece Italy capacity calculation methodology does not allow for any allocation constraint to limit imports for the Italy NORD bidding zone from Italy CNOR.

We therefore expect that TSOs and NRAs will shortly update the capacity calculation methodologies, so that discriminations are avoided, e.g. by applying the allocation constraint on the global net position of the IT NORD bidding zone instead of applying it only on the imports from the Italy North borders. Given these curtailments might impact other CCRs' functioning, as they might flaw TSOs assumptions on exchanges with Italy made for capacity calculation purposes, this also constitutes a matter of high importance for the CWE region as a whole.

In the meantime, we formally invite Terna to restrict as much as possible the use of this arguably discriminatory tool, in particular when other measures such as redispatching and countertrading in the intraday time frame could be more efficient (and used only when strictly necessary).

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Furthermore, given the importance of these capacity curtailments and the current context where, unlike Italian bidding zones, foreign bidding zones frequently see negative DA prices, we would welcome greater transparency regarding:

- the nature, duration, location and magnitude of the constraints that external allocation constraints are supposed to address;

- the analysis that leads Terna to limit import capacities from the Italy North borders only to ensure that there remains a minimum level of synchronous generation in the IT NORD bidding zone, rather than (or on top of) using other non-discriminatory congestion management measures that could be applied at a later stage, only when strictly necessary.

To our regret, this crucial information has not been communicated to this day to market players, who were only informed of generic "*voltage stability issues on the Italian electrical system*" on the JAO website and of the minimum acceptable level of synchronous generation in the IT NORD bidding zone on Terna's website.

Please rest assured of our unreserved support during these times of crisis and of our full commitment in building a fully functional internal electricity market based on an increased and efficient cross-border trade.

Yours sincerely,

Antoine Guillou
Chairman of the Market Parties Platform

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Annex: down-to-zero capacity reductions on the FR/IT NORD since March 22nd

- *04/04:* 0 MW from 5 A.M. to 5 P.M. and less than 850 MW for the rest of the day;
- *05/04:* 0 MW from 5 A.M. to 10 P.M. and less than 800 MW for the rest of the day;
- *11/04:* 0 MW from 2 A.M. to 0 P.M.;
- *12/04 and 13/04:* 0 MW from 0 A.M. to 0 P.M.;
- *14/04:* 0 MW from 0 A.M. to 5 A.M. and less than 800 MW until 6 P.M.;
- *18/04 and 19/04:* 0 MW from 5 A.M. to 5 P.M. and less than 800 MW for the rest of the day;
- *25/04 and 26/04:* 0 MW capacity from 0 A.M. to 0 P.M.;
- *27/04:* 0 MW from 0 A.M. to 5 A.M.;
- *01/05, 02/05 and 03/05:* 0 MW from 0 A.M. to 0 P.M.;
- *09/05:* 0 MW from 12 A.M. to 4 P.M.;
- *10/05:* 0 MW from 7 A.M. to 7 P.M.;
- *16/05:* 0 MW from 10 A.M. to 5 P.M.;
- *17/05:* 0 MW from 5 A.M. to 5 P.M.;
- *23/05 and 24/05:* 0 MW from 10 A.M. to 5 P.M.;
- *30/05:* 0 MW from 10 A.M. to 0 P.M.;
- *31/05:* 0 MW from 0 A.M. to 0 P.M.;
- *01/06:* 0 MW from 5 A.M. to 5 P.M.;
- *02/06:* 0 MW from 5 A.M. to 0 P.M.;
- *06/06:* 0 MW from 12 A.M. to 4 P.M.