
ENTSO-E views on Intraday Gate Closure Time and Imbalance Settlement Period

This note explains ENTSO-E views and recommendations on Article 7 of the draft Electricity Regulation and in particular on the text proposed by the European Parliament amending the initial Commission proposal.

ENTSO-E is convinced of the increasing importance of intraday markets and of balancing markets, in particular to enhance RES market integration. We support the objective of allowing market participants to trade closer to real-time and with finer resolution products across all market timeframes. Nevertheless, it is essential that sufficient time is allowed for pre-emptive measures for system operations before real-time and to ensure a step-wise implementation of process changes across Europe, taking into account national market specificities.

ENTSO-E is deeply concerned about the European Parliament's proposal to move to a gate-closure time (GCT) of 15 minutes before real time across all bidding zones and to set the imbalance settlement period (ISP) to 15 minutes by 2021. As explained below, such a move would have severe consequences for both the EU electricity system and consumers. ENTSO-E therefore recommends reverting to the Commission's original text, which is also being endorsed by the Council in its General Approach from December 2017.

Intraday Gate Closure Time (GCT)

What is the current situation?

Intraday GCT vary significantly across Europe: while some countries in Europe (e.g. Germany) have already a 15 min to real time GCT, others have GCT longer than one hour¹ (e.g. Italy). As a result of the on-going implementation of the Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (CACM), TSOs and Power Exchanges are progressively harmonizing their intraday GCT towards a maximum of 1h before real time.

It has to be noted that there is a fundamental difference between the Intraday GCT within a bidding zone and the "cross-zonal" GCT. The latter refers to the common GCT across two or more bidding zones where by definition capacity may be scarce due to congestions. The fact that 1h prior to real-time market participants cannot trade anymore across bidding zone borders does not imply that they cannot adjust their positions within their bidding zones, where transmission capacity is not limited and therefore TSOs need less time to ensure operational security.

In fact, even for borders where both systems already have an internal GCT of 15mins (e.g. the German - Dutch border) the cross-zonal intraday GCT is still set at 1h due to the required scheduling and operational processes that need to take place before real time.

What is proposed in the CEP?

EC Proposal (Nov 2016): The European Commission proposal foresees Intraday GCT as close to real time and at least up to the intraday cross-zonal gate closure time, as determined by Article 59 of the CACM Guideline.

¹ In certain cases, also due to their specific national design of intraday markets based on auctions rather than continuous trading

Council Proposal: the Council supports the EC proposal, leaving the process to set up the Intraday GCT in line with current CACM obligations and procedures.

EP Proposal: The European Parliament proposes to move to a gate-closure time (GCT) of 15 minutes before real time across all bidding zones.

ENTSO-E' view

Article 59 of CACM Regulation already requires TSOs to set cross-zonal gate closure times as close as possible to real-time to maximise market participants' opportunities for adjusting their balances, while also providing TSOs and market participants with sufficient time for their scheduling and balancing processes in relation to network and operational security. As the market structure and system topology varies quite significantly across Europe's five synchronous areas setting the intraday cross-zonal gate opening and gate closure times is a complex task and TSOs are presently implementing these requirements of the CACM Guideline in consultation with market participants, stakeholders and in close cooperation with national regulators. By unilaterally setting a pan-European gate closure time of 15 minutes, the Regulation would thus disregard the ongoing market integration initiatives and potentially disrupt the implementation process.

The detrimental effects on the significant developments and cross-border integration of balancing markets that are being implemented² to comply with the Guideline on Electricity Balancing have also to be considered before moving closer to real-time the intraday cross-zonal gate closure times. In particular, a move to 15 min GCT would distort the incentives for market participants to balance their positions, as intraday trading would overlap with TSOs balancing processes which cannot be limited only to the last 15 mins before real time. What is more, this would challenge safe system operation, as TSOs would not be able guarantee scheduling and balancing processes that require sufficient time to ensure network and operational security.

Moving to a harmonization of internal GCT would significantly impact the operational rules of the electricity transmission system. For example, in order to be compliant with their risk policies, TSOs will activate thermal power plants, unless they have high availability of hydro power plants. A short GCT and a high level of renewables (which are strongly variable) will increase the need for such activations and, ultimately, increase CO₂ emissions.

We thus strongly support the Council position to retain the original EC proposal to avoid such a dysfunctional and premature market design change.

Imbalance Settlement Period (ISP)

What is the current situation?

ISP is the period over which Balancing Responsible Parties' (BRPs) imbalances are measured and settled. Like GCT, ISP vary quite widely across the EU, but steps have been taken to ensure a degree of harmonisation. The European Balancing Framework Guideline (EB GL) adopted in November 2017 requires TSOs to gradually harmonise ISP to 15min.

However, the EBGL also recognises the need to create exemptions to this rule based on a cost-benefit analysis. This requirement was introduced to recognise the fact that a harmonisation to 15min may in some

² For instance, the market for «manual Frequency Restoration Reserves» (mFRR) also closes around 15 minutes before real-time of system operation. But mFRR require knowledge of the remaining cross-border capacities from the intraday market. Not only pilot projects to share mFRR will be impacted, but shortening GCT will be detrimental to the implementation of shared Replacement Reserve (RR) (TERRE project).

countries have very significant consumer costs – for instance by leading to a complete replacement of existing smart meters, or very significant IT/IS system changes on forecasting, billing, trading platforms – without delivering any consumer benefits. These consumer impacts are listed in a [study](#) from Frontier Economics published in April 2016³.

What is proposed in the CEP?

The EP proposes to set the imbalance settlement period (ISP) to 15 minutes by 2021, instead of 2025 as originally proposed by the European Commission. The Council proposes to put 2021 as a date to harmonise ISPs, but adds that regulatory authorities may provide an exemption for this, as per the above-mentioned EBGL.

ENTSO-E' View

ENTSO-E favours the European Council's approach as it is more realistic with regards to harmonising the ISP across all control areas and conforms with the EBGL. Step-wise implementation is necessary to ensure a smooth and efficient transition to new processes and IT systems supporting such an important market design change for certain countries. We therefore urge policy-makers to stay with the text agreed by the Council, but recommend to align the deadline with the initial EC proposal of 2025.

Article 7 Trade on day-ahead and intraday markets			
1. Market operators shall allow market participants to trade energy as close to real time as possible and at least up to the intraday cross-zonal gate closure time determined in accordance with Article 59 of Regulation (EU) 2015/1222.	AM 43 1. Market operators shall allow market participants to trade energy as close to real time as possible and at least up to 15 minutes before real time across all bidding zones .	1. Nominated electricity market operators shall allow market participants to trade energy as close to real time as possible and at least up to the intraday cross-zonal gate closure time determined in accordance with [] the capacity allocation and congestion management guideline adopted on the basis of Article 18 of Regulation (EU) 714/2009 .	Support Council text A harmonisation of Gate Closure Time to 15min, as suggested by the European Parliament, would have severe consequences for both the EU electricity system and consumers. We therefore recommend referring to the existing Congestion Management Guideline.
2. Market operators shall provide market participants with the opportunity to trade in energy in time intervals at least as short as the imbalance settlement period in both day-ahead and intraday markets.	AM 44 2. Market operators shall provide market participants with the opportunity to trade in energy in national and cross-border markets in time intervals at least as short as the imbalance settlement period in both day-ahead and intraday markets.	2. Nominated electricity market operators shall provide market participants with the opportunity to trade in energy in time intervals at least as short as the imbalance settlement period in both day-ahead and intraday markets in accordance with the balancing guideline adopted on the basis of	

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https://docstore.entsoe.eu/Documents/Network%20codes%20documents/Implementation/CBA_ISP/ISP_CBA_Final_report_29-04-2016_v4.1.pdf

		Article 18 of Regulation (EU) 714/2009.	
3. Market operators shall provide products for trading in day-ahead and intraday markets which are sufficiently small in size, with minimum bid sizes of 1 Megawatt or less, to allow for the effective participation of demand-side response, energy storage and small-scale renewables.	AM 45 3. Market operators shall provide products for trading in day-ahead and intraday markets which are sufficiently small in size, with minimum bid sizes of 500 Kilowatt , to allow for the effective participation of demand-side response, energy storage and small-scale renewables including directly by customers .	3. Nominated electricity market operators shall provide products for trading in day-ahead and intraday markets which are sufficiently small in size, with minimum bid sizes of 1 Megawatt [], to allow for the effective participation of demand-side response, energy storage and small-scale renewables in accordance to the methodologies developed in the capacity allocation and congestion management guideline adopted on the basis of Article 18 of Regulation (EU) 714/2009.	
4. By 1 January 2025, the imbalance settlement period shall be 15 minutes in all control areas.	AM 46 4. By 1 January 2021 , the imbalance settlement period shall be 15 minutes in all control areas.	4. By 1 January 2021, the imbalance settlement period shall be 15 minutes in all [] scheduling areas unless regulatory authorities have granted a derogation or an exemption in accordance with the balancing guideline adopted on the basis of Article 18 of the Regulation 714/2009.	Support Council text with deadline to be realigned to the initial EC proposal (2025) A harmonisation of Imbalance Settlement Periods in all control areas could have disastrous consumer impacts in some EU countries. It is important to maintain the existing derogations and exemptions as foreseen in the Balancing Guideline.