

## 14<sup>th</sup> Electricity Balancing Stakeholder Group (EBSG) meeting

Date: 01 July 2019

Time: 10h30 – 16h00

Place: ENTSO-E, Brussels

### Participants:

|                   |          |             |   |
|-------------------|----------|-------------|---|
| De Wit            | Paul     | CEDEC       | N |
| Le Page           | Jerome   | EFET        | Y |
| Van den Kerckhove | Olivier  | EFET        | Y |
| Janson            | Stephan  | EFET        | Y |
| Castagné          | Pierre   | Eurelectric | Y |
| Robaye            | Hélène   | Eurelectric | Y |
| Retsoulis         | Ioannis  | Eurelectric | Y |
| Fraile            | Daniel   | WindEurope  | N |
| Klonari           | Vasiliki | WindEurope  | Y |
| Lantrain          | Aurore   | EUROPEX     | Y |
| Šavli             | Andraž   | EUROPEX     | Y |
| Doble             | Trygve   | GEODE       | Y |
| Theil             | Anders   | GEODE       | N |
| Lemoyne           | Thierry  | IFIEC       | N |
| Claes             | Gaetan   | EUGINE      | N |
| Benquey           | Romain   | SmartEn     | N |
| Pinto Bello Gomez | Andres   | SmartEn     | Y |
| Florian           | Gonzalez | EDSO        | N |
| Fijalkowski       | Jakub    | EC          | Y |
| Schittekatte      | Tim      | FSR         | Y |
| Boussetta         | Selim    | ACER        | Y |
| Fransen           | Mathieu  | ACER        | Y |
| Povh              | Martin   | ACER        | N |
| Tellidou          | Athina   | ACER        | Y |

|                 |           |         |                      |
|-----------------|-----------|---------|----------------------|
| Lanfranconi     | Cristian  | ACER    | N                    |
| Henriksen       | Stian     | ACER    | Y (phone, afternoon) |
| Costa           | Leonardo  | ACER    | Y                    |
| Maenhoudt       | Marijn    | ACER    | Y                    |
| Vöegel          | Stefan    | ACER    | Y (phone, afternoon) |
| Dion - Demael   | Michèle   | ENTSO-E | Y                    |
| Høgh Møller     | Martin    | ENTSO-E | Y                    |
| Abada           | Amine     | ENTSO-E | Y                    |
| Pierreux        | Nicolas   | ENTSO-E | Y                    |
| de Haan         | Jerom     | ENTSO-E | Y                    |
| Dusolt          | Alexander | ENTSO-E | Y                    |
| Renedo Williams | Ricardo   | ENTSO-E | Y                    |
| Morollon        | Gonzalo   | ENTSO-E | Y                    |

## MINUTES

### 1. Opening

ACER (Mathieu Fransen) welcomes participants and introduces the agenda. The Minutes from the meeting in November are approved. Eurelectric asks for more time to review the minutes from the workshop on the proposals on Cross Zonal Capacity Allocation and Balancing Capacity Standard Products. It is agreed that comments can be sent by the end of the week (5 July).

### 2. EBGL methodologies

#### 2.1 Update on the way forward for the submitted proposals

ACER (Mathieu Fransen) informs that the legal deadline for All NRAs to approve, request amendments or refer to ACER is 11 August 2019.

##### **Imbalance Netting Implementation Framework**

NRAs (Mathieu Fransen) inform that they asked ACER for an extension for submitting a response for two months, which has been granted. The deadline for the second RfA is then 19 July 2019. Main requests for change are on the definition of the entity performing the functions of the platform and on the fallback procedure. NRAs accept that a consortium could be the one operating the platform, but it needs to be clarified that All TSOs are then designated as entities including the allocation to those who perform the functions. Furthermore, NRAs request more details regarding the communication when fallback procedures are applied or the platform is not operating. NRAs clarify that the request is purely on the communication which would preferably be via a central point of contact.

ENTSO-E (Nicolas Pierreux) responds that the designation of all TSOs in case of a consortium and the split of tasks are not completely clear yet. All TSOs should only be designated if they all operate the platform. Further clarification will be needed. NRAs clarify that no names are needed in the Implementation Framework but only in the designation of the entity or entities.

### **Pricing Proposal**

NRAs (Marijn Maenhoudt) informs that there are five points under discussion: There are diverging views among NRAs on the pricing period, pricing of scheduled and direct activations, determination of the settlement price for balancing energy, inclusion of system constraints in balancing energy price, multiple prices in uncongested areas. NRAs agreed on requesting more consistent terminology, clarifying price indeterminacy and further clarifications.

EC (Jakub Fijalkowski) invites Stakeholders to share their views on the pricing proposal.

- EFET is in favour of a 15min pricing period, one cross border marginal price per product, a price as close as possible to the balancing energy price, no arbitrary prices such as shortage pricing, system constraints should not impact BE price, uncongested areas should have a single price. ACER (Athina Tellidou) confirms that the prior input to consultations is available, if there is new input, it is welcomed. They clarify there will be interactions with stakeholders during the ACER decision-making process and also a consultation. EFET states that the multiple prices for mFRR are the outcome of other decisions taken earlier on which they did not agree, they are not in favour of SA before DA.
- Eurelectric refers to their answer to the consultation. They prefer a BEPP same as the ISP, one price per pricing period, one price for both mFRR DA and mFRR SA to limit fragmentation of liquidity. They encourage ACER to consult on new points again.
- FSR (Tim Schittekatte) ask about the rationale for using the optimisation cycle, he informs that shortage pricing can be interesting in some countries and can give dynamic signals, uncongested areas should have one price.
- ENTSO-E reminds that the BEPP according to the optimisation cycle will lead to more optimal use of cross zonal capacity but there are also others and reminds that IFIEC had a preference for the optimisation cycle BEPP. ENTSO-E find it surprising that also the pricing period for mFRR is discussed They highlight that the number of products has been massively reduced, further reductions may lead to TSOs applying more specific products. They highlight that liquidity for mFRR is not reduced as it is all on the same CMOL and clarify that applying the same price for DA and SA would mean that a later activated product influences the price of the earlier conducted auction. They state that the chosen GCTs seem best for allowing more RES to participate close to real time. They explain that both aFRR and mFRR apply a pricing period on the optimisation cycle (4s for aFRR and 15min for mFRR).

NRAs explain that it seems contradictory to have two prices per uncongested area. There were different views on whether system constraints on the borders should affect balancing energy prices as a real time constraint. They remind the EBGL is clear that local congestion shall not influence the prices. They state that system constraints are not well defined and there is a relation to the CACM methodologies on redispatch and countertrading.

### **aFRR Implementation Framework**

NRAs (Mathieu Fransen) present the main discussion points for the aFRR IF: control demand vs control request principle and the relation with the pricing proposal. NRAs refer to TSOs saying that control demand will lead to larger volumes not being paid the marginal price due to deactivations during an ISP. These would be paid as bid and could surmount to 20% of the activation volume. The control request principle may have stability challenges due to a different controller setup in combination with the AOF. Some NRAs think the control demand concept is proven, others think the control request approach will be economically better. NRAs agreed on aligning INIF and aFRR IF, entity definition and that cross zonal capacity allocation should

be done centralised Following EFET's comment on their concern regarding discussions on fundamentals, ACER adds that it is important to find a solution feasible today, to start with, but aim for the target solution .

ENTSO-E (Martin Høgh Møller) highlights that the impact of the discussed topics can severely impact the implementation of the platforms. Main design questions were based on TERRE solutions. If these are changed, the design of the platform may have to be developed from scratch again which will have consequences on the timing. Similar, aFRR is based on learning from IGCC, heavy changes will impact the implementation timing. Given the number of open topics, the MARI project cannot continue with their IT development. They ask whether the request on centralized capacity allocation should then also be incorporated in the INIF and the RRIF.

Eurelectric and EFET find it important to agree on critical aspects and the best design, even if this impacts the implementation timing.

ACER appreciates the early implementation efforts but highlights the importance of the decision making on these design elements. In any case, the NRAs have always been transparent with the TSOs in the discussions in the context of the projects regarding these topics of disagreement. They accept that the current delay of six months will delay the overall implementation by six months as provided in the EBGL.

### **mFRR implementation framework**

NRAs (Leonardo Costa) inform that mainly scheduled counteractivations and guaranteed volumes are discussed. There are different views on which bids (contracted, free, cheapest, most expensive) can be used for guaranteed volumes, on whether it should be included in national terms and conditions.

Eurelectric suggests taking guaranteed volumes from the end of CMOL. The spirit should be to reserve the most expensive and to activate the cheapest ones.

ENTSO-E argues that bids should not be activated outside the CMOL, which would not happen by taking them as proposed from the end of the CMOL. The root cause for guaranteed volumes lies in the option for a TSO to activate more bids than were shared on the platform. TERRE has a similar function but has not included it in the implementation framework. Monitoring is foreseen on relation between activated and shared volume. Guaranteed volumes are more relevant for mFRR as it is used to restore frequency within the time to restore frequency. They remind that SOGL Art. 157.4 requires to have sufficient access to aFRR and mFRR.

NRAs inform they found general agreement on the principle for guaranteed volumes, which shall be supported by transparency on exact mechanism and reporting. Also, on elastic demand they ask for more transparency and more info on unforeseeably rejected divisible bids.

### **Imbalance Settlement harmonisation proposal**

NRAs (Selim Boussetta) inform that NRAs ask to change the reference to third party bearing balancing responsibility and how to use the components in the calculation of the imbalance price. They explain that there shall be only one imbalance price, so no later (voluntary) addition of components not included in the imbalance price. It shall be clarified which elements are obligatory on European level and which can be added voluntarily and permanently on national level. Also, there is an issue with the definition of the volumes as the current wording for fulfilling the balancing energy demand is not clear also in relation with elastic needs as this would lead to some demand not being met. Furthermore, NRAs ask to define the value of avoided activations and to further clarify the conditions to apply dual pricing. NRAs accept dual pricing where single pricing incentivizes too quick/heavy responses and for TSOs applying a 60min ISP. They clarify that the TSOs have proposed a move to single positions and that these single positions lead to imbalances being paid with dual pricing.

Eurelectric asks for more details on the main and additional components. It would be good to define that system constraints activation can only be for cross border system constraints.

ENTSO-E reminds that the definition of market participants as in the CEP should be used. They remind the link to the pricing proposal. Activations for other purposes than balancing energy may affect the balancing energy price and the imbalance price. They state that the CEP 70% rule may lead to countertrading which could be done via balancing.

EFET asks for further definition of the main elements and further elements.

Europex asks ACER whether they had more information on who is using derogations for the implementation of the 15min ISP and propose that ACER publishes the information centrally. ACER agrees to consider publishing the list on their website.

### **Activation Purposes Proposal**

NRAs (Marijn Maenhoudt) will ask for more details on balancing and system constraints. In some cases, classifications and subcategories should be added. For subcategories it may be difficult to have a complete list.

Eurelectric suggests that if subcategories don't fit for an activation, an explanation should be added. It should always be possible to see why a bid was activated. NRAs explain that the algorithm considers all demands and activates bids that fit best, so it can be difficult to identify a single reason for the activation of one specific bid, e.g. there could be two bids activated for three reasons.

### **Settlement Proposal**

NRAs (Marijn Maenhoudt) informs that mainly the inclusion of system constraints is discussed.

NRAs (Mathieu Fransen) inform that they expect to follow the normal process after which proposals amended by TSOs are resubmitted to NRAs. It is still discussed between NRAs whether the amended proposals should go to ACER. NRAs would have two months to approve, ACER six months.

## **3. Stakeholder reaction on the ongoing public consultations Art. 40 and 25(2) and 25(5).**

### **3.1 Reactions on Art. 40 proposals**

ENTSO-E (Jerom de Haan) introduces the comments received at June 6 stakeholder workshop (linking of the bids, template sent to the CCRs or price-sensitive TSO demand and TSO cap demand, among others).

EFET (Jérôme Le Page) states that they oppose the principal idea of reserving capacity for balancing. They highlight that capacity allocation would also affect intraday market. It also ignores the possibility of market participants to rebalance in intraday. There is a risk for social welfare if cross border capacity is not used. Regarding cooptimisation they propose to allow linked bids between day ahead and intraday, remind that TSO demand may be price sensitive, that the performance of Euphemia is unknown and that the bid matching will be done after cooptimisation.

ENTSO-E (Martin Høgh Møller) asks EFET if they are against capacity allocation if it increases social welfare. They report on the savings amounting 50mEUR per year in the market-based allocation applied in the Nordics.

Eurelectric (Hélène Robaye) informed they just published their consultation answer on their website and question why TSOs can calculate this but could not calculate data for e.g. giving more capacity to the market and applying redispatch if needed. The cross-zonal capacity for balancing capacity should be based on the outcome of a market process. They use this term to distinct from market-based allocation from EBGL to highlight that TSOs should design a methodology that fully works with input from market participants. The proposal is correct but requires the consideration of the linking of the bids; this will facilitate optimisation of their portfolio. They also underline there should be no limitations on the SDAC and question the compatibility of this proposal with the FB capacity calculation. They emphasise the governance behind this proposal should also be considered and the implementation timeline should be made transparent.

ENTSO-E clarifies that the allocation will be based on bids, some real time, some via forecasts based on historic bids and by principle rather less than more capacity will be allocated to balancing. In the Nordics, the prices and the formula for the forecasts are published.

NRAs/ACER (Mathieu Fransen) invites stakeholders to think of how the current proposal could be improved, reminding that the proposal is an obligation from the EBGL.

- Eurelectric explains that the key point is potential achievable efficiency (optimising energy and capacity) is reduced when using two different optimisation processes.
- EFET (Olivier Van den Kerckhove) confirms their scepticism on how TSOs would be able to implement this proposal and highlights the impact on day ahead markets by reduced cross border capacity available and fewer bids in the day ahead market. They remind that if one TSO applies the methodology it may affect all Euphemia users.

ENTSO-E (Jerom de Haan) reflects that a common co-optimisation process will be the best option for all of the market parties involved, stressing that the simplest solution will rebound in a more implementable model. In contrast, adding complexity (e.g. linking of the bids) may delay its implementation.

### 3.2 Reactions on Art. 25(2) and 25(5)

ENTSO-E (Jerom de Haan) wraps up the two messages received on 6 June Stakeholder Workshop. One was that stakeholders would expect the same level of detail on the locational requirements for the balancing capacity as for balancing energy (The second is to enable the linking of the bids and/or exclusive bids (only-balancing capacity, or only-energy trading)).

Eurelectric (Hélène Robaye) reminds that their responses for the ongoing public consultation are available at their [website](#). In essence, they asked for more information (e.g. characteristics of the products). Moreover, they question the level at which this proposal will be implemented, at Balancing Capacity Cooperation (BCC) or at EU level. In their opinion, standard balancing capacity product will be in place in the BCCs. ENTSO-E clarifies that this proposal sets the specifications for the standard balancing capacity product. However, detailed specifications of standard balancing capacity products may vary per balancing capacity cooperation, as the EB Regulation allows. NRAs/ACER (Mathieu Fransen) complements this; relevant reference for this is Article 53 of the EBGL. In this line, ENTSO-E refers to Article 4 of this proposal, where additional characteristic for standard balancing capacity product could be defined in the BCC's terms and conditions.

EFET (Olivier Van den Kerckhove) asks how mFRR SA for BC will be considered. ENTSO-E (Martin Høgh Møller) clarifies that only mFRR DA will be the only type of products to be procured as mFRR SA will not serve the purpose under which the balancing capacity is meant to be, pursuant to SOGL requirements to fulfil the 15min time-to-restore-frequency. ENTSO-E explains that scheduled activated products are still needed for some TSOs to deal with expected imbalances. The proposal sets the ground rules and the details can be agreed in each BCC.

## 4. Balancing Implementation Projects

### 4.1 Update with focus on IGCC and TERRE

ENTSO-E presents updates on the implementation of IGCC, TERRE, PICASSO and MARI, focusing on TERRE and IGCC, which shall go-live in the following months.

Regarding **IGCC**, ENTSO-E (Ricardo Renedo Williams) updates on the status of the regulatory and contractual frameworks of IGCC, on the implementation roadmap and on publication of information. Eurelectric thanks ENTSO-E for publishing data on limitations of cross-border capacities where this was not an EB GL requirements.

ACER notes that the publication of limits could be considered together with the to-come request on transparency on the publication of local or platform-level fall-backs. ENTSO-E welcomes the suggestion and confirms that it will be discussed among TSOs.

On **PICASSO**, ENTSO-E (Ricardo Renedo Williams) updates on the status on the preparation of an implementation roadmap, an implementation guide and work coordinated at ENTSO-E level.

Eurelectric asks if the go-live is expected to be on time and suggests publishing national roadmaps as for IGCC when possible. ENTSO-E answers that the regulatory timeline for the implementation projects is challenging but the platforms are planned to be ready on time; on the other hand, not all TSOs may be able to join the platforms by the EB GL deadlines.

Regarding **MARI**, ENTSO-E (Martin Høgh Møller) explains the challenge of organising a project with 43 TSOs, the different tasks of the AOF, the allocation of tasks to TSOs and the need to respect the EU procurement directive. He informs about the organigram and implementation planning of the project and technical work being performed by the MARI project, including IT requirements and a “gap analysis” on the reusability of other platforms (Libra, Baltics).

Eurelectric welcomes to see that MARI is working closely with PICASSO. ENTSO-E explains that there is important coordination between the projects and that the current governance structure was agreed by all TSOs through ENTSO-E.

ACER asks on the links between the tasks of the AOF (procurement, development, hosting, monitoring) and the entity discussions in the implementation frameworks. ENTSO-E explains that there is a link and TSOs have continued discussing the details of the tasks of the functions after the submission of the implementation frameworks. In particular, TSOs see two lots of tasks: a) procurement and development and b) hosting and monitoring. All TSOs operate the platforms, but not all TSOs can lead on specific tasks, like procuring or hosting the solution. There are different levels of detail that can be included in the implementation frameworks, depending on whether one TSO performs all the tasks of the function or not. ACER answers that, for the implementation frameworks, it is important to clarify the entity that performs the AOF, but not the entity that leads on its procurement.

Eurelectric asks who will make a final decision on the entities of the platforms. ACER responds that TSOs have to define the type of entity (TSO or company owned by TSOs) that will perform the functions of the platforms, while they have six months after the approval of each implementation framework to designate the respective entities.

On **TERRE**, ENTSO-E (Amine Abada) explains the timeline of the project and the expectations of when each RR TSO will accede the platform, including derogation requests.

EFET asks for the meaning of the wording “theoretical formulation” in the slides regarding counter-activation. ENTSO-E explains that TSO needs can be satisfied by each other’s needs or bids. Some bids will be activated to satisfy the needs, others to match other bids. The objective is to maximise the function (satisfy need satisfaction, need matching surplus and minimise counter-activations), although it has not been implemented in a real environment and thus needs to be tested, which is expected to take place in mid-2020. Eurelectric asks for risks and alternative plans if tests are not positive. ENTSO-E explains that in theory, the formulation should work but TSOs cannot confirm until testing has been performed, and that alternative solutions would be, for example, to delay the platform or not allowing block bids, the latter solving the issue on counter-activations but having implications on the market.

Eurelectric asks for assessment on how the RR GCT of 55 minutes ahead of real time was selected, once such assessment has concluded. ENTSO-E confirms that sharing this information was foreseen.

ACER asks if, for doing tests of the platform related to counter-activations the TSOs need to be already operational in the platforms; ENTSO-E confirms.

ACER asks if designation of RR-Platform entities has already been done and when it will be communicated. ENTSO-E explains that all RR TSOs will operate the platform, but that the designation of the entity has not

yet concluded; together with the designation letter/e-mail, RR TSOs will share the TERRE Cooperation Agreement.

Eurelectric asks if TSO derogations for accession to TERRE will be requested based on the shown forecast for implementation. ENTSO-E explains that annual derogations will be requested, i.e. those who intend to become operational in 2020 will ask for a one-year derogation, and the TSO that intends to become operational in 2021 will ask for a two-year derogation. Requests for derogations will be submitted by 15 July. ENTSO-E highlights that even if TSOs request a derogation of one/two years, they intend to respect as much as possible the non-binding accession roadmap presented.

EFET asks whether market participants should take part in the parallel run. ENTSO-E explains that the current balancing processes continue and market participants are invited to submit their bids, so a full end to end test can be done (excluding the activations).

ACER welcomes stakeholders to look at the TERRE slides presented in the recent workshop and highlights their usefulness for understanding the details.

## **5. AoB**

The next meeting will be moved to mid-October. ACER and ENTSO-E will propose a date.

Mathieu Fransen informs that he will step down as Chair of the EBSG. Athina Tellidou and Stian Henriksen will continue the work. ENTSO-E and stakeholders thank Mathieu Fransen for his dedication to the European work.