

# 2. EBGL Methodologies

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UPDATE ON NRA DECISION MAKING ON EB  
PROPOSALS

# EBTF – update on proposals since last ARA WG

mFRR IF	<ul style="list-style-type: none"><li>• <u>Non-paper for Referral to ACER for endorsement by all NRAs in July</u></li><li>• NRAs have diverging views on the allowance of scheduled counteractivations via the platform</li></ul>
aFRR IF	<ul style="list-style-type: none"><li>• <u>Non-paper for Referral to ACER for endorsement by all NRAs in July</u></li><li>• NRAs have diverging views on whether the proposal proposes a TSO-TSO model with a Common Merit Order</li></ul>
PP	<ul style="list-style-type: none"><li>• <u>Non-paper for Referral to ACER for endorsement by all NRAs in July</u></li><li>• NRAs have diverging views on the duration of BEPP on aFRR and cannot agree neither on the approval, nor on an RfA</li></ul>
APP	<ul style="list-style-type: none"><li>• <u>Request for Amendment to all TSOs for endorsement by all NRAs in July</u></li><li>• RFA agreed to generalize scope to Balancing Energy bids and include additional layer when possible</li></ul>
SP	<ul style="list-style-type: none"><li>• <u>Request for Amendment to all TSOs for endorsement by all NRAs in July</u></li><li>• RFA agreed to more generalize the settlement proposal for balancing energy &amp; system constraint</li></ul>
ISHP	<ul style="list-style-type: none"><li>• <u>RfA endorsed by all NRAs on the 14<sup>th</sup> of June</u></li><li>• RFA was agreed on main points on Value of Avoided activation &amp; Dual pricing conditions</li></ul>
IN IF	<ul style="list-style-type: none"><li>• <u>2<sup>nd</sup> Request for Amendment to all TSOs for endorsement by all NRAs in July</u></li><li>• Request to change proposed entity based on the LEN advice</li></ul>

# 2.1 2nd RfA Imbalance Netting IF

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Extension of deadline to decide on IN IF granted until 19.07.2019

NRAs reached agreement in EB TF to request a 2nd amendment of the proposal

Content:

- Entity proposal
  - Proposed entity by TSOs (consortium of TSOs) is not a legal entity
  - The Proposal shall unambiguously specify which of the two options provided by EBGL is proposed, i.e. whether the platform will be operated (i) by an entity with full legal capacity created by the TSOs or (ii) by the TSOs themselves
- Inclusion of a fall-pack procedure in the IN IF, especially addressing the information requirement of Article 28(2) EBGL

# 2.2 Pricing proposal

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Next step: **Referral to ACER**

NRAs disagreements:

- Period over which to price a product of aFRR balancing energy, and mFRR balancing energy: over the ISP, per optimisation, or a compromise in between
- Remuneration of the two mFRR standard product activation types: 1 CBMP for the mFRR product, 2 CBMP from separate merit order lists, or proposal as is
- Determination of the settlement price for balancing energy: output of the algorithm, adding a shortage pricing function, or performing cross-product pricing
- Impact of system constraints on pricing balancing energy: CBMP determined considering system constraints, or not considering system constraints
- Definition of “uncongested area” in relation with the occurrence of multiple prices in one uncongested area

NRAs agreements:

- Consistent use of terminology
- Determination of CBMP when there is price indeterminacy
- Specific remarks and clarifications

## 2.3 aFRR IF (1/2)

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Next step: **Referral to ACER**

NRAs disagreements:

- Diverging interpretations of the technical functioning of the automatic frequency restoration process as currently performed by different TSOs: need for a common understanding on how aFRR demand is calculated.
- Choice of control demand model as high-level design for aFRR-Platform, in conjunction with the pricing proposal, roughly divides NRAs between:
  - 1) those who emphasize the ability of the control demand model to achieve operational stability of the frequency restoration process of each LFC Area; and
  - 2) those who emphasize the inability of the control demand model in light of the pricing proposal and Balancing Energy Pricing Period (BEPP) to provide a level playing field and the equal incentives to BSPs, due to the impact of non-AOF volumes on remuneration of balancing energy bids

The non-paper sets out the scope for compromise between these positions, linked to pricing of aFRR balancing energy

## 2.3 aFRR IF (2/2)

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NRAs agreements:

- Need to align interaction IN Platform / aFRR Platform
- New definition of “economic surplus” (coordinated with mFRR IF)
- Entity issue (also applicable to IN IF and mFRR IF)
- Sequential allocation of cross-zonal capacity across balancing processes and impact on CZC availability for aFRR calls for coordination among TSOs

# 2.4 mFRR IF(1/2)

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Next step: **Referral to ACER**

NRAs disagreements:

- Scheduled Counter activations (SCA)
  - Seen as very negative feature by some, and positively by others. A compromise was strived for (SCA as starting solution, evaluation after some time) but ultimately no consensus was possible if prohibition of SCA after some time must be the default already now in the mFRR IF
- Guaranteed volumes
  - Disagreement on whether balancing energy bids from contracted capacities should form part of any Guaranteed volume even when they are not the most expensive bids

# 2.4 mFRR IF (2/2)

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## NRAs agreements:

- Guaranteed volumes (relationship direct activations/scheduled activations)
  - Although coming from different positions general concept was acknowledged, but significant improvements demanded.
- Elastic Demand
  - More transparency (high level principles in IF, description of methodology in national T&Cs at request of Regulatory Authority)
- Unforeseeably Rejected Divisible bids
  - Agreement on the TSO solution but need to incorporate the key principles in the IF

# Imbalance Settlement Harmonisation proposal (1/2)

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Next step: **Request for Amendment**

Main requests:

- Correction of volumes to “third parties” may lead to gaps or overlaps in balance responsibility:
  - Replace “third party” with “a market participant that bears balance responsibility or has contractually delegated its balance responsibility to a BRP of its choice”
- Components for the calculation of imbalance price:
  - Define or further specify the concept “volume fulfilling the balancing energy demand”
  - “Additional components” should serve as components for calculation the (final) imbalance price, and not be added or subtracted to the imbalance price
  - Require the imbalance price calculated using the components must respect the boundary conditions defined in EBGL Article 55(4), (5) and (6)
    - Explore if the approach to boundary conditions for the FRR process should be further harmonized given the settlement principles of article 44(1), and request TSOs to properly justify the decision to harmonize or not the approach for the FRR process

# Imbalance Settlement Harmonisation proposal (2/2)

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## Main requests:

- Value of avoided activation:
  - Include a specified general definition of the value of avoided activation, which meets the relevant general settlement principles of EBGL Article 44(1)
- Improvements of dual pricing conditions:
  - Refine and clarify several of the conditions
  - Remove condition 8(1)(c) and 8(1)(f)
  - Add a new condition for applying dual pricing in case the ISP is 60 minutes
- Information requirement for the application of dual pricing:
  - Include a description of the information that must be provided by each TSO. Must include an analysis identifying the negative impacts of not applying dual pricing

# 2.5 Activation purposes proposal

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Next step: **Request for Amendment**

NRAs agreement:

- EBGL does not require explicitly to apply the methodology to the specific products activated locally, while there is a clear provision to use it to classify all balancing energy bid activated from the CMOL
- The definition of which TSOs' needs from the list in 3(4) are allowed to be satisfied by the standard products from CMOL is out of scope and should be included in the relevant implementation framework proposals

NRAs requests:

- To refer in the proposal to the “balancing energy bids” in general, without specifying standard or specific products
- To amend the specific articles in order to deal with “balancing energy bids” in general
- To specify that the methodology must apply to classify all standard products bids (for specific product TSOs can use the methodology or define local rules)
- To include in the activation purposes categories already defined (“balancing” and “system constraints”), when it is possible, an additional layer of classification with the specific purposes (listed in art. 3(4))

# 2.6 TSO settlement proposal (1/2)

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Next step: **Request for Amendment**

NRAs agreement:

- NRAs consider the TSO-TSO settlement methodology a stand-alone process for defining the settlement amounts of each TSO, resulting from the exchange of balancing energy
- The definition of elements as the length of pricing period and the marginal price of standard products, or the description of how the AOF of platforms activates bids is out of scope

## 2.6 TSO settlement proposal (2/2)

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### NRAs request:

- To make clear all the components that constitute the settlement amount of TSOs, including all the financial volumes involved in the exchange of balancing energy
- set up a clear settlement process, independent of the possible change in parameters of other methodologies (to define the concept of financial settlement period)
- to make the Proposal general enough to accommodate the settlement of the system constraint activations, irrespective of the specific pricing rules that will be adopted
- to make sure that the methodology calculates the total settlement amount due to system constraints and to refer to the appropriate methodologies for the cost allocation, where applicable
- If there are system constraints that don't fall under the provisions of art. 35 of CACM and 76 of SOGL, the principle regarding which TSOs will bear the costs and the optimal allocation of costs shall be evaluated

