



European Union Agency for the Cooperation
of Energy Regulators

ACER Public Workshop on the Amendment of the EU Electricity Balancing Pricing Methodology

27 October 2021

Opening

Agenda

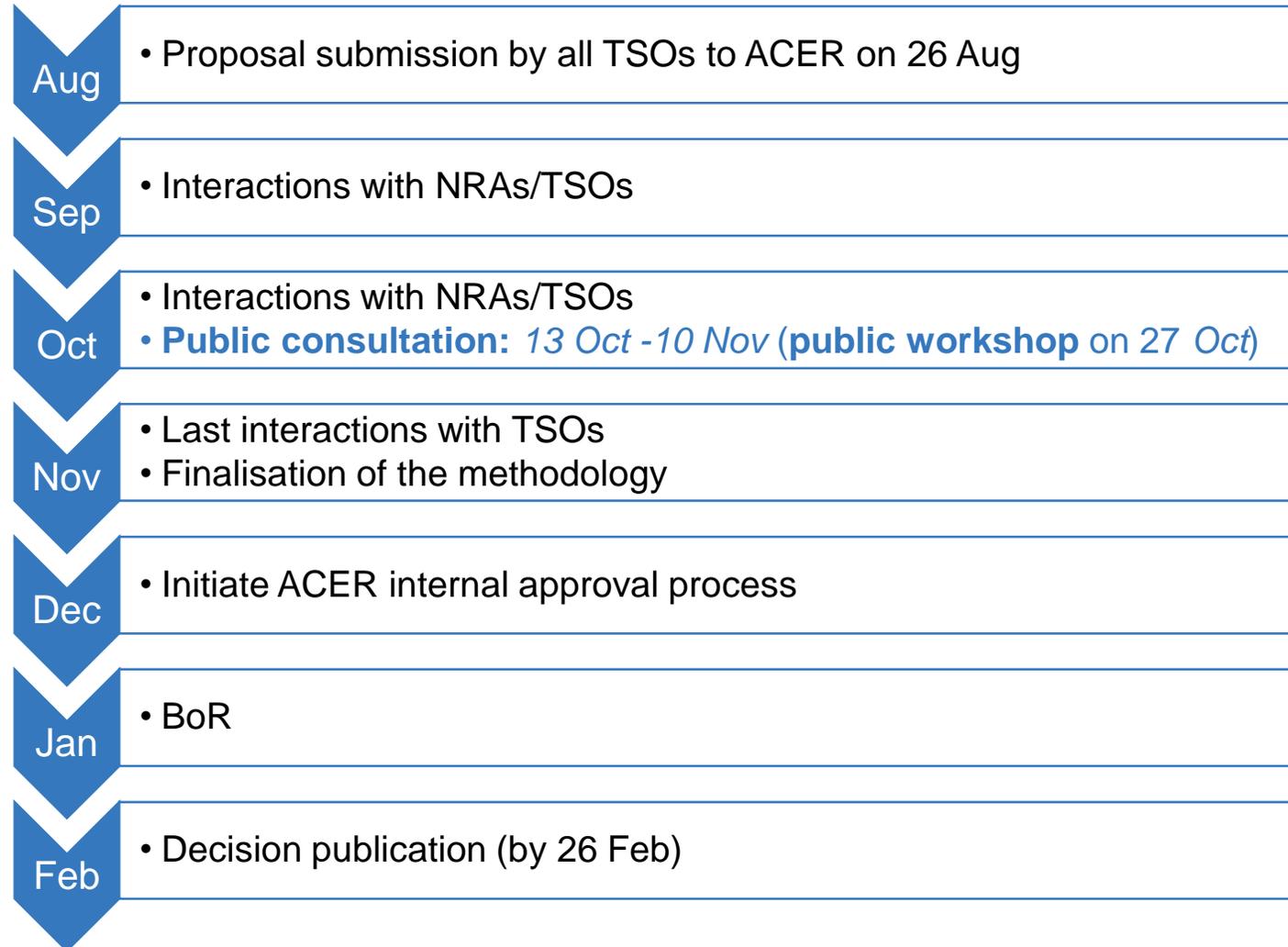
Housekeeping rules

Planning

DRAFT AGENDA		
14.45 - 15.00	Dial-in time	Starts promptly at 15.00
15.00 - 15.05	Opening	
15.05 - 15.15	Introduction	
	Q&A, discussion	
15.15 - 15.25	Technical price limits needed for the efficient functioning of the market	
	Q&A, discussion	
15.25 - 15.35	Level and the timeline for the lower technical price limit	
	Q&A, discussion	
15.35 - 15.45	Automatic adjustment mechanism linked to balancing energy prices	
	Q&A, discussion	
15.45 - 15:55	Q&A on other topics, discussion	
15.55 - 16.00	Closing	

Opening – Housekeeping rules

- Please keep your **mic muted** and your **camera off** throughout the workshop.
- Please **raise your hands** to ask the questions; you will be kindly asked to open your mic (and camera if you wish) and ask the question during the **Q&A session**; please remember to **mute the mic** once clarifications have been provided.
- In case further clarifications are needed, you may pose questions via **chat**; all attendees will view all questions (and replies given in the chat).
- After each agenda-item we have time for a **Q&A session** for this agenda-item.
- The slide pack will be shared with you after the end of the workshop.



Introduction

Legal framework

ACER Decision 01/2020

TSO proposal for amending the Pricing Methodology

- According to **Article 10(1) of the Electricity Regulation**, “*there shall be neither a maximum nor a minimum limit to the wholesale electricity price. This provision shall apply, inter alia, to bidding and clearing in all timeframes and shall include balancing energy and imbalance prices, without prejudice to the technical price limits which may be applied in the balancing timeframe and in the day-ahead and intraday timeframes in accordance with paragraph 2*”.
- **Article 10(2) of the Electricity Regulation** sets out the principles for day-ahead and intraday technical price limits: “*NEMOs may apply harmonised limits on maximum and minimum clearing prices for day-ahead and intraday timeframes. Those limits shall be sufficiently high so as not to unnecessarily restrict trade, shall be harmonised for the internal market and shall take into account the maximum value of lost load. NEMOs shall implement a transparent mechanism to adjust automatically the technical bidding limits in due time in the event that the set limits are expected to be reached. The adjusted higher limits shall remain applicable until further increases under that mechanism are required*”.
- Pursuant to **Article 30(2) of the EB Regulation**, “*in case TSOs identify that technical price limits are needed for efficient functioning of the market, they may jointly develop as part of the proposal pursuant to paragraph 1 a proposal for harmonised maximum and minimum balancing energy prices, including bidding and clearing prices, to be applied in all scheduling areas. In such a case, harmonised maximum and minimum balancing energy prices shall take into account the maximum and minimum clearing price for day-ahead and intraday timeframes pursuant to Regulation (EU) 2015/1222*”.

- Methodology for pricing balancing energy and cross-zonal capacity used for the exchange of balancing energy or operating the imbalance netting process in accordance with Article 30(1) of the EB Regulation ('Pricing Methodology') came into effect on 24 January 2020 with the **ACER Decision 01/2020**.
- The Pricing Methodology set the limits to the maximum and minimum prices for all balancing energy product bids and the maximum and minimum values of the cross border marginal prices (the 'maximum and minimum technical price limits') to **99,999 €/MWh and -99,999 €/MWh** respectively.
- In accordance with the Pricing Methodology, the technical price limits were introduced for the operation of the algorithm.

- On **26 August 2021**, all TSOs submitted to ACER for approval a **proposal for amending** the Pricing Methodology, proposing in particular the following amendments:
 - **Technical price limits for balancing energy**: from -/+ 99,999 €/MWh to -/+ **15,000 €/MWh**
 - **Adjustment mechanism**: if the **single intra-day coupling** harmonised maximum price limit is reached the maximum limit for balancing energy shall be set to **5,000 €/MWh higher** than the harmonised maximum clearing price for **single intra-day coupling**.
 - **Report on limits**: by **January 2026** all TSOs shall prepare a report to **justify** whether these technical price limits should be maintained or amended (stakeholders will submit comments); **final report to ACER by July 2026**.
 - **Annual reporting**: All TSOs shall include in the European report (Article 59 of the EB Regulation) an analysis of the **impact of these technical price limits on the functioning of the market** (if TSOs identify that the technical price limits hinder the efficient functioning of the market, they shall trigger the assessment mentioned above).

Q&A (5')



Provide your questions on the subject in the chatbox

We will group the questions and try to provide an answer and may ask to further explain if necessary.

Topic 1: Technical price limits needed for the efficient functioning of the market

- According to **Article 10(1) of the Electricity Regulation**, “*there shall be neither a maximum nor a minimum limit to the wholesale electricity price. This provision shall apply, inter alia, to bidding and clearing in all timeframes and shall include balancing energy and imbalance prices, without prejudice to the technical price limits which may be applied in the balancing timeframe [...]*”.
- Pursuant to **Article 30(2) of the EB Regulation**, “*in case TSOs identify that technical price limits are needed for efficient functioning of the market, they may jointly develop as part of the proposal [...] a proposal for harmonised maximum and minimum balancing energy prices [...]*”.
- TSOs raised **fundamental risks** which result from applying the marginal pricing principle in the balancing energy market and from the characteristics of the balancing markets.
- In ACER’s view, the study is based on a different model than the one that will be implemented in the European platforms and it does not demonstrate that the proposed technical limits are necessary for the efficient functioning of the market.
- ACER invites stakeholders to read all the materials submitted by the TSOs and provide their views.

Question 1a)

- In your view, could a reduction of the balancing technical price limits as proposed by the TSOs be justified on the grounds of a more efficient functioning of the market?
 - Yes
 - No
 - Partially

Question 1b)

- Please provide an explanation for your answer.

Q&A (5')



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We will group the questions and try to provide an answer and may ask to further explain if necessary.

Topic 2: Level and the timeline for the lower technical price limit

- TSOs also outlined the **transitory risks** related to connection to the European Platforms as a result of:
 - **Limited number of TSOs** joining the European balancing platforms at the legal deadline, thus the competition could be limited at beginning;
 - **Changes to the local balancing energy market designs** and adaption phase for all market participants as well as TSOs implementing the new market design nationally and cross-border.
- ➔ As a result of these changes, there could be **increased vulnerability to errors** which could lead to high prices not correlating with the real-time-value of energy (artificial scarcity situations).

Level and the timeline for the lower technical price

- ACER agrees with the TSOs on the importance of having sufficient amount of balancing service providers and the TSOs connected to the European platforms for the effective and efficient functioning of the market.
- ACER also agrees that the transitory risks are lower the higher the competition is.
- ACER could consider a lower technical price limit for a limited amount of time.
- TSOs proposed a technical price limit within the range between 10,000 €/MWh and 22 940 €/MWh¹ (maximum VoLL among member states) and proposed a value of 15,000 €/MWh as an average approach.

¹ the maximum VoLL as per ACER study on the estimation of the value of lost load of electricity supply in Europe from 6 July 2018

Question 2.1a)

- Do you consider that the lower price limit during the implementation of the integrated European balancing platforms until more TSOs connect to the European platforms would provide a safeguard for secure implementation?
 - Yes
 - No
 - Partially

Question 2.1b)

- Please provide an explanation for your answer.

Question 2.2a)

- How long in your view shall the lower technical price limit remain in place after the start of the operation of European platforms (foreseen for July 2022)?
 - Lower technical price limit shall not be in place at all
 - 6 months
 - 1 year
 - 2 years (until the expiration of all the derogations in accordance with Article 62(2)(a) of the EB Regulation)
 - Longer

Question 2.2b)

- Please provide an explanation for your answer.

Question 2.3a)

- At what level in your view shall the lower technical price limit be set?
 - Lower than 15,000 €/MWh
 - 15,000 €/MWh
 - At the value of highest VoLL among member states
 - Higher than the highest VoLL among member states but lower than the existing technical price limit
 - 99,999 €/MWh (existing technical price limit)

Question 2.3b)

- Please provide an explanation for your answer.

Question 2.4

- Do you agree that the technical price limit shall increase once all TSOs have joined the European platforms? If you agree, at what level in your view shall technical price limit increase?

Q&A (5')



Provide your questions on the subject in the chatbox

We will group the questions and try to provide an answer and may ask to further explain if necessary.

Topic 3: Automatic adjustment mechanism linked to balancing energy prices

- **Article 10(2) of the Electricity Regulation** sets the principles for automatic adjustment mechanism for day-ahead and intraday technical price limits: “[...] *NEMOs shall implement a transparent mechanism to adjust automatically the technical bidding limits in due time in the event that the set limits are expected to be reached. The adjusted higher limits shall remain applicable until further increases under that mechanism are required*”
- The proposals on harmonised maximum and minimum day-ahead and intraday prices in accordance with Article 41 and Article 54 of the CACM Regulation shall take into account an estimation of the VoLL;
- In **ACER Decision 04/2017** on harmonised maximum and minimum clearing prices for single day-ahead coupling (‘SDAC’) in accordance with Article 41(1) of the CACM Regulation, the VoLL was not explicitly taken into account but rather a criteria was introduced for amending the harmonised maximum clearing price automatically whenever the market clearing price exceeds a certain threshold.

Automatic adjustment mechanism linked to balancing energy prices

- An automatic adjustment mechanism ensures that the harmonised maximum clearing price is always above the clearing price that would occur in the absence of price limits.
- ACER sees no reason why the same principle for adjusting automatically the technical price limit **if the set limit in the balancing timeframe is expected to be reached** should not apply for the balancing timeframe if the prices reflect the true scarcity.
- **instead of taking into account the highest VoLL** among the member states (which estimation is very difficult to be determined), **an automatic adjustment mechanism would mimic the value of VoLL** and the price limit would eventually stabilise at it.

Question 3a)

- Do you agree there shall be a transparent mechanism to adjust automatically the technical price limits if set limits in the balancing timeframe are expected to be reached?
 - Yes
 - No

Question 3b)

- Please provide an explanation for your answer.

Q&A (5')



Provide your questions on the subject in the chatbox

We will group the questions and try to provide an answer and may ask to further explain if necessary.

Q&A other topics (10')



Provide your questions on the subject in the chatbox

We will group the questions and try to provide an answer and may ask to further explain if necessary.

Thank you!

Any questions?



European Union Agency for the Cooperation
of Energy Regulators

✉ info@acer.europa.eu
🖱 acer.europa.eu

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