



In 2025, Italian and Montenegrin regulators took a decisive step toward fully integrating their electricity markets, as ARERA (Italy's Regulatory Authority for Energy, Networks and Environment) and REGAGEN (Energy and Water Regulatory Agency of Montenegro) advanced the Italy-Montenegro market coupling project. The initiative, centered on the undersea interconnector between the two countries, is expected to complete its regulatory approvals by 2026 and launch market coupling by the first quarter of 2028.

Developed within the Italy-Montenegro Capacity Calculation Region and aligned with the EU energy acquis, the project aims to strengthen regional competition, improve security of supply and anchor the Western Balkans more firmly in the European internal electricity market.

### **From informal dialogue to a formal regional platform**

The cooperation between ARERA and REGAGEN accelerated in early 2024, when the two regulators used a TAIEX (Technical Assistance and Information Exchange) event in Podgorica on 24 February to agree on an informal roadmap for regional regulatory cooperation. That roadmap included: preparing a Memorandum of Cooperation (MoC), creating a new Energy Regulators Regional Forum (ERRF), setting up a joint NRA-TSO platform, the ITME Implementation Group (IG), mandating TSOs (TERNA and CGES) and market operators (GME and BELEN) to draft regional methodologies such as the Capacity Calculation Methodology (CCM) and launching a Local Implementation Project with CGES and BELEN joining the existing Italian Borders Working Table (IBWT).

The MoC, signed in May 2024, turned this roadmap into a structured, rules-based framework. It anchors the cooperation in the Energy Community's versions of the CACM, FCA and EB regulations, which require regulators to coordinate and agree regional terms, conditions and methodologies.

### **The Energy regulators regional forum: a joint decision-maker**

At the heart of the governance architecture is the Energy regulators regional forum (ERRF), created by ARERA and REGAGEN as the joint body in charge of regional

methodologies for the Italy–Montenegro Capacity calculation region.

Key features include:

- Membership: formally appointed representatives and alternates from both regulators.
- Working methods: primarily online meetings and electronic procedures, with physical meetings only when necessary.
- Decision rule: unanimity, ensuring that both sides fully share responsibility for each regional decision.
- Support structure: an ERRF working group that prepares technical analysis and draft position papers.
- Outputs: a non-binding joint position paper at ERRF level, followed by national decisions issued separately by ARERA and REGAGEN, reflecting the agreed position.

The ERRF’s Rules of procedure set out deadlines, consultation requirements and information-sharing with ACER and the Energy Community Secretariat, as well as confidentiality rules for exchanges between NRAs and system operators. This gives the project predictable, transparent regulatory oversight, crucial for a cross-border initiative that must comply with both EU and Energy Community frameworks.

### **The ITME Implementation Group: where technical work happens**

If the ERRF is the “political” and regulatory brain of the project, the ITME Implementation Group (IG) is its operational engine. Launched at a kick-off meeting on 26 March 2024, the IG brings together ARERA, REGAGEN, TSOs (TERNA and CGES) and, where relevant, market operators GME and BELEN.

The IG meets every two weeks, reflecting the intensity of the work needed to move from high-level governance to concrete market coupling arrangements. Its main tasks include: drawing up a roadmap of regional methodologies to be developed and submitted; reviewing draft proposals prepared by TSOs; preparing “shadow opinions” for NRAs ahead of formal decisions in the ERRF; ensuring consistency across the different methodologies required by the CACM Regulation.

Among the most strategic deliverables is the Capacity Calculation Methodology (CCM), which will determine how cross-border capacity is calculated and allocated between Italy and Montenegro. A robust CCM is essential both for market efficiency—making sure capacity is used where it creates most value—and for system security, ensuring the interconnector operates within safe technical limits.

## **Integrating Montenegro into the Italian Borders Working Table**

Another cornerstone of the project is the full integration of Montenegro's TSO and market operator into Italy's existing regional governance: the Italian Borders Working Table (IBWT), which coordinates market coupling on Italy's borders with neighboring EU member states.

Through the Local Implementation Project (LIP), CGES and BELEN join this established framework, allowing the Italy-Montenegro border to be managed in line with the same principles and procedures already applied on other coupled borders.

This approach avoids reinventing the wheel: it extends tested governance, procedures and IT solutions to a new border, while adapting them to the specificities of the Italy-Montenegro interconnection and the Energy Community legal framework. It also supports Montenegro's gradual alignment with EU practices, both in day-ahead market coupling and in the broader regional coordination of capacity calculation.

### **Regulatory timeline and next milestones**

The cooperation is now moving from design to delivery:

2024–2025: ERRF and IG fully operational; roadmap of methodologies defined; first proposals (including the CCM) drafted and consulted upon.

By 2026: target for final regulatory approvals and legal transposition of the key methodologies in both jurisdictions, in line with Energy Community rules.

By Q1 2028: planned go-live of day-ahead market coupling on the Italy–Montenegro border, integrating Montenegro into the wider European market coupling architecture and enabling cross-border competition over the HVDC link.

Once implemented, the project is expected to:

- improve competition in both markets through more efficient cross-border trading;
- enhance security of supply, by better using interconnection in stressed conditions;
- support regional integration in South-East Europe and the Adriatic area;
- accelerate alignment with EU energy acquis for Montenegro and the Western Balkans.

### **A blueprint for Western Balkans integration**

Beyond its bilateral scope, the Italy–Montenegro market coupling project is emerging as a test bed for integration between the EU internal market and the Energy Community Contracting Parties. Its layered governance—MoC, ERRF, Implementation Group, and participation in the IBWT—demonstrates how regulators and system operators can

jointly manage cross-border issues in a legally complex environment.

If the current roadmap is maintained and the go-live target of early 2028 is achieved, the Italy–Montenegro border will not just be another interconnection: it will be a gateway linking the Western Balkans more tightly to the EU’s coupled electricity markets, and a concrete example of how regulatory cooperation can turn political commitments on regional integration into operational reality.