

ACER Decision on the Implementation framework for aFRR Platform: Annex II

Evaluation of responses to the public consultation on the Implementation framework for the European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation

1 Introduction

On 18 December 2018, all TSOs submitted to all regulatory authorities an ‘all TSOs’ proposal for the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation in accordance with Article 21 of Commission Regulation (EU) 2017/2195 of 23 November 2017¹ (hereafter referred to as the ‘Proposal’). The last regulatory authority received the Proposal on 11 February 2019.

The Agency received a letter on 24 July 2019 from the Chair of all Energy Regulators’ Regional Forum¹, on behalf of all regulatory authorities. This letter informed the Agency that on 16 July 2019, all regulatory authorities reached a unanimous agreement to request the Agency to adopt a decision on the Proposal.

In this letter², and the accompanying non-paper³, all regulatory authorities explained their diverging views. According to these documents, there are two main points of disagreement among all regulatory authorities: (a) the technical functioning of the automatic frequency restoration process as currently performed by various TSOs, and (b) the choice of “control demand” model as the high-level design for the European Platform for the exchange of balancing energy from frequency restoration reserves with automatic activation (hereafter referred to as the aFRR-Platform).

In order to take an informed decision, the Agency launched a public consultation on 28 October 2019 inviting all interested parties to express their views on potential amendments of the Proposal. The closing date for comments was 18 November 2019.

More specifically, the public consultation invited stakeholders to comment on the following aspects of the Proposal:

¹ The all regulatory authorities’ platform to consult and cooperate for reaching a unanimous agreement on NEMO’s and TSO’s proposals.

² <https://www.acer.europa.eu/en/Electricity/MARKET-CODES/ELECTRICITY-BALANCING/06%20aFRR%20IF/Action%202%20-%20aFRR%20IF%20referral%20to%20ACER%20letter.pdf>

³ <https://www.ceer.eu/documents/104400/-/-/8821e98e-8dc0-8565-5b51-c36d51b19cc9>

- (i) the choice of the control model, and in particular the monitoring of the systematic deviations between bids selected by the activation optimization function (hereafter referred to as AOF) and bids activated by the TSOs;
- (ii) the earlier harmonisation of the full activation time (hereafter referred to as FAT) of the standard aFRR balancing energy product; and
- (iii) the modification of bids and the declaration of bids as unavailable by the TSOs.

2 Responses

By the end of the consultation period, the Agency received responses from 29 respondents⁴.

This evaluation paper summarises all received comments and responses to them. The table below is organised according to the consultation questions and provides the respective views from the respondents, as well as a response from the Agency clarifying the extent to which their comments were taken into account.

⁴ One respondent asked to be treated confidentially and is therefore not listed here nor are the answers provided to the consultation.

Respondents' views	ACER views
<p>Question 1: Do you agree with the Agency's approach to monitor and minimise systematic deviations between bids selected by the AOF and bids activated by the TSOs or do you consider that this approach is too strict or too loose?</p>	
<p>22 respondents provided an answer to this question.</p>	
<p>13 respondents agree with the Agency's view that the control demand model can be the starting point for the implementation of the aFRR-Platform, but the systematic deviations between bids selected by the AOF and bids activated by the TSOs should be monitored (ACM, AIGET, CEZ, Edison s.p.a., Energie AG Oberösterreich Trading GmbH, Energie-Nederland, Eurelectric, IFIEC Europe, Illwerke vkw AG, PGE Polska Grupa Energetyczna S.A., Polish Power Plants Association, TenneT Netherlands and UPM-Kymmene Oyj).</p>	<p>The Agency agrees.</p>
<p>2 respondents (Energie-Nederland, IFIEC Europe) explicitly mention that the control demand model is not in line with the EB Regulation (not compliant or incompletely satisfy the goals).</p>	<p>The Agency agrees.</p>
<p>6 respondents (ACM, CEZ, Energie-Nederland, IFIEC Europe, PGE Polska Grupa Energetyczna S.A., Polish Power Plants Association) deem it important to ensure that the inconsistency between AOF selections and local activations is allowed only as part of a temporary solution, with a clear timeline for the target model.</p> <p>3 respondents (CEZ, Illwerke vkw AG, Eurelectric) highlight that there are a lot of uncertainties on the reasons of the inconsistency between AOF selections and local activations, the magnitude of these differences and the consequences, so further investigation is required.</p> <p>3 respondents (Energie-Nederland, Eurelectric, IFIEC Europe) note the lack of a detailed assessment of the operational risk of the control request model.</p> <p>1 respondent (Eurelectric) sees the transitional period with a control demand approach, as the time for preparing a qualified decision (including an analysis on the feasibility and impact on operational security of the control-request model, as well as the monitoring of the deviations between AOF selection and bid activation originating from the control-demand model).</p>	<p>The Agency agrees with the comments that a clear timeline is required as well as further investigation and analysis. Therefore, the Agency included in the aFRRIF, in the provisions for the annual report, the monitoring of the deviations between the selected by the AOF bids and the ones activated locally by the TSO. Additionally, two years after the implementation deadline of the aFRR-Platform, the TSOs should compare alternative control models and analyse the options to minimise the reported deviations, and no later than 12 months after the publication of the report shall propose amendments to the aFRR IF with the aim to address the deviations or change the monitoring of deviations. In that case, a new consultation will take place, as requested in the</p>

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<p>1 respondent (Energie AG Oberösterreich Trading GmbH) suggests that if the monitoring results in excessive deviations, a consultation of the model should be held again; a general clause to change the model if a target is exceeded cannot be supported.</p> <p>2 respondents (AIGET, Edison S.p.A.) believe that that granularity with which the monitoring will be carried out must be sufficiently high to ensure, as much as possible, the visibility of such deviations in real time.</p>	<p>public consultation and foreseen in the EB Regulation.</p>
<p>1 respondent (ACM) affirms that in a common platform in which ISP pricing is applied, the risk of a non-level playing field between BSPs is considerably smaller as the price is set over a longer period of time.</p> <p>1 respondent (TenneT Netherlands) points out that aside from moving to a control request model one way of making these deviations smaller is by applying ISP pricing.</p>	<p>The Agency understands this comment, however, it notes that the deviations are inherent in the control request model, and a longer market time unit would only change the impact they have on the pricing of the BSPs, without addressing any of the root issues the deviations are linked to.</p>
<p>With reference to the processes within the control demand model algorithm, which contributes to establishing a new corrected FRCE value following the activation of an effective aFRR volume by a BSP. 1 respondent (Edison S.p.A.) asks TSOs to be fully transparent on the parameters used to set frequency restoration controllers based on the dynamics of the corresponding BSPs in the LFC area.</p>	<p>Although the Agency agrees that such information would be beneficial to BSPs, it does not have a legal basis to require these parameters of the frequency restoration controllers to be published.</p>
<p>8 respondents agree with the Agency's approach to monitor the systematic deviations between bids selected by the AOF and bids activated by the TSOs, although not questioning the selection of the control demand model by the TSOs for the operation of the aFRR-Platform (BDEW, EnBW, EDF, EFET, ENTSO-E, Slovenské elektrárne, a.s., Slovenská elektrizačná prenosová sústava, a.s., TIWAG-Tiroler Wasserkraft AG).</p>	<p>The Agency agrees.</p>
<p>3 respondents (BDEW, EnBW, TIWAG-Tiroler Wasserkraft AG) note that setting up a monitoring to ensure that the deviations are restricted to technically unavoidable volumes is the right measure to apply. They argue that even if the consistency between selection and activation of bids is not 100% in time and volume, the principles of the EB Regulation are still</p>	<p>The Agency agrees that the focus should be on whether the principles of the EB Regulation are fulfilled and additionally that the control demand model has proven its operational stability. However, stakeholders may not be aware that the level of deviations will likely be unexpectedly large (some</p>

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<p>fulfilled, and, among other features, the control demand model has proven its operational stability.</p>	<p>TSOs estimate points to more than 30%) which puts into question the whole purpose of optimisation of aFRR activations at EU level. Further the Agency notes that the control request model (which fulfils the requirements of the EB Regulation) has not proven its operational instability.</p>
<p>4 respondents (BDEW, EFET, EnBW, TIWAG-Tiroler Wasserkraft AG) note that most of the deviations between the (control demand) AOF selection and local TSO-BSP activations originate from locally applying a ramped set-point scheme; this effect should be clearly isolated or even examined separately and, if exceptional, taken as a clue for encouraging TSOs currently applying a set-point activation (control-request) locally to move to a FAT product activation scheme (control-demand).</p>	<p>The Agency agrees, but notes that in the alternative control request model these deviations are not present because all local controller dynamics (and resulting time delays) are done before the AOF defines the optimal solution/activation. Therefore, these deviations are not unavoidable.</p>
<p>4 respondents (BDEW, EnBW, ENTSO-E, TIWAG-Tiroler Wasserkraft AG) cannot see an obvious non-compliance of the control demand model with EB Regulation requirements. 2 respondents (Slovenská elektrizačná prenosová sústava, a.s., Slovenské elektrárne, a.s.) consider that the control demand model should be implemented.</p>	<p>The Agency generally disagrees. See the responses above.</p>
<p>1 respondent (Slovenská elektrizačná prenosová sústava, a.s.) believes that, in case of control request model, assets providing aFRR balancing energy will receive requests, which they cannot fulfil resulting in higher imbalance settlement payments for aFRR balancing energy providing assets.</p>	<p>The Agency understands that in case of control request model, the AOF is placed between the output of the local controller (the total activated aFRR balancing energy by the local controller is the aFRR demand for the AOF) and the inputs to local BSPs. Thereby, there is no reason why BSPs should be less able to fulfil the AOF request than in case of isolated mode (where the output of local controller is sent directly as activation signal to BSPs).</p>

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<p>1 respondent (EDF) considers that the choice between the two control schemes is primarily the responsibility of TSOs, as part of their mission in balancing their LFC area, and that the “control demand” seems to be the only pragmatic solution to begin the operation of the aFRR platform in due time.</p>	<p>The Agency agrees that the choice of the control model is the responsibility of the TSOs, and this is why the Agency does not restrict the TSOs option in the aFRRIF. However, the whole purpose of EU platforms is to optimise activations of aFRR at EU level and if these actual activations are significantly different from the optimal deviations, the main purpose of market integration is lost.</p>
<p>1 respondent (EDF) asks for the monitoring and reports regarding the deviations to be public; based on this report, the benefits of any later evolution should be evaluated taking into account the real level of desynchronization and the costs of implementation of a new platform design.</p>	<p>The Agency agrees with the comment that the findings regarding this topic should be publicly available and this is specified in the aFRRIF. Yet, it notes that any future change is not expected to affect BSPs.</p>
<p>1 respondent (ENTSO-E) further justifies the compliance of the control demand model with the EB Regulation. Article 31(7) of the EB Regulation is fulfilled by the proposal of the TSOs as the AOF requests the activation of the selected bids from the connecting TSOs via the control demand model (through the corrected FRCE which indicates to each TSO the volume to be locally activated taking into account the CMOL).</p> <p>The proposal of the TSOs fully fulfils the provisions of Article 29(6) of the EB Regulation, as the TSOs are obliged to activate the selected bids. In addition, the pricing and settlement methodologies ensure that the AOF sets all price signals. In general, Article 29(5) of the EB Regulation foresees deviations between the results of the AOF and the activated bids, provided that TSOs publish the reasons for such deviations.</p> <p>Moreover, the proposal of the TSOs is compliant with the provisions of the SO Regulation, especially Articles 145(4) and 158(1)(b). In sum, the proposal of the TSOs ensures that the bids selected by the AOF will be activated within the time determined by the dynamics of the assets providing aFRR. The load-frequency controller settings are merely a reflection of dynamics of</p>	<p>The Agency understands that, as mentioned in the comment, “the corrected FRCE [...] indicates to each TSO the volume to be locally activated”, but this does not correspond necessarily to the signals for activations sent to BSPs, as described above.</p> <p>Indeed, Article 29(5) of the EB Regulation foresees deviations between the results of the AOF and the activated bids, but only as exceptional cases, and not as the standard case.</p> <p>The Agency does not question the compliance of the control demand model with the SO Regulation, but rather with the EB Regulation.</p>

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<p>the assets. With control demand, the optimisation of the controller settings to the assets ensures three outcomes:</p>	
<ul style="list-style-type: none"> • The automatic frequency restoration process is operated in a stable manner (without oscillations) and in an efficient way (i.e. only the bids which are necessary to cover the imbalance are activated) • The cross-border marginal price is independent from the controller settings of the TSOs as well as the asset dynamics. <p>On the other hand, the control request model could lead to oscillations resulting in inefficient activation of bids and instability of the whole cross-border activation process. Moreover, the local controller settings and delivery of each BSP would have an influence on the cross-border marginal prices and settlement amounts resulting in potential efficiency losses and lack of transparency. Finally, it may lead to a decrease of regulation quality.</p> <p>Regarding market efficiency, TSOs have not identified concrete drawbacks related to the mismatch between the volumes selected by the AOF and the volumes requested from the BSPs, as long as the mismatch is the result of the unavoidable technical features of the proposed process and failure of delivery for activation of bids follows the common merit order.</p>	<p>The Agency agrees with the positive aspects of the control demand model mentioned in the comment, but does not agree that control demand model is efficient, because it implies large differences between the optimal activations determined by AOF and actual signals for activations sent to BSPs locally.</p> <p>The control request model has, in the Agency's view, not been analysed sufficiently and to the degree it would be expected for such an important decision.</p> <p>Regarding the market impact, the inconsistency between the bids defined as optimal by AOF (hence the ones determining the cross-border marginal price in every optimization cycle) and the ones requested for activation, questions the efficiency of the pricing. The higher the difference the lower the benefit of market integration. This is expected to be analysed further as part of the annual report in accordance with Article 13(2) of the aFRRIF</p>
<p>1 respondents does not support the proposal of the Agency for monitoring the deviations (Enel).</p> <p>This respondent notes that the aFRP is a very technically complex process that runs every few seconds and affects the dynamics of a very wide network. The control demand model that TSOs propose minimizes the changes in the individual controllers and, therefore, the unexpected effects in these dynamics. The aFRP Process should guarantee the stability of the</p>	<p>The Agency agrees with the statements for the aFRP and the control demand in the comment, and does not question the importance of the stability of the system. However, the Agency understands that the stability of the control request model has not been assessed properly so far, and given the incompilance of the control demand model with the requirements of the</p>

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<p>system and we consider this the most important point. Therefore, we agree on the proposed control demand model. Additionally, each TSO should have its own procedures to monitor the non-fulfilments of its own BSPs.</p>	<p>EB Regulation, an educated choice between the two models is rather difficult. Therefore, the Agency included in Article 13(4) a requirement for comparing the alternative control models.</p>
<p>Question 2: What would you consider necessary to be reported on an annual basis, as indicator(s), with respect to deviations between selected and activated bids? What would you consider as acceptable level of deviations?</p>	
<p>21 respondents provided an answer to this question</p>	
<p>21 respondents (ACM, AIGET, BDEW, CEZ, EDF, Edison S.p.A., EFET, EnBW, Enel, Energie-Nederland, ENTSO-E , Eurelectric, IFIEC Europe, Illwerke vkw AG, PGE Polska Grupa Energetyczna S.A., Polish Power Plants Association, Slovenská elektrizačná prenosová sústava, a.s., Slovenské elektrárne, a.s., TenneT Netherlands, TIWAG-Tiroler Wasserkraft AG, Total Direct Energie) provided an answer to this question agreeing with the Agency's proposal to monitor the deviations.</p>	<p>The Agency agrees.</p>
<p>1 respondent (Slovenské elektrárne, a.s.) considers that regular reporting is necessary. 1 respondent (Slovenská elektrizačná prenosová sústava, a.s.) believes that annual reporting and evaluation of deviations as indicator is sufficient. 1 respondent (EDF) asks for the monitoring and reports to be public, while 2 other respondents (AIGET, Edison S.p.A.) consider that, in addition to the elaboration of an annual report, these quantities should also be published close to real time. 6 respondents suggest that the necessary important information reported should cover at least: - the deviations as % of aFRR delivered in a different way than selected by the AOF (CEZ, Energie-Nederland, Eurelectric) - the total deviations volume (Energie-Nederland, Eurelectric, IFIEC Europe, Polish Power Plants Association, PGE Polska Grupa Energetyczna S.A.)</p>	<p>The Agency taking into account the comments on the proposed indicators, included the following, as part of an annual monitoring report, in the aFRRIF:</p> <ul style="list-style-type: none"> (a) deviations per LFC area and per aFRR MTU: the differences in MWh between the AOF output and the volume requested for activation by the participating TSO over the specific aFRR MTU; (b) total annual volume of deviations per LFC area: annual sum of absolute values of deviations per LFC area divided by the annual volume selected by the AOF in that LFC area; and (c) total annual volume of deviations in all LFC areas: annual sum of absolute values of deviations from all LFC areas divided by the

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<p>- the number of deviations, which occurred in a given bidding zone as well as the volume and the time in which any significant deviation was observed (Energie-Nederland, Eurelectric, Polish Power Plants Association, PGE Polska Grupa Energetyczna S.A.)</p> <p>- the impacts of such deviations (Energie-Nederland, Eurelectric, IFIEC Europe).</p> <p>2 respondents (AIGET, Edison S.p.A.) emphasize the fact that the indicators that will be chosen for monitoring must be univocally representative of such deviations.</p>	<p>total annual volume selected by the AOF in all LFC areas.</p> <p>The above, as part of the annual report will be published by ENTSO-E on its website.</p>
<p>1 respondent (Enel) suggests that a difference between a selected bid and an activated aFRR bid will lead to a difference between the expected and the actual aFRR energy. But that difference will be also affected by the optimization cycle, the mode of activation and FAT.</p> <p>4 respondents (BDEW, EFET, EnBW, TIWAG-Tiroler Wasserkraft AG) consider that the monitoring should focus on the origins of deviations and that the deviations between the AOF selection and the local activations should be restricted to a technical minimum.</p> <p>1 respondent (Illwerke vkw AG) suggests monitoring to check whether all bids have been retrieved in accordance with the CMOL.</p>	<p>Indeed, the monitoring should focus only on the difference between volumes determined as optimal by AOF and volumes requested by TSOs from BSPs. The actual delays in BSP response should be outside the scope of such deviations.</p>
<p>2 respondents (EFET, Energie-Nederland) consider that, besides the deviations themselves, the TSOs should report on the effect of these deviations on bids in the aFRR and FCR processes. These respondents have noticed that only slight differences in technical and contractual differences have led to larger differences in bids in e.g. the FCR market. 1 respondent (Energie-Nederland) concludes that this aspect of the control demand approach therefore leads to a non-level playing field. However, since this will be the transition model for some time it indeed is important to monitor this aspect.</p>	<p>The Agency notes that this request is not sufficiently elaborated and could not be discussed.</p>
<p>1 respondent (Total Direct Energie) suggests that at least the average volume of the difference between selected and activated bids, the corresponding average prices, and the average occurrence of these deviations should be published.</p> <p>1 respondent (EDF) suggests to monitor the following indicators: - Bids in-the-money non activated - Bids out-the money activated - Economic impact of these deviations (even significant volumes do not necessary mean a loss of economic efficiency)</p>	<p>The Agency added the requested information on the volumes both in absolute and relative terms. The impact on prices has not been included, but may be added to the report based on informal request to TSOs.</p>

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<p>6 respondents (AIGET, BDEW, Edison S.p.A., EFET, EnBW, TIWAG-Tiroler Wasserkraft AG) explicitly state that they refrain from defining an explicit quantitative threshold.</p> <p>3 respondent (Eurelectric, Polish Power Plants Association, PGE Polska Grupa Energetyczna S.A.) note that it is difficult to set any particular, specific formula for determining if the level of deviation is acceptable or not as it may be very different in different market and system conditions. We however believe that such rules should be defined ex-ante and we believe that Agency will manage to define them properly.</p>	<p>The Agency, taking into consideration the comments by the stakeholders and the consultation with the TSOs, decided not to predefine a threshold, but to prescribe in the aFRRIF an open monitoring of the deviations (as described above) and adjust it if deem appropriate, once data are reported by the TSOs.</p>
<p>1 respondent (ACM) considers monitoring to be mainly related to volumes and prices in the AOF in comparison with the volumes and prices settled locally. The starting point of such monitoring should be whether a bid selected by the AOF – which sets the price – has actually received a setpoint (or activation request) from the local TSO. The volume of activation as such is less relevant as actual delivery will always differ between AOF selection and local setpoint requests. ACM suggests to apply initially a threshold of maximum 5% of bids selected and not activated within an ISP and report on this threshold per country.</p>	<p>The Agency understands that one of the main consequences of the deviations is the impact on pricing. As the proposed in the comment indicator might be burdensome (since it is linked to the price-setting bid), it is not explicitly mentioned in the aFRRIF. However, as mentioned above, the TSOs should assess the efficiency of the pricing method of aFRR, as part of the annual report.</p>
<p>2 respondents (ENTSO-E, TenneT Netherlands) highlights that an exhaustive publication of all deviations, bid per bid for each optimisation cycle, would result in approx. 300 trillion data points per year. This respondent proposes to develop meaningful indicators, which assess compliance with EB Regulation as such in an aggregated manner, which allows evaluation by regulatory authorities and stakeholders. TSOs propose as a possible solution to base the indicator on the measurement of delivery of energy within the full activation time.</p>	<p>The Agency agrees that the reporting should not be more demanding than the platform operation, and indeed the purpose is to develop meaningful indicators for assessing the compliancy with the EB Regulation. However, the assessment of the impact of the choices, is also crucial, to the extent it affects the efficient functioning of balancing markets.</p>
<p>Question 3: Would you support the harmonisation of FAT by 17 December 2024? What solutions would you suggest for mitigating the concerns on the level playing field until the full harmonisation?</p>	
<p>29 respondents provided an answer to this question.</p>	

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<p>17 respondents agree with the proposed harmonisation of the aFRR FAT (ACM, AIGET, BDEW, Danish Energy, Edison, EnBW, Enel, Energie AG Oberösterreich, Energie-Nederland, Energy Norway, Illwerke vkw AG, Next Kraftwerke, RWE Supply & Trading, Slovenské elektrárne, a.s., Swedenergy, TIWAG-Tiroler Wasserkraft AG, Total Direct Energie, UPM-Kymmene Oyj).</p> <p>Additionally, 5 respondents support a harmonization even earlier (UPM, Enel) or as soon as possible (ACM, RWE Supply & Trading, Illwerke vkw AG). 3 respondents (Illwerke vkw AG, BDEW, Enel, EnBW, TIWAG-Tiroler Wasserkraft AG) suggest that the start of the aFRR IF should include a single FAT of 5 minutes for all participants. 1 respondent (Illwerke vkw AG) considers that the reduction of the FAT should be rated higher in monetary terms. 1 respondent (Energie AG Oberösterreich Trading GmbH) considers that no intermediate steps on the way to full harmonization should be set and that the intermediate steps could jeopardize the objective of the earliest possible harmonization.</p> <p>1 respondent (RWE Supply & Trading) urges TSOs to be more ambitious in order to harmonise the FAT even earlier. Generally, this respondent sees no merit in delaying the implementation of certain parameters as effectively two or more different products (with different FATs) will be competing in the MOL, leading to higher balancing costs and thus having a negative effect on social welfare.</p> <p>1 respondent (Enel) agrees on the concerns of a possible lack of level-playing field with different FAT requested to BSPs. This respondent also considers that different response ramps in the same synchronous area, would lead to disturbances in the correction of the frequency deviations.</p> <p>5 respondents explicitly express also their support for the proposed duration of FAT (AIGET, BDEW, EnBW, Energie AG Oberösterreich Trading GmbH, TIWAG-Tiroler Wasserkraft AG)</p>	<p>The Agency, taking into consideration that the vast majority of the respondents either supports or does not object to the earlier harmonization of aFRR FAT, amended the Proposal to set the new deadline to 17 December 2024.</p> <p>The Agency understands the concerns on the unequal level-playing field at the beginning of the operation of the aFRR-Platform, but it also acknowledges the technical challenges for TSOs and some BSPs to adapt to the lower aFRR FAT. Although the Agency would prefer even earlier harmonisation of FAT, it considers that it would be difficult to achieve given the concerns raised by some stakeholders.</p>
<p>1 respondent (Energy Norway) notes that it is important that the regional needs are taken into account when harmonising the FAT, as well as the possibility of the BSPs to provide a short FAT, to support the operational security (not being punished if the harmonised FAT is relatively longer).</p>	<p>The Agency agrees that FAT should be harmonised at EU level, but TSOs may locally incentivise even faster ramping, without penalising those BSPs which meet the FAT requirements.</p>

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<p>1 respondent (Enel) asks the Agency to reflect on how a CMOL can be built based on bids by BSPs and demand by TSOs with different FAT. Regarding possible solutions: this respondent proposes to harmonize, at least, the Mode of activation (ramping approach vs FAT approach). In this respondent's opinion, the CE synchronous area already faces very high frequency deviations, due to step schedules and due to the different real time responses in the different LFC areas. Even without a harmonized FAT, an equal mode of activation to ramping approach would mitigate the disturbances.</p>	<p>The Agency considers that the original problem is in the control demand model, which ignores different values of flexibility. The control demand model is very similar to imbalance netting (i.e. economic imbalance netting)</p>
<p>3 respondents (BDEW, EnBW, TIWAG-Tiroler Wasserkraft AG) consider that an intermediate step with a FAT of 7.5 minutes would trigger additional implementation efforts with unnecessary costs for market participants. Furthermore, allowing a FAT of 7.5 minutes with some TSOs while other TSOs request a FAT of 5 minutes does not comply with a level playing-field approach. Furthermore, the explanatory document states that introducing a merit-order activation with 7.5 minute FAT might jeopardise system security.</p>	<p>The Agency agrees.</p>
<p>respondent (Total Direct Energie) considers that one solution until the FAT harmonisation could be to integrate the FAT as an input for the AOF in order to compensate the distortion created by the different FAT. Weighting the largest FAT by a penalizing coefficient for example. This respondent also recommends setting the maximum limit to a 7.5 min FAT in order to limit the distortion. This limit should incentivise the BSPs to reach the 5 min FAT as soon as possible</p>	<p>The Agency considers this as an interesting idea, but it would complicate the AOF a lot.</p>
<p>1 respondent (Next Kraftwerke) notes that bringing one year earlier the deadline for the aFRR FAT harmonization seems not really ambitious because different FAT will still exist for two years after the go live of the aFRR platform. This equals two years of unfair competition in aFRR markets due to deviating requirements concerning the standard product definition! In order to mitigate the impact on level playing field, this respondent would suggest postponing the introduction of marginal pricing for aFRR to the point in time when FAT is harmonised. Such postponement could not avoid the competitive advantages of a longer FAT within the platform, however, higher infra-marginal rents for BSPs, which have a cost advantage because of FAT above five minutes, are at least not possible.</p>	<p>The Agency understands this proposal and notes, that pay-as-bid pricing does not prevent infra-marginal rents as BSPs would always try to predict marginal bid price. Thereby such a proposal would be a drastic change of the target model without clear benefits to improve competition.</p>

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<p>2 respondents (Danish Energy, Swedenergy), in the light of the slow overall progress in European harmonisation of balancing markets and products, consider that the question of implementing the FAT harmonisation in 2024 or 2025 is of little importance. Currently Nordic TSOs are developing their own, regional MARI and PICASSO like platform to be used with specific Nordic products. These Nordic platforms are expected to go live in 2023 and would – if the development and implementation of these platforms is to make any economic and technical sense – probably run for at least a couple of years before the Nordic joins the European platforms. This respondent urges ACER to maintain a frank dialogue with NRAs and TSOs on the development of regional initiatives that may impede European harmonization. As long as regional differences in balancing products and market platforms remain strong and unaddressed we see significant level playing field issue in maintaining different FATs for a handful of years.</p>	<p>The Agency agrees. The final target and harmonisation should be considered in all regional initiatives, and regional decisions should not impede the final solutions.</p>
<p>1 respondent (Energie-Nederland) notes that although in the 13 November workshop ACER stated that a lower FAT would lead to more competition, to this respondents' view this is not the case. On the contrary, a lower FAT value leads to entry barriers and less competition. FAT should be tuned to TSO needs to fulfil the control target. This respondent also notes that there is no clear analyses based on that principle that leads to a 5 minutes FAT.</p>	<p>Indeed, lower FAT would reduce competition, but would better reward flexibility and provide incentives for development of new faster technologies. In combination with mFRR FAT, which is 12.5 minutes, the overall solution provides a good balance between segmentation and competition as existing and new technologies can find the appropriate market based on their technical possibilities and sufficient competition is expected within these markets.</p>
<p>1 respondent (Energie-Nederland) considers that, since the FAT harmonisation also involves changes and harmonisation in controller settings, it should be combined with changes to a control request approach.</p>	<p>The harmonisation of FAT coincides with the requested analysis of alternative approaches to control demand model. The Agency will diligently explore this option in light of the arguments to the first consultation topic.</p>

Respondents' views	ACER views
<p>2 respondents (EFET, Eurelectric) note that whatever the deadline for a harmonization of the FAT, full transparency and clarity should be provided on the way to the target: a concrete timeline with clear milestones should be provided by the TSOs.</p>	<p>The Agency agrees.</p>
<p>1 respondent (Eurelectric) asks for the publication of the study/assessment leading to the choice to harmonize the FAT at 5 minutes.</p>	<p>The Agency understands that this value has been determined by TSOs subject to their analyses and with consultation with stakeholders.</p>
<p>1 respondent (Eurelectric) suggests, in order to avoid 2 consecutive changes, to envisage a synchronization between the harmonization of FAT and the switch to a control request approach (since both will require modifications of the controller settings).</p>	<p>The control request model is not yet defined as a legal obligation. However, the Agency understands that BSPs would not be directly affected by possible introduction of control request model.</p>
<p>2 respondents (PGE Polska Grupa Energetyczna S.A., Polish Power Plants Association) note that they in general agree with the Agency's proposal, however it may be worth considering to not impose strict harmonization date but to monitor the development and natural harmonization of BSPs' activation time and decide on imposing harmonized FAT based on gathered information. These respondents are not really sure what is meant as "concerns on the level playing field" in the scope of different FATs. In these respondents' opinion it is a natural solution that if there is a bid with FAT longer than applicable in a requesting TSO's system, such bid should be rejected, as it is not contributing to the request's purpose of sourcing needed volume of balancing energy in a given timeframe.</p>	<p>In response to this comment, the Agency understands that TSOs cannot exclude BSPs without objectively defined requirements such as FAT. TSOs may indeed penalise BSPs with slower response, but the level of penalisation would be subject to individual TSOs. Still, these differences among TSOs would mean that BSPs with very fast response and BSPs with very slow response would receive the same price, which distorts competition and does not properly reward flexibility.</p>
<p>1 respondent (EFET) notes that until the full FAT harmonization TSOs can specify any FAT they want for the standard product, and cross-border exchanges will be performed with a FAT of at most 7,5 minutes. This respondent sees drawbacks and advantages to this approach chosen by the TSOs to postpone the harmonisation of the FAT for the standard product:</p> <ul style="list-style-type: none"> - On the negative side, allowing a FAT of 7,5 minutes with some TSO and requesting FAT of 5 minutes with others contradicts the idea of a level playing-field. A framework with a harmonised FAT at 5 minutes from the go-live of the platform, with a possibility for time- 	<p>The Agency does not see much benefit of this proposal as those TSOs that were willing to change FAT to 5 min can do so before the harmonisation deadline and those TSOs, which would be against would apply such exemption/derogation. In practice, it is unlikely that more harmonisation would be achieved. Further, the Agency does not have a</p>

Respondents' views	ACER views
<p>limited and justified exemptions in case of concerns with liquidity or system preparedness in specific countries, as foreseen in the EB Regulation, would incentivise TSOs to harmonise the formulation of their aFRR needs more rapidly, in order to create a true level-playing field among BSPs of all LFC areas.</p>	<p>competence to define formal national derogation process that includes regulatory approval.</p>
<p>- On the positive side, allowing multiple FATs until TSOs are ready to switch to a 5-minute FAT would avoid that TSOs that are currently not ready to harmonise the formulation of their needs with this FAT rely on specific products for an indefinite period of time. This would also allow greater liquidity on the platform, even though competition between BSPs would be somewhat distorted.</p>	<p>The Agency understands that currently LFC controllers cannot work with two or more different FAT values. Therefore specific products are not possible in aFRR.</p>
<p>1 respondent (EFET) notes that in the aFRR explanatory document it is stated that introducing a merit-order activation while allowing 7.5 minute FAT might jeopardise system security: is this acceptable for an intermediate period of 5 or 6 years?</p>	<p>The aFRR explanatory document states that the frequency quality would be worse than the historical quality when choosing a FAT of 7.5 minutes. This result is however strongly sensitive to the degree to which BSPs react faster than required by the FAT, and in any case it is up to each TSO to take the necessary actions to improve the frequency quality of his LFS area(s).</p>
<p>1 respondent (Gas Natural Comercializadora) notes that in the case of aFRR, system security is a priority, so harmonization does not seem so important. Nevertheless, looking for a level playing field to really come and for TSOs to address the complexity of this task in a more direct way, a strict roadmap towards harmonization should be released by the Agency.</p>	<p>The Agency agrees and considers that explicitly defined deadline for harmonisation of FAT provides a sufficient signal for BSPs.</p>
<p>1 respondent (IFIEC Europe) appreciates that ACER strives for better electricity market functioning, in this case through a faster integration of the aFRR markets through a harmonization of the product duration (2024 instead of 2025). This respondent, nevertheless, urges for caution for such approach and can only support bringing forward the deadline insofar this would not lead to a lower liquidity in the aFRR market. This respondent thus would like to get a quantitative and qualitative analysis of the impact on liquidity of the shift towards more</p>	<p>When looking only at procurement costs of aFRR balancing capacity, harmonisation of FAT will by default always reduce competition, at least temporarily. It is the other factors such as flexibility, fair competition, entry of new technologies that shift the argument for the harmonisation.</p>

Respondents' views	ACER views
<p>stringent requirements for existing and new aFRR market participants before agreeing with the proposal of the Agency.</p>	
<p>On the duration of FAT, 1 respondent (IFIEC Europe) notes that in the 13 November workshop ACER stated that a lower FAT would lead to more competition. In this respondent's view this is not necessarily the case. On the contrary a lower FAT value could lead to barriers to entry and less competition. FAT should be tuned to TSO needs to fulfil the control target. This respondent notes that they are not aware of a full (incl. Cost/ Benefit) analysis based on that principle that leads to a 5 minutes FAT. In this perspective it should also be noted that the control request approach incentivizes BSPs to be as fast as possible, regardless of the FAT requirement.</p>	<p>Responses to this respond are already provided above.</p>
<p>1 respondent (TenneT Netherlands) notes that they are not against harmonization of the FAT, but are of the opinion that shortening the FAT has negative effects on the level playing field, since not all BSP will be able to comply with a FAT of 5 minutes. The current proposal also leads to additional complications for TSOs with a FAT that is currently longer than 7.5 minutes, as the FRCE adjustment process has a maximum ramping period of 7.5 minutes (Article 3(8)(g)):</p> <ul style="list-style-type: none"> - Either immediately adjust the FAT locally to at most 7.5 minutes; or - Accept deterioration of FRCE quality due to export of balancing energy to other TSOs. <p>A FAT of for example 7.5 minutes or more is preferable to one of 5 minutes. If a 7.5 minutes FAT was applied immediately it would mitigate concerns on the level playing field as well as on the maximum ramping period of the FRCE adjustment process.</p>	<p>The Agency notes that harmonised FAT will increase level playing field, but may indeed exclude certain participants from the aFRR market (noting that they may instead participate in mFRR market). Indeed, the differences between cross-border FAT and local FAT will need to be covered by each TSO locally (i.e. more activation volumes in case of lower FAT) and this incentivises TSOs to apply the same FAT locally even before harmonisation deadline.</p> <p>This response does not indicate that harmonisation to FAT of 7.5 minutes would be possible from the implementation date of aFRR platform.</p>
<p>4 respondents disagree with the proposed shift of the aFRR FAT harmonisation deadline (CEZ, EDF, ENTSO-E, Slovenská elektrizačná prenosová sústava, a.s.).</p> <p>1 respondent (CEZ) expresses their disagreement with harmonizing FAT to 5 mins. This respondent acknowledges that TSOs performed a techno-economical study to analyze impacts of harmonization; however the study is from our point of view not representative enough. It</p>	<p>This response does not point out what the negative impact of shorter FAT or earlier harmonisation would be for this respondent. Harmonisation is always difficult as different interests and impacts need to be weighed. As regards platform liquidity, social welfare</p>

Respondents' views	ACER views
<p>assesses only 5 western European states, does not evaluate impacts on Eastern Europe at all, and on top of it, it has not been published. No new study has been presented since that moment. Stricter FAT would have significant impact on platform liquidity, and thereby on social welfare. In this light, we ask for maintaining higher value for FAT, i.e. 7.5 mins or at least on preserving original deadline for harmonisation.</p>	<p>regulators are best place to find the correct balance between these interests.</p>
<p>2 respondents (ENTSO-E, Slovenská elektrizačná prenosová sústava, a.s.) note that balancing energy is an energy only product and full activation time is mainly related to pre-qualification and to procurement of reserves. During the transition period, 1 respondent (Slovenská elektrizačná prenosová sústava, a.s.) expects that there would be a lack of balancing aFRR capacity what could lead to higher procurement cost.</p>	<p>This response assumes that the aFRR demand would be the same regardless of FAT. However, the Agency understands that shorter FAT would allow to find a new balance/ratio between aFRR and mFRR reserve capacity.</p>
<p>1 respondent (ENTSO-E) notes that the harmonisation process will require a lot of implementation efforts, in particular from BSPs as all BSPs will need to adapt their dispatch and control systems to be prequalified to meet the new full activation time requirements, in accordance with SO Regulation Article 159. As each providing unit has to be prequalified, there is substantial work between BSPs and TSOs to qualify the capacities according to new FAT value. Since some BSPs will not be able to provide the current amounts of energy volumes while adapting their technologies to a shorter full activation time, at least during the transition period, it is important to ensure that new BSPs and new capacities (e.g. demand response, storage) have enough time to appear and be prequalified. During the period where there is less capacity, TSOs expect to have higher procurement cost (for both balancing energy and balancing capacity).</p>	<p>The Agency considers that 5 years until the harmonisation deadline is sufficient time to adapt these processes. Further, this response assumes that the aFRR demand would be the same regardless of FAT. However, the Agency understands that shorter FAT would allow to find a new balance/ratio between aFRR and mFRR reserve capacity in the sense that a bit less aFRR would be required to restore frequency.</p>
<p>1 respondent (ENTSO-E) notes that TSOs commit to harmonise the full activation times since it is a good market development. The deadline proposed by TSOs is based on the expectations for the needs of the BSPs to adapt to a shorter full activation time. This does not preclude that other TSOs adapt their full activation time to the target model before the proposed deadline of December 2025.</p>	<p>The Agency understands that the change of FAT requires time, resources/costs and might impact procurement costs of aFRR capacities. As regards the required time, the Agency considers that 5 years is sufficient time to implement the change. As regards costs, these are inevitable and do not change if harmonisation is required earlier. Thereby</p>

Respondents' views	ACER views
<p>1 respondent (EDF) considers that TSOs have not established a clear demonstration that a 5 min FAT would be more efficient than 7.5 min FAT at regional scale. This respondent cannot agree with the stated conclusion that a 5 minute FAT is the optimal outcome. Indeed, for countries with a longer FAT, switching to a 5 min FAT will:</p> <ul style="list-style-type: none"> - Significantly hamper the capacities of generation units, resulting in a reduced aFRR liquidity and major extra costs for the procurement of reserves by the TSOs, ultimately supported by final customer. It is of outmost importance to take into account these costs in the assessment. Furthermore, it has been assumed during ACER's workshop on 13 November that FAT 5 minutes would allow to decrease TSO's reserve needs: such an assumption should be formally demonstrated by TSOs. - Enforce a review of prequalification over hundreds of assets, which will represent a significant task and cost, unit by unit (tests, steering procedures, agreements), with at least a significant documentary impact. It will be essential to allow a smooth transition, for instance by reviewing prequalification with performance monitoring rather than upfront tests. Shortening the transitional period to 2024 would worsen all this constraints and costs. While stakeholders are engaged in numerous works for the implementation of the EB Regulation regulation (balancing platforms, ISP 15 minutes), it is necessary to prioritize resource allocation on priority areas. On the other hand, benefits from this shortening are not established. It is essential not to set unnecessary and burdensome constraints that would reduce the liquidity on the platform and the efficiency of the cross-border exchanges of balancing energy. 	<p>procurement costs seem to be the only tangible effect of the change proposed by the Agency.</p> <p>The Agency is unable to judge that the outcome of the study performed by ENTSO-E is significantly flawed without concrete evidence of flaws. The Agency understands that shorter FAT will indeed require additional investments for BSPs or they will be able to offer less aFRR capacity. Shorter FAT is indeed assumed to reduce requirements for aFRR capacity and cross-border integration of aFRR markets should further reduce these requirements.</p> <p>As noted above, the Agency considers that 5 years is sufficient to implement these changes in the prequalification process and possible investments in equipment. The benefits of shorter FAT have been extensively emphasised above, by the Agency and majority of stakeholders.</p>
<p>Question 4: Do you agree with the proposed framework for changing of bids by TSOs? What additional elements would you consider necessary for enhancing the transparency?</p> <p><i>(1. Changes of bids are generally allowed before the TSO energy bid submission gate closure time, but after this gate closure time the changes are allowed only when new information becomes available;</i></p>	

Respondents' views	ACER views
<p>2. <i>The bids affected by the change should still be submitted to the platform and the changes of bids are limited to changes of available volume only;</i></p> <p>3. <i>The changes of bids are limited to cases related to operational security in TSO or DSO networks or changes related to activation of linked bids in other EU balancing platforms after the aFRR balancing energy gate closure time;</i></p> <p>4. <i>The changes related to operational security in connecting TSO network can be related to the congestions (thermal limits);</i></p> <p>5. <i>Changes related to congestions should affect only the most expensive bids (which are less likely to be activated), taking also into account their physical impact on congestion;</i></p> <p>6. <i>TSOs should provide to the aFRR platform and to affected BSPs clear reasons for these changes and report about these changes in aggregated form in annual reporting.)</i></p>	
<p>28 respondents provided an answer to this question.</p>	
<p>15 respondents agree with the proposed framework for changing bids by TSOs (ACM, AIGET, EDF, Edison, Enel, Energie AG Oberösterreich, Gas Natural Comercializadora, Next Kraftwerke, PGE Polska Grupa Energetyczna S.A., Polish Power Plants Association, RWE Supply & Trading, Slovenská elektrizačná prenosová sústava, a.s., Slovenské elektrárne, a.s., UPM-Kymmene Oyj, Wien Energie GmbH).</p>	<p>The Agency agrees.</p>
<p>10 respondent asks for transparency over the use of the mechanism (AIGET, EDF, Edison, Enel, Energie AG Oberösterreich, Gas Natural Comercializadora, Next Kraftwerke, PGE Polska Grupa Energetyczna S.A., Polish Power Plants Association, RWE Supply & Trading), with real-time publication of any declaration of unavailability together with the reasons justifying it (Edison, Enel, Energie AG Oberösterreich, Gas Natural Comercializadora), complemented with a daily (Slovenské elektrárne, a.s.), half-yearly (Next Kraftwerke) or yearly (Energie AG Oberösterreich, Gas Natural Comercializadora) report aggregating reasons for unavailability. Publications should be made available publicly or at least to the BSPs. 1 respondent requests for full transparency concerning the reason for changes on bid level observable for all market participants (Wien Energie GmbH). 1 respondent considers that the</p>	<p>The Agency agrees that transparency is important for the use of this feature and therefore added monitoring and publication requirements for TSOs. Affected BSPs shall be informed the latest by 30 minutes after the relevant aFRR MTU and publication shall be done in accordance with Art. 12(3)(b)(v) of the EB Regulation. The reasoning for changes shall be provided to the aFRR-Platform and the affected BSPs and published in the yearly report in an aggregated form. The Agency also limited the reasons for such changes in Article 9(4) of the Proposal to expected</p>

Respondents' views	ACER views
<p>bidder should be informed if their bids are declared as unavailable to other TSOs than their connecting TSO (UPM-Kymmene Oyj).</p>	<p>violation of operational security limits and conditional bids.</p>
<p>1 respondent considers that underlying reasons for changing bids should be limited (ACM). 1 respondent considers that TSOs should be allowed to change bids for operational security reasons but not for economic reasons (ACM). 1 respondent considers that congestion should be dealt with through remedial actions and not by declaring bids unavailable (RWE Supply & Trading). 2 respondents consider that reasons of operational security justifying that bids are changed by TSOs should only be related to the reserve capacity requirements to the extent that balancing energy cannot be acquired for a given time period from other connecting TSOs and should not relate to the internal congestions which should not have an impact on cross-zonal electricity trade. Further, these respondents ask for clarifications on the monitoring of the mechanism in the context of a central dispatching model, where operational security issues should already be taken into account before bids are submitted to the platform (PGE Polska Grupa Energetyczna S.A., Polish Power Plants Association). 1 respondent considers that the most expensive bids should be the ones to be declared as unavailable to other TSOs because they are also the least likely to be accepted (UPM-Kymmene Oyj).</p>	<p>While the Agency in principle agrees that congestions should be solved before balancing timeframe as much as possible, however, they may persist (i.e. congestion solved but additional trade not possible) or appear close to real time and for this purpose, it is not possible to prevent such occurrences (this is true also in central dispatching systems). Modifying bids or declaring them unavailable on aFRR-Platform can be for congestion reasons or when reserve providing unit is not available and activating the bid anyway could deteriorate frequency. Indeed the affected bids should be the most expensive bids with the condition that these expensive bids have a physical impact.</p>
<p>4 respondents consider that the loss of remuneration faced by BSPs when bids are declared unavailable by TSOs should be compensated (AIGET, EDF, Edison, UPM-Kymmene Oyj). 1 respondent believes that the IF could impose compensation for those bids if they would at the end not be activated although in-the-money; details for the compensation would then be determined in the national terms and condition (EDF).</p>	<p>The Agency does not find a strong legal basis for proposing compensation rules in the aFRRIF, but agrees that non-discrimination shall apply to the bids in accordance with Article 3(2)(a) and 16(7) of the EB Regulation and should be dealt within the national terms and conditions on balancing. This reference was inserted in Article 9(5) of the Proposal.</p>
<p>7 respondents condition their support to the proposed framework for changing bids to significant amendments of the Proposal (CEZ, Danish Energy, Energie-Nederland, Energy Norway, ENTSO-E, Eurelectric, Swedenergy).</p>	<p>The Agency made changes to address concerns on transparency.</p>

Respondents' views	ACER views
<p>2 respondents consider that the aFRR IF and other IFs should be designed so as to avoid the flagging of bids as unavailable, while acknowledging that the Proposal constitutes a first step in the right direction (CEZ, Eurelectric).</p>	<p>The Agency generally agrees. Yet, the right of TSOs have to modify bids or declare them as unavailable is explicitly given Article 29(9) and (14) of the EB Regulation.</p>
<p>6 respondents ask for clarification of the first criterion, and in particular over the new information considered relevant to the extent that it would justify declaring a bid unavailable (CEZ, Danish Energy, Energie-Nederland, Energy Norway, Eurelectric, Swedenergy).</p>	<p>The Agency specified in Article 9(2) of the Proposal that new information that affects the activation of standard aFRR bids is relevant here.</p>
<p>1 respondent is opposed to what is perceived as “possibilities for TSOs to modify and make unavailable bids without further justification” and supports a stricter framework in which under no circumstances can be modified after the TSO energy bid submission gate closure time (Swedenergy).</p>	<p>The Agency agrees that strict and firm rules need to apply to these situations, which limit them to pure operational security issues, but completely preventing these occurrences would not be possible due to operational security concerns.</p>
<p>1 respondent (ENTSO-E) considers important to take into account, where applicable, the linking of bids between different processes, not restricted to balancing platforms, to ensure high-level liquidity of the aFRR/mFRR products and proper balancing operation by the TSOs while guaranteeing system security in accordance with EB Regulation 29(14). The rules for applying these linking of bids will be established under national terms and conditions and approved by each NRA. This respondent stresses that it is important to allow the TSOs to declare bids unavailable due to forced outages of units, as a failure of the BSP to deliver the energy may result in ACE for the connecting TSO and ultimately in system security issues. The modalities to declare technical unavailability of bids by the BSPs have to be established according to article 158(4) of SO regulation and under national terms and conditions approved by each NRA.</p>	<p>The Agency taking into account the TSOs comments amended accordingly the aFRRIF, providing the possibility for linking of bids between different processes (Article 9(4)(b) of the aFRRIF) and for declaring bids unavailable due to BSP’s failure (Article 9(4)(a) of the aFRRIF).</p>
<p>Concerning transparency, 3 respondents ask that the proposal state explicitly that the annual report must be made public (CEZ, Energie-Nederland, Eurelectric).</p>	<p>The Agency specified in Article 13 of the Proposal that the annual report shall be published by ENTSO-E on its website.</p>

Respondents' views	ACER views
<p>3 respondents ask that all bids, including modified bids and bids marked as unavailable, are submitted to the platform for transparency reasons; in addition, TSO justification for changes should be submitted to PICASSO and the BSPs instantly when the decision to modify a bid is taken. There should be no delay in providing this information (Danish Energy, Energy Norway, Swedenergy). 1 respondent agrees and welcomes the publication of all the bids, including the status of the bids, according to Article 12(4) of the EB Regulation, and recalls that publication practices must respect the confidentiality of BSPs (ENTSO-E).</p>	<p>The Agency specified in Article 9(3) of the Proposal that all bids, also bids changed in accordance with Articles 29(9) and (14) of the EB Regulation, shall be submitted to the aFRR-Platform.</p> <p>The Agency agrees to inform both the aFRR-Platform and the affected BSPs by the changes and included a provision in Article 9(8) of the Proposal, respecting confidentiality obligations.</p>
<p>3 respondents consider that the loss of remuneration faced by BSPs when bids are declared unavailable by TSOs should be compensated (CEZ, Energie-Nederland, Eurelectric). 2 respondents believe that the IF could impose compensation for those bids if they would at the end not be activated although in-the-money; details for the compensation would then be determined in the national terms and condition (Energie-Nederland, Eurelectric).</p>	<p>The Agency does not find a strong legal basis for proposing compensation rules in the aFRRIF, but agrees that non-discrimination shall apply to the bids in accordance with Article 3(2)(a) and 16(7) of the EB Regulation and should be dealt within the national terms and conditions on balancing. This reference was inserted in Article 9(5) of the Proposal.</p>
<p>6 respondents disagree with the proposed framework for changing bids by TSOs (BDEW, EFET, EnBW, Illwerke vkw AG, TIWAG-Tiroler Wasserkraft AG, Total Direct Energie).</p> <p>1 respondent considers that the aFRR IF and other IFs should be designed so as to avoid the flagging of bids as unavailable. Congestion should be dealt with through remedial actions and not by declaring bids unavailable. The changing of bids should not affect the balancing energy or imbalance prices. (EFET)</p> <p>4 respondents observe that the linking of bids between different balancing platforms is a duplicate marketing of the same volume and declaring those bids unavailable after activation in a preceding platform is not compliant with the EB Regulation, as they don't constitute the case of internal congestion nor an operational security constraint within the connecting TSO scheduling area, which are the reasons permitted in Article 29.14 EB Regulation for declaring bids unavailable and are tolerable only under severely restricted preconditions (BDEW, EFET, EnBW, TIWAG-Tiroler Wasserkraft AG).</p>	<p>The Agency understands the importance of providing the TSOs with the flexibility to act, by declaring bids as unavailable, when operational security limits are endangered or where the bids are no longer available because some other bids, which are conditional on these bids, have been activated outside the aFRR-Platform. The Agency generally agrees that such an option of linking the bids would not be guaranteed to all BSPs, but only to those where TSOs are willing to accept this arbitrage. However, TSOs argued that activating a bid that TSOs know that it is not available might unnecessarily endanger operational security (i.e. frequency quality). Therefore, in order to ensure</p>

Respondents' views	ACER views
<p>1 respondent (Illwerke vkw AG) does not see the need for declaration of bids as unavailable and their modification by TSOs, except in cases of system critical states of the TSO or DSO networks. Any modification of bids by TSOs after GCT and the reasons for this modification of bids must be monitored and communicated and must be accessible to any participant.</p> <p>1 respondent (Total Direct Energie) considers that any change on the volume of a BSP's bid, should not be done by the TSO. A bid is made by a price and a volume, if the volume must be modified, then the price must be modified as well. The respondent suggests that if the TSO wants to modify the volume of a bid, it should indicate to the BSP by how much it should change it, and the BSP submit the asked volume with a new price. If the BSP does not submit a new price on time, the bid becomes unavailable. However, each time a bid must be modified, the TSO should indicate the reason to the BSP (e.g. congestion, reconstitution of aFRR stocks, etc, like it is done currently in France for tertiary reserve. In the annual report, the total volume of the changes and the origin of these changes should be published.</p>	<p>that TSOs are not unduly changing the bids submitted by BSPs or impacting the market functioning, the cases for bid modification and changes of the availability status is limited to operational security. In addition, a more transparent framework is included in the Proposal, so that every time this option is used, the responsible TSO provides a reason for changing a bid, notifies the affected BSPs and publishes and reports on a yearly basis on the usage of this option in more details. The main motivation of this framework is to clearly specify and limit cases when TSOs can modify the bids submitted by balancing service providers in order to ensure that TSOs do not unduly discriminate between balancing service providers and the bids they have submitted to them.</p>
<p>Question 5: Please comment on other topics indicating clearly the related Article, paragraph and sub-paragraph of the aFRR IF proposal.</p>	
<p>8 respondents provided an answer to this question.</p>	
<p>3 respondents regret missing reference to fallback procedures applicable for aFRR platform (CEZ, EDF, Eurelectric).</p>	<p>The Agency added the reference to fall back procedures in Art. 3(10) of the Proposal.</p>
<p>1 respondent (Energie-Nederland) supports the objective of creating a European balancing market in line with the markets in the other timeframes (forward, day-ahead and intra-day) as this will enable a successful energy transition and states that market parties need clear rules and simple, transparent processes (resulting in low entry barriers and thus more competition) in order to market flexible capacity in an efficient way. Correct price formation should ensure that the most economic capacity is activated to solve the imbalance. This will not happen as long as local imbalance considerations are leading for individual TSOs. The respondent believes that the balancing market should be seen as the residual energy market where TSOs keep the system in balance through re-actively activating bids and settling BRPs with the cross product</p>	<p>The Agency agrees that market parties should have access to a transparent market with clear rules to make best use of their flexibility.</p> <p>The EB Regulation does not specify reactive and proactive balancing approaches and the Agency at this stage sees no legal basis to put an emphasis on reactive process and aFRR. The same is true for the</p>

Respondents' views	ACER views
<p>marginal price of each ISP. The reactive approach is set in Title 3, Load-Frequency Control Structure in the SOGL: The purpose of FRR is to progressively replace activated FCR (143-1-b) and the purpose of RR is to progressively restore activated FRR and support FRR activation (144-1-a,b). This is a sequential approach with the FRCE as input and will use predominantly aFRR and only occasionally an mFRR product (Article 145-5). Imbalance settlement should be based on the marginal price of these activations where an entire (with consideration of congestions) region is being considered, in line with the day-ahead and intraday market. Simple and harmonized rules allow BSPs to offer their energy at the lowest possible price enhancing the overall system. The same price should also be used for BRP settlement to allow for consistent incentives.</p>	<p>SO Regulation, which does not specifically provide preference to aFRR process over mFRR process.</p> <p>While, the Agency generally has sympathy with reactive process, it notes that transition to reactive process is evolutionary process where TSOs need to gain more experience with integrated markets, more experience with real-time congestion management, real-time price signals. Thus the Agency will continue encourage rules which encourage TSOs to gradually test and adopt more reactive approaches, but it is unable to prescribe this shift in a legally mandatory way.</p>
<p>1 respondent notes that each Member State or TSO has its own system/standards for evaluation of balancing services quality and future exchange of balancing services could cause confusions and discrimination and recommends to unify evaluation of balancing services quality (Slovenské elektrárne, a.s.).</p>	<p>The Agency agrees that no unnecessary entry barriers and non-level playing field shall be put on BSPs. Therefore, the Agency sees the merit in harmonisation of these aspects and there are many aspects related to TSO-BSP relationship that are currently not harmonised at EU level. Thus, the Agency invites stakeholders to raise these issues in future discussions on harmonisation of national terms and conditions related to balancing.</p>
<p>1 respondent (TenneT Netherlands) does not support the proposed method of chronological use of cross-zonal capacity by the platforms due to the potential for limiting imbalance netting potential and thereby increasing balancing volumes and related costs. This approach is included in Article 4(2) of the aFRR IF as well as the mFRR IF. This approach can have significant impact as currently benefits of imbalance netting are significant for all participants as can be seen in the social welfare reports: https://www.entsoe.eu/network_codes/eb/imbalance-netting/ Currently in some cases the entire aFRR demand can be netted. Due to differences in activation strategies, this netting would not take place in the mFRR or RR timeframes. Some options to</p>	<p>The Agency understands that this solution only works if one reserves a portion of cross-zonal capacity of aFRR/IN process and at the end this capacity might not be used by aFRR/IN process and would be too late to be used by mFRR or RR process. For this reason, the Agency for the moment see no other feasible option than to apply first-come-first-serve principle for each portion of capacity. Nevertheless, in future,</p>

Respondents' views	ACER views
<p>reach a more efficient solution of allocating cross-zonal capacity between balancing processes are priority allocation of capacity to the imbalance netting process for example on the basis of:</p> <ul style="list-style-type: none"> - Regional optimisation based on different TSO activation strategies (eg. proactive versus reactive) - Iterative process of determining the allocated capacity using unused capacity and missed netting potential as inputs. 	<p>once some experience is gained, TSOs could analyse the potential benefits of reserving cross-zonal capacities for aFRR/IN process.</p>
<p>One respondent (RWE Supply & Trading) urges TSOs to be more ambitious in harmonizing balancing processes and products across Europe.</p>	<p>The Agency agrees, yet it notes that this is a complex process requiring strong support of stakeholders, regulators and other policy makers.</p>
<p>1 respondent (EDF) welcomes the opportunity to answer this public consultation on TSOs proposal for the design of the aFRR-platform and the visibility provided by TSOs throughout the pilot project and previous consultations and workshops. The involvement and the continuous information of stakeholders, both at European and local level, during the design and development phase, operation monitoring and governance of the balancing energy exchange platforms are vital to ensure their smooth implementation and to guarantee that the proposed mechanisms can represent an efficient solution. The respondent fully supports the cross-border exchange of aFRR, being an integral part of the target model for the integration and harmonization of balancing markets at European level. Therefore, it is essential not to set unnecessary or burdensome constraints that would hamper liquidity and efficiency of the cross-border exchanges of balancing energy. In particular, the respondent considers that the foreseen FAT of 5 min would be detrimental to liquidity, and could significantly limit the benefits expected from the platform. The respondent considers that the aFRR IF project submitted by ENTSOE constitutes a pertinent compromise to guaranty efficiency of the platform and liquidity with reasonable implementation delays.</p>	<p>The Agency agrees. See above the responses with regard to FAT harmonisation.</p>
<p>Concerning Article 4, one respondent (EDF) suggests that any additional limitations to cross-border capacity, in particular for operational security purposes in accordance to SOGL article 150, have to be made fully transparent (methodology, values, revisions) to market parties.</p>	<p>The Agency agrees with providing more transparency on the additional limitations. Therefore, Article 4(4) includes an obligation for TSOs using these adjustments to publish the request for these</p>

Respondents' views	ACER views
	<p>limitations, together with a justification for the request, no later than 30 minutes after the end of the relevant validity period in which the additional limitations have been requested.</p>
<p>Concerning Article 5(3)(b), one respondent considers that it introduces confusing language that could result in diluted efforts from the TSOs to harmonise terms and conditions related to balancing. It could also lead to national legislation prevailing over the EB Regulation in the implementation of harmonised and aFRR IF-compatible terms and conditions by the national TSOs. This would be in stark contradiction with Art. 18 EB Regulation and art. 16 of the mFRR IF. To avoid any confusion and in order to fully comply with the EB Regulation, Art. 5.3(b) should be amended as follows: “The TSOs shall harmonise the terms and conditions related to balancing proposed in accordance with Article 18 of the EB Regulation.” (EFET)</p>	<p>The Agency made some changes in Article 5 of the Proposal to clarify the meaning and describe better the relation between this aFRRIF and national terms and conditions. In any case, national legislation cannot prevail over EU legislation and in case it does, stakeholders should challenge such terms and conditions.</p>
<p>Concerning Article 7 of the proposal, 1 respondent (CEZ) would like to highlight that suggested 15 minutes validity period is not in line with Article 53 of the EB Regulation, which allows respective countries to move harmonization to 15 minutes imbalance settlement period to 2025. Generation control systems would not be able to process different validity and imbalance settlement period. Therefore we suggest exemption for these specific cases.</p>	<p>The Agency acknowledges the difficulties to harmonise the ISP to 15 minutes, but it understands that even today the balancing energy market (especially in aFRR market) is already independent from ISP, which means that bid submission, settlement and quality monitoring for delivered balancing energy is not strictly related to ISP.</p>
<p>Concerning Article 8 of the proposal,</p> <ul style="list-style-type: none"> • 2 respondents (CEZ, Eurelectric) support moving BEGCT closer to real-time than suggested 25 minutes. Recital 12 of the EB Regulation requires that integration of balancing energy markets facilitates efficient functioning of intraday market, providing market participants with possibility to self-balance as close as possible to real time. Moving BEGCT to 15 minutes before delivery would significantly increase efficiency of the platform, is in line with above mentioned goal and would avoid overlaps with local intraday market. This issue also relates to definition of TSO GCT, which should 	<p>The Agency understands that the TSOs have taken into account the concerns from stakeholders, with respect to the interactions between the balancing platforms, as well as with the intraday market, and also the required technical processes that need to be finalised before real time. The Agency also considers that, since there is no early implementation project for the aFRR-Platform, no previous experience can be used, in order to assess the time needed for the</p>

Respondents' views	ACER views
<p>not be set as a range, but as a value. As TSO GCT was moved to 10mins before real-time, they do not see any obstacles to move BSP BEGCT to 15 minutes.</p> <ul style="list-style-type: none"> • Similarly, 1 respondent (EFET) would like to remind that during the last hour, local intraday markets remain open in many countries, allowing market participants to re-adjust or rebalance their portfolios. Recital 12 of the EB Regulation explicitly requires the balancing energy market to facilitate self-balancing of market participants up to real-time. Consequences of the inevitable overlap between the cross-border balancing processes and local intraday and self-balancing actions should be minimised by the TSOs. Any excess procurement of balancing resources by the TSO should be avoided. Therefore, only the original TSO demand should be taken into account by the TSO and in the corresponding common merit order list. To maximise the potential alternative use of the returned bids (intraday market or self-balancing) and therefore the social welfare the BEGCT should be set to 15 minutes before real-time. This objective is explicitly stated in the EB Regulation through the requirement that the BE GCT is 'as close as possible to real-time' (Article 24(2) of the EB Regulation). The respondent questions whether the proposed BE GCT time of 25 minutes is indeed as close as possible to real-time. The respondent requests that at least the ambition of the TSOs be to move to a BE GCT of 15 minutes before real-time. This should now be technically feasible considering that the TSO GCT was shortened to 10 minutes before real time in the latest version of the methodology (article 9.1). 	<p>technical processing between the bid submission by the BSPs to the TSOs and the bid submission by the TSOs to the aFRR-Platform. However, the Agency understands that shorter balancing energy gate closure time would allow market participants to also react to changes closer to real-time. While, currently this option is deemed too risky for implementation of the aFRR-Platform, it should, in the Agency's opinion, be explored after the implementation of the aFRR-Platform. Therefore, the Agency currently sees no need to make changes to the balancing energy gate closure time of 25 minutes before real-time, since it gives TSOs sufficient time to assess the received standard aFRR balancing energy product bids for possible risks to operational security by errors in bids or the process of submission.</p>
<p>On Article 10 of the Proposal, 1 respondent (Enel) notes that the individual TSO's aFRR demand calculation cycles should be harmonized. A range of 1 to 10 seconds could lead to disturbances, counteracting or overreacting.</p>	<p>The Agency shares this concern, but at the moment it did not see concrete evidence how this would concretely distort the functioning of the aFRR-Platform. Therefore, the Agency will continue to monitor and observe this aspect during the implementation and operation of the aFRR platform.</p>
<ul style="list-style-type: none"> • On Article 11 of the Proposal, one respondent (EDF) notes that the following data should be published in order to ensure adequate transparency of the aFRR process: Activated upward and downward volumes for each bidding zone; 	<p>The Agency agrees that publication should be sufficient to give transparency to market participants. However, at the same time it needs to weight the</p>

Respondents' views	ACER views
<ul style="list-style-type: none"> • Clearing prices (when appropriate, for each bidding zone); The need expressed by each TSO and the level of satisfied/unsatisfied need; • The available CZC and the used CZC (for each border). <p>The optimisation algorithm should be made public, including future developments.</p>	<p>benefits of additional information to the costs and burdens of publishing it. The Transparency Regulation as well as the EB Regulation define the data publication requirements for balancing. These cover: activated volumes per TSO, cross-border marginal price per MTU, cross-zonal capacities and the description of the algorithm.</p>
<p>On Article 13(1) of the Proposal, one respondent identifies unjustified economic advantages in the first sentence of art. 13.1, “The rules concerning the governance and operation of the aFRR-Platform shall ensure that no participating TSO benefits from unjustified economic advantage through the participation in the aFRR- Platform”:</p> <ul style="list-style-type: none"> • First, art. 13.1 should not lose sight of the objectives of the EB Regulation, and more generally of the integration of European markets. Questions of cost sharing between TSOs should not come in the way of market integration. • Second the notion of “unjustified economic advantage” is not defined: neither in scope (assessment of the economic advantage limited to mFRR process only?), nor in magnitude (what is unjustified?), or in time (over which period would such an unjustified economic advantage be assessed?) If the objective is to avoid free riding of TSOs on the available bids on the European platform, this should be tackled directly. The vague formulation currently included in the IF is an open door for any limitation on TSO participation to the platform. • Third, the provision does not specify any consequences to the occurrence of such a situation. 	<p>The Agency does not share these concerns and understands this provision in the light of Article 20(3)(d) of the EB Regulation which is limited to governance and operation of the platform, but not to how TSOs are using it and possibly benefit from market integration. Therefore, the Agency does not see the need to specify this provision further.</p>
<p>Given the importance of changes to the mFRR IF and any impact on the European platform, stakeholders should be involved sufficiently early in any change process and be formally consulted upon. Such participation and consultation should be included in the governance and decision-making processes (EFET).</p>	<p>The involvement of stakeholders is described in the EB Regulation and in Article 13 of the Proposal, which is deemed sufficient and in line with the legal requirements.</p>

Respondents' views	ACER views
<ul style="list-style-type: none"> • Two respondents believe that TSOs should inform BSPs more often than annually, given the importance of the platform for BSPs (CEZ, Eurelectric). • On Article 13(3), similarly, on reporting, given the sensitivity for the implementation of the PICASSO platform, one respondent (EFET) requests the publication of evaluation reports every six months, rather than every year. 	<p>The Agency agrees that transparency is important and therefore made changes regarding publication, information and reporting obligations to enhance the overall transparency for the aFRR-Platform. The reporting is done yearly (and in some cases at a fixed deadline) on topics that require in depth analysis to give TSOs sufficient time to prepare good monitoring reports. Some other publications will be done as soon as possible after real-time if this is deemed beneficial for market participants. The Agency must also keep the obligations on TSOs proportional, such that they do not cause too much burden that would affect the time and costs for the implementation of the platforms.</p>

3 List of respondents⁵

Organisation	Type
ACM	NRA
AIGET	Energy company
BDEW	Energy company
CEZ, a.s.	Energy company
Danish Energy	Association
EDF SA	Energy company
Edison s.p.a.	Energy company
EFET - European Federation of Energy Traders	Association
Elexon	Association
EnBW	Energy company
Enel	Energy company
Energie AG Oberösterreich Trading GmbH	Energy company
Energie-Nederland	Energy company
Energy Norway	Energy company
ENTSO-E	Association
Eurelectric	Association

⁵The author of the confidential answer is not listed.

Organisation	Type
Gas Natural Comercializadora	Energy company
IFIEC Europe	Association
Illwerke vkw AG	Energy company
Next Kraftwerke	Energy company
PGE Polska Grupa Energetyczna S.A.	Energy company
Polish Power Plants Association	Association
RWE supply and trading	Energy company
Slovenská elektrizačná prenosová sústava, a.s.	TSO
Slovenské elektrárne, a.s.	Energy company
Swedenergy	Association
TIWAG-Tiroler Wasserkraft AG	Energy company
UPM-Kymmene Oyj	Energy company