

**REQUEST FOR AMENDMENT (RfA) BY
ALL REGULATORY AUTHORITIES**

ON

**ALL TSOs' PROPOSAL FOR CLASSIFICATION
METHODOLOGY FOR THE ACTIVATION PURPOSES OF
BALANCING ENERGY BIDS PURSUANT TO ARTICLE
29(3) OF COMMISSION REGULATION (EU) 2017/2195
ESTABLISHING A GUIDELINE ON ELECTRICITY
BALANCING**

23 July 2019

I. Introduction and legal context

Article 29 (3) of the Commission Regulation (EU) 2017/2195 (hereafter: EBGL)¹ requires that by one year after the entry into force of the EBGL, all TSOs shall develop a proposal for a methodology for classifying the activation purposes of balancing energy bids. This methodology shall (i) describe all possible purposes for the activation of balancing energy bids and (ii) define classification criteria for each possible activation purpose.

The all TSOs' proposal for a methodology for classifying the activation purposes of balancing energy bids in accordance with Article 29(3) of the EBGL (hereafter: the Proposal) was received by the last Regulatory Authority (RA) on 11 February 2019. Article 5(6) of the EBGL requires relevant Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make decisions within six months following receipt of submissions of the last relevant Regulatory Authority concerned. A decision is therefore required by all RAs by 11 August 2019.

This agreement of all RAs shall provide evidence that a decision on the Proposal does not need to be adopted by ACER pursuant to Article 5(7) of the EBGL. However, at the same time the Proposal is not approvable by all RAs. Therefore, this agreement is intended to constitute the basis on which all RAs will each subsequently request an amendment to the Proposal.

The all RAs' joint RfA was coordinated through the Electricity Balancing TF (hereafter: EB TF) of ACER and agreed upon through the European Regulatory Forum on 23 July 2019. Amending the Proposal according to the RfA should make it approvable for all RAs.

The legal provisions that lie at the basis of the Proposal and this all RAs' agreement on the RfA can be found in Articles 3 and 29 of the EBGL:

Article 3 Objectives and regulatory aspects

1. This Regulation aims at:

(a) fostering effective competition, non-discrimination and transparency in balancing markets;

(b) enhancing efficiency of balancing as well as efficiency of European and national balancing markets;

¹ Commission regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing, referred to as the "EBGL"

(c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;

(d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;

(e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity;

(f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;

(g) facilitating the participation of renewable energy sources and support the achievement of the European Union target for the penetration of renewable generation.

2. When applying this Regulation, Member States, relevant regulatory authorities, and system operators shall:

(a) apply the principles of proportionality and non-discrimination;

(b) ensure transparency;

(c) apply the principle of optimisation between the highest overall efficiency and lowest total costs for all parties involved;

(d) ensure that TSOs make use of market-based mechanisms, as far as possible, in order to ensure network security and stability;

(e) ensure that the development of the forward, day-ahead and intraday markets is not compromised;

(f) respect the responsibility assigned to the relevant TSO in order to ensure system security, including as required by national legislation;

(g) consult with relevant DSOs and take account of potential impacts on their system;

(h) take into consideration agreed European standards and technical specifications.

Article 29 Activation of balancing energy bids from common merit order list

1. In order to maintain the system's balance in accordance with Article 127, Article 157 and Article 160 of Regulation (EU) 2017/1485, each TSO shall use cost-effective balancing energy bids available for delivery in its control area based on common merit order lists or another model as set with the proposal by all TSOs pursuant to paragraph 5 of Article 21.

2. TSOs shall not activate balancing energy bids before the corresponding balancing energy gate closure time, except in the alert state or the emergency state when such activations help alleviate the severity of these system states and except when the bids serve purposes other than balancing pursuant to paragraph 3.

3. *By one year after the entry into force of this Regulation, all TSOs shall develop a proposal for a methodology for classifying the activation purposes of balancing energy bids. This methodology shall:*

(a) describe all possible purposes for the activation of balancing energy bids;

(b) define classification criteria for each possible activation purpose.

4. *For each balancing energy bid activated from the common merit order list, the TSO activating the bid shall define the activation purpose based on the methodology pursuant to paragraph 3. The activation purpose shall be notified and visible to all TSOs through the activation optimisation function.*

5. *In the event that the activation of balancing energy bids deviates from the results of the activation optimization function, the TSO shall publish the information about the reasons for the occurrence of such deviation in a timely manner.*

6. *The request for activation of a balancing energy bid from the activation optimisation function shall oblige the requesting TSO and connecting TSO to accept the firm exchange of balancing energy. Each connecting TSO shall ensure the activation of the balancing energy bid selected by the activation optimisation function. The balancing energy shall be settled pursuant to Article 50 and between the connecting TSO and the balancing service provider pursuant to Chapter 2 of Title V.*

7. *The activation of balancing energy bids shall be based on a TSO-TSO model with a common merit order list.*

8. *Each TSO shall submit all necessary data for the operation of the algorithm in paragraphs 1 and 2 of Article 58 to the activation optimisation function in accordance with the rules established pursuant to Article 31(1).*

9. *Each connecting TSO shall submit, prior to the TSO energy bid submission gate closure time, all balancing energy bids received from balancing service providers to the activation optimisation function, taking into account the requirements in Articles 26 and 27. The connecting TSOs shall not modify or withhold balancing energy bids, except for:*

(a) balancing energy bids related to Articles 26 and 27;

(b) balancing energy bids that are manifestly erroneous and include an unfeasible delivery volume;

(c) balancing energy bids that are not forwarded to the European platforms in accordance with paragraph 10.

10. *Each TSO applying a self-dispatching model and operating within a scheduling area with a local intraday gate closure time after the balancing energy gate closure time pursuant to Article 24 may develop a proposal to limit the amount of bids that is forwarded to the European platforms pursuant to Articles 19 to 21. The bids forwarded to the European platforms shall always be the cheapest bids. This proposal shall include:*

(a) the definition of the minimum volume that shall be forwarded to the European platforms. The minimum volume of bids submitted by the TSO shall be equal to or higher than the sum of the reserve capacity requirements for its LFC block according to Articles 157 and 160 of Regulation (EU) 2017/1485 and the obligations arising from the exchange of balancing capacity or sharing of reserves;

(b) the rules to release the bids that are not submitted to the European platforms and the definition of the point in time at which the concerned balancing service providers shall be informed of the release of its bids.

11. At least once every two years after the approval of the proposal in paragraph 10 by the respective regulatory authority, all TSOs shall assess the impact of limiting the volume of bids sent to the European platforms and the functioning of the intraday market. This assessment shall include:

(a) an evaluation by the relevant TSOs on the minimum volume of bids that shall be forwarded to the European platforms pursuant to paragraph 10(a);

(b) a recommendation to the relevant TSOs limiting balancing energy bids.

Based on this assessment, all TSOs shall make a proposal to all regulatory authorities to review the minimum volume of balancing energy bids that shall be forwarded to the European platforms pursuant to paragraph 10(a).

12. Each requesting TSO may request the activation of balancing energy bids from the common merit order lists up to the total volume of balancing energy. The total volume of balancing energy that can be activated by the requesting TSO from balancing energy bids from the common merit order lists is calculated as a sum of volumes of:

(a) balancing energy bids submitted by the requesting TSO not resulting from sharing of reserves or exchange of balancing capacity;

(b) balancing energy bids submitted by other TSOs as a result of balancing capacity procured on behalf of the requesting TSO;

(c) balancing energy bids resulting from the sharing of reserves under the condition that the other TSOs participating in the sharing of reserves have not already requested the activation of those shared volumes.

13. All TSOs may establish in the proposals for the implementation frameworks for the European platforms pursuant to Articles 19, 20 and 21 the conditions or situations in which the limits set out in paragraph 12 shall not apply. When a TSO requests balancing energy bids beyond the limit set out in paragraph 12, all other TSOs shall be informed.

14. Each TSO may declare the balancing energy bids submitted to the activation optimisation function unavailable for the activation by other TSOs because they are restricted due to internal congestion or due to operational security constraints within the connecting TSO scheduling area.

II. All TSOs' Proposal

A draft proposal was consulted by all TSOs through ENTSO-E from 12 September 2018 to 13 November 2018 in line with Article 10 of the EBGL. Along with the draft proposal, all TSOs published an explanatory document.

In the public consultation, all TSOs were seeking input from stakeholders and market participants on the draft proposal.

All RAs closely observed, analysed and continuously provided feedback and guidance to all TSOs during various meetings.

The final version of the all TSOs' proposal (Proposal), dated 18 December 2018, was received by the last Regulatory Authority on 11 February 2019, together with an updated explanatory document giving background information and rationale for the all TSOs' proposal.

The Proposal covers the classification of activation purposes and the criteria for classifying solely the activation of standard balancing energy product bids for frequency restoration reserves with automatic activation (aFRR), frequency restoration reserves with manual activation (mFRR) and replacement reserves (RR).

The Proposal envisages two activation purposes for classifying all the activations of balancing energy bids from the common merit order: (i) Balancing and (ii) System Constraints.

The classification criteria to flag each activation as Balancing or System Constraints, refer to a list of activation purposes that can be carried out according to the SOGL. All the activation that aim to achieve the control target of the reserve replacement process in accordance with Article 144(1) of the SOGL and all the activation that aim to achieve the control target of the frequency restoration process in accordance with Article 144(3) shall be classified as "Balancing".

All the activations carried out according to articles 18(1), 18(2), 18(3), 27, 29, 30, 31(3), 32, 39, 152(1) of SOGL shall be classified as "System Constraints".

The Proposal provides also a methodology to identify bids activations for System Constraints from the common merit order list; this methodology is based on the comparison of two different runs of the algorithm of platforms, with and without the enforcement of system constraints.

III. All Regulatory Authorities' Assessment

All RAs request all TSOs to amend the Proposal and to take into account the following all RAs' assessment. The assessment contains a part with general remarks and a part going into detail, assessing every article of the Proposal individually.

III. 1. General Remarks

All RAs agree that, at the moment, the only products defined according to the EBGL provisions are the standard products to be shared in the CMOL, described in the IFs pursuant to art. 19, 20, 21. Specific products are currently not defined, as they could be proposed by each TSO following the approval of the IFs for the European platforms.

The Proposal envisages a methodology for classifying the balancing energy bids activations limited to the standard balancing bids from the platforms. All RAs agree that EBGL does not require to apply the methodology to all the specific products activated locally, while there is a clear provision of art. 29(4) to apply it to all balancing energy bid activated from the CMOL. Nonetheless, the RAs consider that the methodology should refer to “balancing energy bids” in general, without mentioning specific and/or standard products. In this way the methodology becomes future-proof and can be applied to all standard products activated from the CMOL, pursuant to art. 29(4), and possibly to specific products, without prejudice to different classification rules defined in national Terms and Conditions for local activations of all non-standard balancing bids.

The list of purposes for the classification criteria in art. 3(3) and 3(4) can be considered as the general list that includes all the possible reasons for which a bid is activated, according to SOGL. With reference to the application of the methodology to standard products, pursuant to art. 29(4), all RAs understand from the design of platforms that the only tool for imposing a “system constraint” is the so called “interconnection controllability” and not all the purposes listed in art. 3(4) can be satisfied through the interconnection controllability. However, RAs considers that the scope of the methodology is to set up impartial rules to flag the activations of balancing energy with the relevant purpose, while the definition of which TSOs’ needs from the list in 3(4) are allowed to be satisfied by the standard products from CMOL is out of scope and should be included in the relevant implementation framework proposals.

Therefore, all RAs ask TSOs to amend the Proposal, using the general concept of “balancing energy bids” instead of “standard balancing bids” and to adapt articles 1, 2 and 3 accordingly. Moreover, all RAs ask TSOs to take into account also the following request for changes.

III. 2. Requests for changes to the Proposal

Whereas

- Recital (6) refers to a possibility to not forward bids to the European platforms and to use standard balancing bids locally, without sharing with other TSOs. RAs ask TSOs to rephrase this recital to include references to the appropriate SOGL and EBGL provisions for marking bids as unavailable and note that all unavailable bids need to be forwarded to the platforms.

Article 1: Subject matter and scope

In line with the opinion presented in the general remark, all RAs ask TSOs to amend art. 1 in order to reflect the general concept of “balancing energy bids”.

Article 3: Activation purposes and classification criteria

In line with the opinion presented in the general remark, all RAs ask TSOs to amend art. 3 in order to reflect the general concept of “balancing energy bids”.

Moreover, all RAs consider that the activation purposes and the classification criteria included in the Proposal can still be valid for the balancing energy bids in general. TSOs are requested to specify in the Proposal that the methodology must be applied to all standard balancing energy bids, pursuant to art. 29(4) of EBGL, and that the provision of art. 3(5) is the approach to identify the standard balancing energy bids that are classified for system constraints purposes.

TSOs are also requested to explicitly declare that the methodology can hold also for the classification of specific product bids, without prejudice of rules that could be defined in national Terms and Conditions to classify all the bids that do not fall under the provision of art. 29(4) of EBGL.

All RAs consider that a good level of transparency is a basis to ensure an efficient European balancing market. Therefore, RAs request TSOs to provide, when it is possible, all the information, including as an additional layer to the categories of article 3(1), the specific purposes of article 3(4) for which the balancing bid has been activated.

IV. Conclusion

All RAs have assessed, consulted and closely cooperated and coordinated to reach the agreement that the Proposal according to Article 29(3) of the EBGL cannot be approved by all RAs.

According to Article 6(1) of the EBGL, all RAs hereby request an amendment to the Proposal. The amended proposal shall take into account the all RAs' assessment stated above and shall be submitted by all TSOs no later than two months after receiving the last RA's RfA in accordance with Article 6(1) of the EBGL.

All RAs must make their decision to request an amendment to the proposal on the basis of this agreement by 11 August 2019.