

ACER Agency for the Cooperation of Energy
Regulators
Trg republike 3
1000 LJUBLJANA
SLOWENIEN

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Subject: Cross-zonal capacity allocation for balancing capacity

**BDEW Bundesverband
der Energie- und
Wasserwirtschaft e.V.**
Reinhardtstraße 32
10117 Berlin

Dear Sir or Madam,

First, we want to thank you for launching the consultation on cross-zonal capacity allocation methodologies for the exchange of balancing capacity. We appreciate all the work you put into the further development of the methodology and the collection of comments from stakeholders in order to take an informed decision. BDEW would like to give feedback to the overall approach for the capacity allocation of balancing capacity and comment on the further development of the methodology.

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BDEW recognises that TSOs were required to design a methodology for the cross border capacity allocation for the exchange of balancing capacity or sharing of reserves as set out in the Electricity Balancing Guideline which is further developed and confirmed by you. However, we want to emphasise that any reservation of cross-border capacity for any purpose other than trading has consequences for all market processes. Therefore, BDEW sees the implementation of both approaches to allocate balancing capacity entailing the market-based process and the process based on economic efficiency very critical and opposes their implementation.

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The allocation of cross-zonal capacity for the exchange of balancing capacity in the day ahead time frame would strongly interfere with the day ahead market coupling process. Parallel markets would be created, forcing market participants to choose between bidding for energy and bidding for balancing capacity. This could lead to inefficiencies, as assets could not be used in both markets. Furthermore, the cross-border reservation of transmission capacity by the TSOs for balancing purposes poses a serious risk to the availability of cross-border transmission capacity in the preceding trading timeframes. By allocating transmission capacity specifically for use in the balancing timeframe, TSOs remove available capacity from the allocation in the other timeframes, thereby restricting market participants' ability to adjust

their positions across borders in the most economically efficient manner, and to contribute to overall system balance.

All trading processes should have a higher priority than the exchange of balancing capacity as the balancing market only has a subordinate role, while the functioning of the Day-Ahead and Intraday – Market must be in focus. Therefore, all open capacities should be made available for trading and not be diminished by allocating capacity for other purposes.

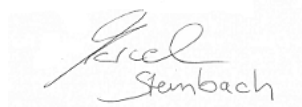
Concerning your proposals in the consultation document, BDEW would like to take position on two topics such as the implementation of simultaneous capacity allocations and the deviation from marginal pricing for certain cooperations.

We do not agree with the proposal to apply simultaneous sequential market-based cross-zonal capacity allocations. In our view such simultaneous gate closure time would disturb market mechanisms related to the provision of balancing energy and consequently lead to welfare losses. Market participants should be able to bid for the capacity auctions related the highest quality balancing products (aFRR) and adjust their positions after receiving auction results in order to participate in subsequent auctions for balancing capacity products related to balancing energy products of lesser quality (mFRR, RR).

We appreciate your approach to allow for a derogation from the marginal pricing systems for the German-Austrian balancing cooperation. The cooperation has been developed over the years, functions smoothly and serves as a blueprint for the regional expansion of balancing markets. In the long run, all processes should be harmonised on a European level to ensure level playing field for all market participants.

If you have any questions, please do not hesitate to contact us.

Yours faithfully,



Marcel Steinbach and Natalie Lob