

**APPROVAL BY
CONCERNED REGULATORY AUTHORITIES**

ON

**ALL ASYNCHRONOUSLY CONNECTED TSOs'
PROPOSAL FOR COMMON SETTLEMENT RULES FOR
INTENDED EXCHANGES OF ENERGY BETWEEN
SYNCHRONOUS AREAS AS A RESULT OF THE
FREQUENCY CONTAINMENT PROCESS AND OF
RAMPING RESTRICTIONS IN ACCORDANCE WITH THE
ARTICLE 50(4) OF COMMISSION REGULATION (EU)
2017/2195 OF 23 NOVEMBER 2017 ESTABLISHING A
GUIDELINE ON ELECTRICITY BALANCING**

22 May 2020

I. Introduction and legal context

Article 50(4) of the Commission Regulation (EU) 2017/2195 (hereafter: EBGL)¹ requires that by 18 months after the entry into force of the EBGL, all asynchronously connected TSOs (hereafter: concerned TSOs) intentionally exchanging energy between synchronous areas shall develop a proposal for common settlement rules applicable to all intended exchanges of energy, as a result of one or both: i) the frequency containment process for active power output on synchronous area level pursuant to articles 172 and 173 of Regulation (EU) 2017/1485; ii) ramping restrictions for active power output on synchronous area level pursuant to article 137 of Regulation (EU) 2017/1485.

The final proposal shall be subject to the approval of all concerned Regulatory Authorities (hereafter: concerned RAs).

In the process of drafting and submitting the proposal according to article 50(4), the TSOs have adopted a definition of “asynchronously connected TSOs” that affects the geographical scope of the submission to the RAs. In this framework the asynchronously connected TSOs are all those TSOs that host at least one HVDC interconnector connecting two synchronous areas, namely: *50Hertz, BritNed, Eirgrid, ElecLinK, Elering, Elia, Energinet, Fingrid, Litgrid, Moyle, National Grid ESO, NGIL, PSE, RTE, SONI, Statnett, Svenska kraftnät, TenneT DE and TenneT NL*. According to this definition, only the corresponding RAs have received the proposal, establishing the set of concerned RAs.

By submitting this approval paper, all concerned RAs agree to accept the definition of asynchronously connected TSOs and its impact on the submission and decision process.

The all concerned TSOs’ proposal for a methodology for common settlement rules applicable to energy exchanges resulting from frequency containment process and/or ramping restrictions, in accordance with Article 50(4) of the EBGL (hereafter: the Proposal), was received by the last concerned RA on 10 July 2019.

All concerned RAs reached an agreement on 4 December 2019, to request an amendment to the Proposal. The amended Proposal was received by the last RA on 27 March 2020. Article 6(1) of the EBGL requires relevant Regulatory Authorities to make a decision within two months following receipt of submissions of the last relevant Regulatory Authority concerned. A decision is therefore required by all concerned RAs by 27 May 2020.

This agreement of all concerned RAs shall provide evidence that a decision on the amended Proposal does not need to be adopted by ACER pursuant to Article 5(7) of the EBGL.

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

The concerned RAs' joint approval was coordinated through the Electricity Balancing TF (hereafter: EB TF) of ACER and agreed on 22 May 2020.

The legal provisions that lie at the basis of the Proposal can be found in Articles 3, 5 and 50 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;*
- (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 5 Approval of terms and conditions or methodologies of TSOs

1. Each relevant regulatory authority in accordance with Article 37 of Directive 2009/72/EC shall approve the terms and conditions or methodologies developed by TSOs under paragraphs 2, 3 and 4.

[...]

3. The proposals for the following terms and conditions or methodologies shall be subject to approval by all regulatory authorities of the concerned region:

[...]

(k) for the geographical area comprising all asynchronously connected TSOs intentionally exchanging energy, the TSO-TSO settlement rules for the intended exchange of energy pursuant to Article 50(4);

[...]

5. The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. The implementation timescale shall not be longer than 12 months after the approval by the relevant regulatory authorities, except where all relevant regulatory authorities agree to extend the implementation timescale or where different timescales are stipulated in this Regulation. Proposals on terms and conditions or methodologies subject to the approval by several or all regulatory authorities shall be submitted to the Agency at the same time that they are submitted to regulatory authorities. Upon request by the relevant regulatory authorities, the Agency shall issue an opinion within three months on the proposals for terms and conditions or methodologies.

6. Where the approval of the terms and conditions or methodologies requires a decision by more than one regulatory authority, the relevant regulatory authorities shall consult and closely cooperate and coordinate with each other in order to reach an agreement. Where the Agency issues an opinion, the relevant regulatory authorities shall take that opinion into account. Regulatory authorities shall decide on the terms and conditions or methodologies submitted in accordance with paragraphs 2 and 3, within six months following the receipt of the terms and conditions or methodologies by the relevant regulatory authority or, where applicable, by the last relevant regulatory authority concerned.

7. Where the relevant regulatory authorities have not been able to reach agreement within the period referred to in paragraph 6, or upon their joint request, the Agency shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within six months from the day of referral, in accordance with Article 8(1) of Regulation (EC) No 713/2009. 8. Any party may complain against a relevant system operator or TSO in relation to that system operator's or TSO's obligations or decisions under this Regulation and may refer the complaint to the relevant regulatory authority which, acting as dispute settlement authority, shall issue a decision within two months after receipt of the complaint. That period may be extended by a further two months where additional information is sought by the relevant regulatory authority. That extended period may be further extended with the agreement of the complainant. The relevant regulatory authority's decision shall be binding unless and until overruled on appeal.

Article 50 Intended exchanges of energy

[...]

4. By eighteen months after the entry into force of this Regulation, all asynchronously connected TSOs intentionally exchanging energy between synchronous areas shall develop a proposal for common settlement rules applicable to intended exchanges of energy, as a result of one or both:

(a) frequency containment process for active power output on synchronous area level pursuant to Articles 172 and 173 of Regulation (EU) 2017/1485;

(b) ramping restrictions for active power output on synchronous area level pursuant to Article 137 of Regulation (EU) 2017/1485.

8. All TSOs shall establish a coordinated mechanism for adjustments to settlements between all TSOs.

[...]

II. All Asynchronously Connected TSOs' Proposal

The Proposal was not consulted by TSOs, since it is not explicitly provided by Article 10 of the EBGL.

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

The amended Proposal, dated 27 March 2020, was received by the last Regulatory Authority on 27 March 2020, together with an updated explanatory document giving background information and rationale for the Proposal.

The Proposal covers the rules for the common settlement for intended exchanges of energy between Synchronous Areas, resulting from the frequency containment process and the ramping restrictions. It includes the methodology for calculating volumes of intended exchanges and relevant prices, as well as the high-level process for the common settlement between TSOs.

In particular the amended Proposal envisages a common part with general provisions that apply to all interconnectors, including the calculation of volumes of unintended exchanges, and several annexes that specify the pricing rules for each interconnector.

The amended Proposal contains, as required by Article 5(5) of the EBGL Regulation, a description of the timeline for implementation as well as a description of the expected impact of objectives of the Regulation as listed in Article 3.

III. Concerned RAs Assessment

The concerned RAs have assessed the amended Proposal against the requirements of EBGL and the provisions of the previous request for amendment. They believe that TSOs have fulfilled all the requests for changes related to the inclusion of common settlement rules applicable to the intended exchanges of energy as a result of ramping restrictions pursuant to Article 137(3) of SOGL, as required by EBGL Article 50(4).

By approving the amended Proposal, the concerned RAs understand that the aim of art. 1(2) is not to limit the scope of application of the methodology and that the annexes list all the interconnectors which apply the TSO-TSO settlement model for the exchange of Frequency Containment Process and Ramping Restrictions. Concerned RAs understand also that, whenever there will be a change in the list of interconnectors applying the TSO-TSO settlement model for the exchange of Frequency Containment Process and Ramping Restrictions, the Proposal shall be amended accordingly, in order to fulfill the EBGL requirements. Such a change may be needed in case of new interconnectors, but also whenever the present settlement arrangement for existing interconnectors changes from settlement in accordance with chapter 3 to settlement in accordance with chapter 4 of Title V, or the other way around, in accordance with article 44(4) of the EBGL.

IV. Conclusion

All concerned RAs have assessed, consulted and closely cooperated and coordinated to reach the agreement that the amended Proposal according to Article 50(4) of the EBGL can be approved.

All concerned RAs must make their decision on the basis of this agreement by 27 May 2020.