**February 2018**

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| Italy North TSOs proposal for D-2 common capacity calculation in accordance with Article 21 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management |
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All TSOs, taking into account the following:

**Whereas**

1. This document (hereafter referred to as “Italy North Borders D-2 common capacity calculation methodology”), including its annexes, is a common proposal developed by all Transmission System Operators (hereafter referred to as “TSOs”) within the Italy North Capacity Calculation Region (hereafter referred to as “Italy North Region”) regarding the proposal for the common capacity calculation performed for the capacity allocation within the day-ahead timeframe. This proposal is required by Article 21 of Regulation (EU) 2015/1222 on Capacity Allocation and Congestion Management (the “CACM Regulation”).
2. In addition, this proposal takes into account the effective structure of the grid and it includes the border between Italy and Switzerland. Therefore this proposal is developed by TSOs of the Italy North Capacity Calculation Region together with Swissgrid.
3. This proposal (hereafter referred to as the “D-2 CCC methodology Proposal”) takes into account the general principles and goals set in Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the “CACM Regulation”) as well as Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13  July 2009 on conditions for access to the network for cross-border exchanges in electricity (hereafter referred to as “Regulation (EC) No 714/2009”).
4. The goal of the CACM Regulation is the coordination and harmonisation of capacity calculation and allocation in the day-ahead and intraday cross-border markets. To facilitate these aims and implement single day-ahead and intraday coupling, it is necessary to calculate in a coordinated manner by the TSOs the available cross-border capacity.
5. Article 21 (1) of the CACM Regulation constitutes the legal basis for this proposal and defines several specific requirements that the D-2 CCC methodology Proposal should take into account:

*“1.   The proposal for a common capacity calculation methodology for a capacity calculation region determined in accordance with Article 20(2) shall include at least the following items for each capacity calculation time-frame:*

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| *(a)* | *methodologies for the calculation of the inputs to capacity calculation, which shall include the following parameters:*

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| *(i)* | *a methodology for determining the reliability margin in accordance with Article 22;* |
| *(ii)* | *the methodologies for determining operational security limits, contingencies relevant to capacity calculation and allocation constraints that may be applied in accordance with Article 23;* |
| *(iii)* | *the methodology for determining the generation shift keys in accordance with Article 24;* |
| *(iv)* | *the methodology for determining remedial actions to be considered in capacity calculation in accordance with Article 25.* |

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| *(b)* | *a detailed description of the capacity calculation approach which shall include the following:*

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| *(i)* | *a mathematical description of the applied capacity calculation approach with different capacity calculation inputs;* |
| *(ii)* | *rules for avoiding undue discrimination between internal and cross-zonal exchanges to ensure compliance with point 1.7 of Annex I to Regulation (EC) No 714/2009;* |
| *(iii)* | *rules for taking into account, where appropriate, previously allocated cross-zonal capacity;* |
| *(iv)* | *rules on the adjustment of power flows on critical network elements or of cross-zonal capacity due to remedial actions in accordance with Article 25;* |
| *(v)* | *for the flow-based approach, a mathematical description of the calculation of power transfer distribution factors and of the calculation of available margins on critical network elements;* |
| *(vi)* | *for the coordinated net transmission capacity approach, the rules for calculating cross-zonal capacity, including the rules for efficiently sharing the power flow capabilities of critical network elements among different bidding zone borders;* |
| *(vii)* | *where the power flows on critical network elements are influenced by cross-zonal power exchanges in different capacity calculation regions, the rules for sharing the power flow capabilities of critical network elements among different capacity calculation regions in order to accommodate these flows.* |

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| *(c)* | *a methodology for the validation of cross-zonal capacity in accordance with Article 26.”* |

1. Article 14 of the CACM Regulation defines the capacity calculation time-frames as “*day-ahead, for the day-ahead market. For the day-ahead market time-frame, individual values for cross-zonal capacity for each day-ahead market time unit shall be calculated. For the day-ahead market time-frame, the capacity calculation shall be based on the latest available information. The information update for the day-ahead market time-frame shall not start before 15:00 market time two days before the day of delivery”.*
2. Article 20 (1) of the CACM Regulation defines the approach to use in the common capacity calculation methodologies as “*flow-based approach”* and Article 20 (3) of the CACM Regulation specifies that: *“The TSOs from the capacity calculation region where Italy, as defined in point (c) of point 3.2 of Annex I to Regulation (EC) No 714/2009, is included, may extend the deadline without prejudice to the obligation in paragraph 1 for submitting the proposal for a common coordinated capacity calculation methodology using flow-based approach for the respective region pursuant to paragraph 2 up to six months after Switzerland joins the single day-ahead coupling.“*
3. Article 20 (2) of the CACM Regulation defines the deadline to submit the common proposal based on the coordinated net transmission capacity approach for the TSOs from the capacity calculation region where Italy, as defined in point (c) of point 3.2 of Annex I to Regulation (EC) No 714/2009, is included:

*2. “No later than 10 months after the approval of the proposal for a capacity calculation region in accordance with Article 15(1), all TSOs in each capacity calculation region shall submit a proposal for a common coordinated capacity calculation methodology within the respective region. The proposal shall be subject to consultation in accordance with Article 12.”*

1. TSOs of Italy North Region intend to apply a coordinated net transmission capacity methodology as interim approach for capacity calculation within the Italy North Region, without prejudice to the future implementation of a Flow Based approach as the target methodology for the Italy North Region as foreseen in Article 20(1) of the CACM Regulation*.*
2. Article 2 (8) of the CACM Regulation defines the coordinated net transmission capacity approach as *“the capacity calculation method based on the principle of assessing and defining ex ante a maximum energy exchange between adjacent bidding zones”.*
3. In the context of this proposal, the definition of “coordinated capacity calculator” is important and is defined in Article 2 (11) of the CACM Regulation as: *“the entity or entities with the task of calculating transmission capacity, at regional level or above”.*
4. Article 9 (9) of the CACM Regulation requires that the proposed timescale for the implementation and the expected impact of the D-2 CCC methodology Proposal on the objectives of the CACM Regulation is described. The impact is presented below in the point (11) of this Whereas Section.
5. The CCC methodology Proposal contributes to and does not in any way hinder the achievement of the objectives of Article 3 of the CACM Regulation:

Article 3 (a) of the CACM Regulation aims at promoting effective competition in the generation, trading and supply of electricity.

The D-2 CCC methodology Proposal serves the objective of promoting effective competition in the generation, trading and supply of electricity by defining a set of harmonised rules for capacity calculation and congestion management which contributes to the effectiveness of the single day-ahead coupling. Establishing common and coordinated processes for the capacity calculations within the day-ahead market timeframe contributes to achieving this aim.

Article 3 (b) of the CACM Regulation aims at ensuring optimal use of the transmission infrastructure.

The D-2 CCC methodology Proposal contributes to the objective of ensuring optimal use of the transmission infrastructure by using last available inputs based on the best possible forecast of transmission systems at the time of each capacity calculation, updated in a timely manner.

Article 3 (c) of the CACM Regulation aims at ensuring operational security.

The D-2 CCC methodology Proposal contributes to the objective of ensuring operational security by coordinating the capacity calculation with updated inputs for the day-ahead market timeframe at regional level to ensure its reliability.

Article 3 (d) of the CACM Regulation aims at optimising the calculation and allocation of cross-zonal capacity.

By coordinating the timings for the delivery of inputs, calculation approach and validation requirements of the CCC between TSOs and the coordinated capacity calculator, the D-2 CCC methodology proposal contributes to the objective of optimising the calculation and allocation of cross-zonal capacity.

Article 3 (g) of the CACM Regulation aims at contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union.

By using the best possible forecast of the transmission systems at the time of each capacity calculation within the Italy North region, the results of the coordinated capacity calculation contributes to determine the most limiting branches within this region, by then help TSOs for a more efficient development of the electricity transmission system.

1. In conclusion, the D-2 CCC methodology Proposal contributes to the general objectives of the CACM Regulation.

**SUBMIT THE FOLLOWING D-2 CCC METHODOLOGY PROPOSAL TO ALL NATIONAL REGULATORY AUTHORITIES:**

**Article 1
Subject matter and scope**

The D-2 common capacity calculation methodology as determined in this D-2 CCC methodology Proposal is the common proposal of all Italy North TSOs in accordance with Article 21 of the CACM Regulation.

**Article 2
Definitions and interpretation**

1. For the purposes of the D-2 CCC methodology Proposal, the terms used shall have the meaning given to them in Article 2 of Regulation (EC) 714/2009, Article 2 of Regulation (EC) 2013/543 and Article 2 of Regulation (EC) 2015/1222.
2. In addition, the following definitions shall apply:
	1. ‘APG’ means Austrian Power Grid AG, the Austrian system operator;
	2. ‘AT-IT border’ means bidding zone border between Austria and Italy;
	3. ‘ELES’ means ELES, d.o.o. , the Slovenian system operator;
	4. ‘Sl-IT border’ means bidding zone border between Slovenia and Italy;
	5. ‘RTE’ means Réseau de Transport d’Electricité, the French system operator;
	6. ‘FR-IT border’ means bidding zone border between France and Italy;
	7. ‘Swissgrid’ means Swissgrid AG, the Swiss system operator;
	8. ‘CH-IT border’ means bidding zone border between Switzerland and Italy;
	9. ‘TERNA’ means TERNA S.p.A. Rete Elettrica Nazionale, the Italian system operator.
3. Definition of Acronyms

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| CC | Capacity Calculation |
| CCC | Common Capacity Calculation |
| CGM | Common Grid Model |
| CGMES | Common Information Model (CIM) for Grid Model Exchanges |
| D-2 | Two Days Ahead |
| DACF | Day Ahead Congestion Forecast |
| IDCF | Intraday Congestion Forecast |
| IGM | Individual Grid Model |
| MC | Market Coupling |
| NEMOs | Nominated Electricity Market Operators |
| NRAs | National Regulatory Authorities |
| NTC | Net Transfer Capacity |
| PST | Phase Shifter Transformer |
| RSC | Regional Security Coordinator |
| SOGL | System Operations Guideline |
| TRM | Transmission Reliability Margin |
| TTC | Total Transfer Capacity (of the Italy North Region) |
| Ur | Uncertainty of regulation |
| Us | Uncertainty of scenario |
| σ | Standard Deviation |

1. In this D-2 CCC methodology Proposal, unless the context requires otherwise:
2. the singular indicates the plural and vice versa;
3. headings are inserted for convenience only and do not affect the interpretation of this proposal; and
4. any reference to legislation, regulations, directives, orders, instruments, codes or any other enactment shall include any modification, extension or re-enactment of it when in force.

**Article 3
Application of this proposal**

This proposal applies solely to the D-2 common capacity calculation methodology based on the coordinated net transmission capacity approach within the Italy North Capacity Calculation Region. The D-2 common capacity calculation methodology using the flow-based approach, the common capacity calculation methodologies within others Capacity Calculation Regions and others timeframes are outside the scope of this proposal.

**Article 4
Cross-zonal capacities for the day-ahead market**

For the day-ahead market time-frame, individual values for cross-zonal capacity for each day-ahead market time unit shall be calculated using the D-2 coordinated capacity calculation methodology.

**Article 5
Reliability margin methodology**

1. For the capacity calculation performed in D-2, the TSOs of Italy North Region shall define the reliability margin in line with Article 22 of the CACM Regulation and based on the analysis of the following data:
* unintended deviations of physical electricity flows within a market time unit caused by the adjustment of electricity flows within and between control areas, to maintain a constant frequency, hereafter referred to as regulation uncertainty;
* uncertainties which could affect capacity calculation and which could occur between D-2 and real time, for the market time unit being considered, hereafter referred to as scenario uncertainty.
1. The Reliability Margin will be based on a combination of Ur and Us, the considered margins for the regulation uncertainty and the scenario uncertainty. To assume that these uncertainties are random and normally distributed (probability combination):

TRM = √(U2r + U2s)

1. Then Ur = K × σr and Us = K × σs; K being a choice depending on the probability threshold (in order to prevent that actual flows higher than forecasted ones would lead to unsecure system operations) being considered and σr and σs the standard deviations of the respective probability distributions. The value that will be used is K=3. This shall ensure a level of confidence to guarantee the transmission system to be operated within operational security limits. The K value could be reassessed during the implementation of the D-2 CCC Methodology.
2. The TSOs of Italy North Region shall review once a year the reliability margin for the whole Italy North Region.

**Article 6
Methodologies for operational security limits, contingencies and allocation constraints**

1. For the capacity calculation, the TSOs of Italy North Region shall only monitor the operational security limits and contingencies on network elements significantly influenced by cross-zonal power exchanges. The selection of these critical network elements and contingencies shall be based on a sensitivity analysis performed for each calculated timestamps by the TSOs of the Italy North Region in the different network states including but not limited to base case, after contingency and after remedial action.
2. Only critical network elements with a sensitivity to cross-zonal power exchanges equal or higher than 5% shall be monitored during the capacity calculation process (the percentage to be used can be reassessed during the implementation of the D-2 CCC Methodology). The sensitivity shall be assessed using the same methodology for simulating exchanges as the one used during the capacity calculation process.
3. Where the power flows on network elements monitored in the capacity calculation are influenced by cross-zonal power exchanges in different capacity calculation regions, the TSOs of the Italy North region shall define the rules for sharing the power flow capabilities of network elements among different capacity calculation regions in order to accommodate these flows. These rules will be detailed in cooperation with the other capacity calculation regions during the implementation phase of this methodology.
4. The TSOs of Italy North Region shall review the list of critical network elements to be monitored in the capacity calculation process at least once a year.
5. The coordinated capacity calculator shall use the critical network elements in accordance with Article 7.3 for the capacity calculation performed within Italy North Region in order to determine the maximum net transmission capacity for each bidding-zone border.
6. The Italian operational constraints related to the control of voltage profiles and dynamic stability of Italian system, which are needed to maintain the transmission system within operational security limits but cannot be transformed efficiently into maximum flows on critical network elements, shall be expressed via allocation constraints.

**Article 7
Generation shift keys methodology**

1. The TSOs of Italy North Region shall define the generation shift keys in accordance with Article 24 of CACM Regulation.
2. RTE shall define generation shift keys proportional to the base case scenarios for each market time unit with all expected generating units in the IGM, reflecting RTE’s best forecast of market behaviour.
3. TERNA shall define generation shift keys based on the base case scenarios for each market time unit with all expected generating units in the IGM, reflecting TERNA’s best forecast of market behaviour.
4. Swissgrid shall define generation shift keys based on the base case scenarios for each market time unit with all expected generating units in the IGM, reflecting Swissgrid’s best forecast of market behaviour.
5. ELES shall define generation shift keys based on the base case scenarios for each market time unit with all expected generating units and selected loads in the IGM, reflecting ELES’s best forecast of market behaviour.
6. APG shall define generation shift keys based on the base case scenarios for each market time unit with all expected generating units in the IGM, reflecting APG’s best forecast of market behaviour.
7. The TSOs of Italy North Region have the possibility to change the type of generation shift keys.

**Article 8
Methodology for remedial actions in capacity calculation**

1. The TSOs of Italy North Region shall define the remedial actions in accordance with Article 25 of CACM Regulation.
2. Each TSO of Italy North Region shall define individually the remedial actions of its responsibility area to be used in the day-ahead common capacity calculation within Italy North Region.
3. The remedial actions to be defined by each TSO of Italy North Region shall be either preventive (pre-fault) or curative (post-fault). The TSOs of Italy North Region may use the following remedial actions, but not limited to:
* changing the tap position of a phase shifter transformer;
* topology measure: opening or closing of a line, cable, transformer, bus bar coupler;
* switching of a network element from one bus bar to another; or
* modification of generation.
1. Each TSO of Italy North Region shall inform the coordinated capacity calculator in a timely manner on any change in its remedial actions within Italy North Region to ensure an efficient capacity calculation.
2. Each TSO within the Italy North Region shall coordinate with the other TSOs of the Region regarding the use of remedial actions to be taken into account in capacity calculation and their actual application in real time operation. The coordination of remedial actions is ensured by the capacity calculation methodology.
3. Each TSO shall ensure that remedial actions are taken into account in capacity calculation under the condition that the available remedial actions remaining after calculation, taken together with the reliability margin referred to in Article 5, are sufficient to ensure operational security. The use, during later operational security timeframes (DACF, IDCF and real time), of remedial actions defined during capacity calculation process will be coordinated in line with the methodologies to be defined according to the Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation (the “SOGL” Article 75 and 76).

**Article 9
Cross-zonal capacity validation methodology**

1. The TSOs of Italy North Region shall validate the cross-zonal capacities calculated by the coordinated capacity calculator of the Italy North Region.
2. The coordinated capacity calculator shall make available the common grid model for Italy North Region for all scenarios for the relevant market time unit to the TSOs of Italy North Region.
3. TSOs shall validate the cross-zonal capacities calculated by the Coordinating Capacity Calculator with grid model provided in accordance with Article 10.2.
4. In case TSOs expect different flow patterns as a result of different market situations compared to the assumption of the Capacity Calculation process, the TSOs shall assess and validate a secure capacity value.
5. Where one or more Italy North TSOs do not validate the cross-zonal capacity calculated, the concerned TSO(s) shall provide the updated amount of cross-zonal capacities for the border(s) considered and the reasons for the reduction. The final cross-zonal capacity is the minimum value sent by the Italy North TSOs.

**Article 10
Day-ahead capacity calculation**

1. In accordance with Article 8 of CACM Regulation, the TSOs of Italy North Region shall calculate cross-zonal capacities for each bidding-zone border of Italy North Region.
2. The TSOs of Italy North Region shall provide the coordinated capacity calculator with the last updated information on the transmission systems in a timely manner for the capacity calculation that is started in the end of D-2.
3. The coordinated capacity calculator shall use the CGM built in accordance with Article 28 of CACM no later than 24 months after the implementation of the CGM Methodology.
4. After receiving the individual D-2CF data sets the whole D-2CF data set will be merged. This data set contains
* The single D-2CF data sets from the participating TSO;
* For non-participating TSOs, DACF are chosen instead of the D2CF files in case D2CF files are not available.
1. The capacity calculation is performed by the coordinated capacity calculator with an iterative process made up of the following steps, these will be repeated until it is not possible to achieve a higher secure level of capacity:
* Security analysis on the CGM, considering the constraints defined in Article 6;
* Remedial actions optimization to secure the CGM;
* In case the CGM is secure, increase of the Italian import respecting the allocation constraint by adjusting exchanges between Italy and the concerned countries.
1. The coordinated capacity calculator shall define the values of TTC for each market time unit. These values shall be provided to TSOs of the Italy North Region for validation.
2. The NTC Calculation for each border is achieved according to the following steps:
* TTC Selection. In this sub process, the TTC value is forced to be within a limiting band;
* TTC Validation. In this sub process, each TSO of the Italy North Region has to verify its network security at the TTC value provided by the TTC Selection sub process. The TSO of the Italy North Region have the possibility to reduce this TTC value in case it is considered not secure;
* Border NTC Calculation. The lowest value provided by the TTC Validation sub process is considered, reduced by the TRM and then split between the borders according to agreed splitting factors.

The TSOs of the Italy North Region do not see the need to perform daily capacity calculation in export direction because the full export is still expected to be the unlikely market direction. Nevertheless, the export capacity for each border is reassessed every year, and this value is used for the daily allocation.

1. The coordinated capacity calculator of the Italy North Region shall provide the relevant NEMOs with the validated NTCs for each bidding-zone border of Italy North Region after application of the reliability margin defined in accordance with Article 5.
2. In accordance with Article 46 of CACM Regulation, the coordinated capacity calculator and Italy North TSOs shall ensure that cross-zonal capacity shall be provided to relevant NEMOs before the day-ahead firmness deadline as defined in accordance with Article 69 of CACM Regulation.

**Article 11
Fallback procedures**

1. For the goal of the fall back procedures application, prior to each capacity calculation performed in D-2, the TSOs of Italy North Region shall ensure the coordinated capacity calculator is provided with the already allocated capacities within the long term timeframe.
2. For the capacity calculation performed in D-2, where an incident occurs in the capacity calculation process and the coordinated capacity calculator is unable to produce results within the allotted time for the calculation process, the Italy North TSOs shall validate the last coordinated cross-zonal capacities calculated within the long term timeframe. After this validation step, the coordinated capacity calculator or Italy North TSOs where applicable, shall provide the relevant NEMOs with this coordinated value.

**Article 12
Publication and Implementation of the D-2 CCC methodology Proposal**

1. The TSOs of Italy North Region shall publish the D-2 CCC methodology Proposal without undue delay after all national regulatory authorities have approved the proposed D-2 CCC methodology or a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 9 (10), Article 9(11) and 9(12) of the CACM Regulation.
2. The TSOs of Italy North Region have already implemented a D-2 CCC methodology. Since February 1st of 2016, individual values for cross-zonal capacity for each day-ahead market time unit have been calculated using the D-2 common capacity calculation methodology.
3. The TSOs of Italy North Region will implement this D-2 CCC methodology proposal by complementing the already implemented D-2 CCC methodology, referred to in Article 12.2, in accordance to the articles of this proposal. The implementation of this D-2 CCC methodology proposal will start as soon as the NRAs of the Italy North Region will approve it and be completed no later than 24 months after the approval of NRAs.
4. The TSOs of Italy North Region currently calculate individual values for cross-zonal capacity based on eight timestamps per day. The TSOs of Italy North Region foresee to calculate individual values for cross-zonal capacity based on twelve timestamps per day at the latest 24 months after the implementation of the CGMES. The migration from eight to twelve timestamps calculated per day will be efficiently evaluated with regard to the management of IT tools on RSC side.

**Article 13
Language**

1. The reference language for this common capacity calculation Proposal shall be English.
2. For the avoidance of doubt, where TSOs need to translate this D-2 CCC methodology Proposal into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 9(14) of the CACM Regulation and any version in another language, the relevant TSOs shall be obliged to dispel any inconsistencies by providing a revised translation of this D-2 CCC methodology Proposal to their relevant national regulatory authorities.