

TECHNICAL SHEET

LONG TERM TRANSMISSION RIGHTS BETWEEN BIDDING ZONES WITHIN THE ITALIAN ELECTRICITY MARKET: DECISION PURSUANT TO ARTICLE 30, PARAGRAPH 30.1 OF REGULATION (EU) 2016/1719

333/2017/R/EEL (*)

With Resolution 333/2017/R/eel the Italian Regulatory Authority for Electricity Gas and Water – based on Regulation (EU) 2016/1719 (“Forward Capacity Allocation”, FCA) – establishes that:

- Terna does not issue Long Term Transmission Rights (LT TR) between bidding zones within the Italian market, since they do not reflect the actual hedging needs of market participants;
- the current instruments with regard to local hedging products (FTR and CCP) are maintained.

Article 30 of the FCA Regulation imposes an obligation for the TSO to offer LT TR rights on the borders between bidding zones, i.e. zone-zone rights, with the aim of offering a risk hedging instrument represented by the variability of the price difference between the same areas following the outcome of the day ahead market (day ahead market coupling).

In this regard, Resolution 333/2017/R/eel - following consultation with market operators (Resolution 110/2017/R/eel) and the Greek Regulatory Authority RAE, which is part of the capacity calculation region (CCR) to which the internal zones of the Italian market belong - recognizes that if the allocation of long-term transmission rights (already applied with reference to the "electricity borders") were to be extended to the *internal* areas of the Italian market, Terna should allocate "zone-zone" rights which, however, *do not reflect the specificities of the Italian system* (in particular the presence of a single national purchase price, the PUN) and hence the need for hedging by the operators.

Indeed, for domestic market operators, the need for hedging is not related so much to the variability of the difference between zonal prices, but rather the difference between each zonal price and the PUN. Well before the implementation of the FCA Regulation, this need made the assignment of *ad hoc* risk hedging instruments (the so-called FTRs) appropriate and necessary, whose obligation to be issued has been required of Terna since 2004, and which are still valid.

(*) This sheet is for disclosure purposes only; it is not a measure.