

ACER Decision on SPBC: Annex II

Evaluation of responses to the public consultation on the methodology for a list of standard products for balancing capacity for frequency restoration reserves and replacement reserves

1 Introduction

On 17 December 2019, all TSOs submitted to the Agency an ‘all TSOs’ methodology for a list of standard products for balancing capacity for frequency restoration reserves and replacement reserves in accordance with Article 25(2) of Commission Regulation (EU) 2017/2195 of 23 November 2017’ (hereafter referred to as the ‘Proposal’).

The Agency shall take a decision on the Proposal within six months of submission in accordance with Article 6(10) of the Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019 establishing a European Union Agency for the Cooperation of Energy Regulators (‘Regulation (EU) 2019/942’).

In order to take an informed decision, the Agency launched a public consultation on 19 February 2020 inviting all interested parties to express their views on potential amendments of the Proposal. The closing date for comments was 10 March 2020.

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

- (i) level of harmonisation for standard balancing capacity products; and
- (ii) other topics.

2 Responses

By the end of the consultation period, the Agency received responses from 14 respondents¹.

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.

¹ 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
Question 1: Do you agree with the level of harmonisation for standard products for balancing capacity? If not please specify which aspects are missing in your opinion?	
14 respondents provided an answer to this question.	
4 respondents agree with the level of harmonisation (CEZ, Eurelectric, TRIMET, ENTSO-E).	ACER agrees that at this stage the level of harmonisation seems sufficient but encourages TSOs to use the review process foreseen in Article 25(3) of the EB Regulation. During this review, any new developments should be addressed accordingly with amendments to this SPBC methodology to further increase the level of harmonisation and foster cross-border integration of balancing capacity markets.
3 respondents commented on location of bid and expressed concern for aggregation, virtual power plants and in portfolio based systems (Energy Pool Développement SAS, MVM, EFET) 1 respondent explains that location of bid shall only be used for congestion management and not as entry barrier to the market (Energy Pool Développement SAS)	Article 25(5) of the EB Regulation requires that all bids shall be submitted with a 'location'. TSOs specified with their proposal that the smallest of LFC area or bidding zone shall be provided by the BSPs. In addition, more detailed locational information may be required in terms and conditions for BSPs pursuant to Article 18(5) of the EB Regulation. ACER clarified during the discussion with all TSOs that there is no intention to change existing rules in both unit based and portfolio based systems. The SPBC methodology is also in line with ACER Decisions No 02/03-2020. The implementation frameworks for aFRR and mFRR contain the same provisions for location as the SPBC methodology. For the reason of consistency and the clarification given by TSOs on the matter of location, ACER sees no need to make changes to the SPBC methodology. The specific rules, if this information can be used to deal with congestion in the balancing timeframe are out of scope of this SPBC methodology but ACER sees the possibility to include detailed rules in a proposal in accordance with Article 33 of the EB Regulation.
2 respondents claim that defining a 'resting period' contradicts the definition of a firm balancing energy product (TIWAG, EnBW)	Article 25(5)(d) of the EB Regulation requires that the list of standard balancing capacity products shall contain as characteristic the: minimum duration between the end of deactivation period and the following activation (or 'resting period'). All TSOs proposed

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<p>3 respondents commented on minimum duration between end of deactivation and following activation and did not agree that one default value shall be zero (Eurelectric, EDF, UFE)</p> <p>3 respondents also argue that for a future merger of balancing capacity cooperation this should be harmonised (UFE, Eurelectric, EDF)</p>	<p>this characteristic and set values and ranges in the Annex 1 to the SPBC methodology. Therefore, the proposal is compliant with the EB Regulation.</p> <p>All TSOs consulted with existing and forming cooperation for balancing capacity exchange and included the findings in the SPBC methodology. That is why in addition to the fixed value of zero the possibility of a range was introduced for mFRR. For more information please see Recitals (36) and (37) of the present Decision. ACER agrees with the TSOs' approach to consult with stakeholders when a balancing capacity cooperation is started and to reflect the outcome in the SPBC methodology. The review process foreseen in Article 25(3) of the EB Regulation will make sure that this approach will be followed in future as well. In addition, ACER thinks that a fixed value will better guarantee a merger of different cooperation for the exchange of balancing capacity, since there is less need for harmonisation. ACER agrees that a sufficient level of harmonisation is important for creating a level playing field.</p>
<p>1 respondent wished to harmonise minimum duration of activation for mFRR and RR product (Eurelectric)</p>	<p>The minimum duration of delivery period is included in Article 25(4) of the EB Regulation as a voluntary characteristic. Therefore, ACER sees no legal basis to request TSOs to include such a characteristic in this SPBC methodology.</p>
<p>1 respondent asked that demand side response should not be restricted from the participation in balancing markets (Eurelectric)</p>	<p>ACER agrees that balancing market rules should not discriminate participants from entering the market, which is why Article 3 of the EB Regulation asks for non-discrimination. ACER does not see where the SPBC methodology contradicts this objective.</p>
<p>1 respondent wished to include the activation time in the proposal (Illwerke vkw AG)</p>	<p>The full activation time from Article 25(4) of the EB Regulation is one of the voluntary characteristics and therefore ACER has no competence to request TSOs to include this in the SPBC methodology. On the other hand, ACER thinks that this should be part of a proposal in accordance with Article 33 of the EB Regulation to give clear signals to the market.</p>

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<p>1 respondent points out that a maximum number of overall activations per delivery period could also be included because relevant (CBS)</p>	<p>ACER sees no legal basis to request characteristics to be included in this SPBC methodology beyond the ones defined in Article 25(5) of the EB Regulation. TSOs should include further characteristics to increase liquidity in the market, which should be done with a proposal in accordance with Article 33 of the EB Regulation.</p>
<p>2 respondents commented on additional characteristics and asked for deletion of the respective paragraph or at least that the additional characteristics should be harmonised within a balancing capacity cooperation (EnBW, TIWAG)</p> <p>1 respondent asked that additional characteristics should at least be consulted with stakeholders for transparency reasons (TRIMET)</p> <p>1 respondent does not agree that additional characteristics should be included in the proposal (EFET)</p>	<p>The EB Regulation does not define an exhaustive list of characteristics and therefore TSOs have some discretion to define additional characteristics at national level. National terms and conditions, or a proposal in accordance with Article 33 of the EB Regulation, have to be consulted with stakeholders in accordance with Article 10 of the EB Regulation. In addition, all TSOs already proposed that additional characteristics shall be harmonised within a cooperation for the exchange of balancing capacity. For these reasons, ACER made changes to Article 5(3) of the Proposal to clarify the basis and process of the possibility for TSOs to define additional characteristics for standard balancing capacity products in the national terms and conditions for balancing, in line with the requirements from the EB Regulation.</p>
<p>1 respondent emphasises to keep existing national products next to standard products if they are cost efficient (IFIEC)</p>	<p>ACER has no competence when it comes to declaring specific products on national level but thinks that the requirements from Article 26 of the EB Regulation give sufficient flexibility at national level.</p>
<p>1 respondent asked to change the price resolution to a lower level of 0,1 €/MW because this would be sufficient for BSPs (TRIMET)</p>	<p>ACER agrees with the original TSO proposal on price resolution, which is in line with the price resolution for balancing energy. Consistency between the two products should be kept and currently, there is no proof that a higher or lower price resolution have an adverse effect on the clearing algorithm.</p>
<p>1 respondent asked for possible linking of bids for balancing capacity but explains that: If ACER chooses to retain article 5.3, it should be made clear that linking characteristics that are introduced for standard products for balancing energy should be prohibited for the respective standard product for balancing capacity. Balancing energy bids that originate</p>	<p>ACER does not fully understand the point raised here, where on the one hand linking should be possible and on the other hand should be prohibited. However, ACER sees this as a voluntary feature, that TSOs could propose but there is no legal basis for ACER to request this feature to be included in the SPBC methodology.</p>

Respondents' views	ACER views
from pre-contracted balancing capacity bids must not contain any additional restrictions. (EFET)	
1 respondents recommends that bid divisibility should be harmonised because indivisible bids pose problems in the algorithm due to paradox rejection of bids (EFET)	ACER sees no legal basis to harmonise the bid divisibility but ACER shares the concern that divisible and indivisible bids have different implications for the algorithm to clear a common market for balancing capacity. On the other hand, solutions exist for clearing a market with both divisible and indivisible bids.
5 respondents commented on level playing field which is important for market participants from different countries when TSOs have a cross-border cooperation (IFIEC, Energy Pool Développement SAS, Eurelectric, EDF, UFE)	ACER agrees that a level playing field is important for the balancing capacity market, especially once it operates across bidding zone borders. However, the detailed market design should be included in a proposal in accordance with Article 33 of the EB Regulation and therefore is out of scope. With such a proposal, TSOs should comply with the objectives set in Article 3 of the EB Regulation. ACER has no competence beyond approving this SPBC methodology. Currently, ACER sees no problems for the level-playing field with the standard products as proposed in this SPBC.
Question 2: If you would like to comment on other topics please indicate clearly the related Article, paragraph and sub-paragraph of the SPBC proposal and add a sufficient explanation.	
8 respondents provided an answer to this question.	
4 respondents commented on location of bid and expressed concern that in portfolio based systems information beyond the LFC area or bidding zone cannot be provided to the TSO (CEZ, Eurelectric, EDF, UFE)	Please see answer above on the same topic.
5 respondents commented on direct mFRR and asked for a clarification (CEZ, Eurelectric, EnBW, TIWAG, EDF)	ACER agrees that a clarification is needed to specify that indeed the procured standard product for balancing capacity must be able to deliver an mFRR standard product for balancing energy with direct activation for the purpose of restoring frequency within the Time to Restore Frequency. ACER included this clarification in the new recital 9 in the SPBC methodology.

Respondents' views	ACER views
3 respondents asked that both direct and scheduled mFRR should be possible for balancing capacity bids (EnBW, TIWAG, EDF)	Taking the above explanation into account, ACER could not extend the SPBC methodology to also include scheduled mFRR.
4 respondents asked for possible linking of bids (CEZ, Eurelectric, EDF, UFE)	ACER would like to point out that any possibilities to link bids are a voluntary feature to be included. Therefore, ACER has no legal basis to include this feature.
2 respondents asked that in case of co-optimised allocation of cross-border capacity, it must be ensured that there is a possibility to link bids between balancing capacity market and energy market (Eurelectric, EDF)	On the process for co-optimised allocation of cross-zonal capacity it should be noted that in parallel ACER is handling the respective proposal and would like to point out that the discussion has to be followed there and not in the scope of this SPBC methodology.
1 respondent did not agree with cross-zonal capacity allocation for balancing capacity (EFET)	ACER thinks that the EB Regulation gives a clear legal basis for different methodologies (see Articles 40 to 42), that allow cross-zonal capacity to be allocated for balancing capacity. Once these methodologies are approved, the respective allocation can be used but this is out of scope of the SPBC methodology.
3 respondents asked to clarify cooperation between self and central dispatch TSOs (CEZ, Eurelectric, EFET)	ACER agrees that more detail would be needed to explain, how this should work. ACER thinks that the respective cooperation (if founded) shall explain the details in the relevant proposals. Once a cooperation is established, TSOs of both systems should explain the details in a proposal in accordance with Article 33 of the EB Regulation.

Respondents' views	ACER views
<p>3 respondents asked to clarify the implementation (CEZ, Eurelectric, ENTSO-E)</p> <p>2 respondents further argued that there is nothing to implement (CEZ, Eurelectric)</p> <p>2 respondents asked that it should be clarified that standard balancing capacity cooperation starts only after we have balancing energy cooperation in place (CEZ, Eurelectric)</p> <p>1 respondent asked for sufficient time to implement the SPBC methodology (ENTSO-E)</p>	<p>ACER agrees that the implementation is not sufficiently clear and therefore made changes in the SPBC methodology. The new recital 10 clarifies that: The application and implementation of this SPBC methodology is mandatory for all TSOs that intend to use standard balancing capacity products for frequency restoration reserves and replacement reserves or to exchange balancing capacity in accordance with Article 33 of the EB Regulation.</p> <p>ACER sees no legal requirement that standard balancing energy products can only be provided from standard balancing capacity products. The conversion rules in Article 26(1)(d) of the EB Regulation and the possibility for free bids (no contract for balancing capacity) are alternatives, provided for in the EB Regulation if a TSO does not have standard balancing capacity products.</p> <p>In Article 6 of the proposal, ACER gave TSOs 18 months for implementation.</p>
<p>2 respondents asked that it should be clarified that a TSO can only be in one cooperation per product (CEZ, Eurelectric)</p>	<p>Currently, ACER does not see a risk of multiple cooperation for balancing capacity because only two initiatives are known. In addition, ACER does not see a legal basis to prohibit that TSOs can purchase balancing capacity from different cooperation as long as TSOs comply with the objectives set in Article 3 of the EB Regulation.</p>
<p>1 respondent thinks that in order to guarantee a level playing field between BPS of different countries also the prequalification processes or TSO-BSP settlement should be harmonised (EFET)</p>	<p>ACER agrees that a level playing field is important for the balancing capacity market, especially once it operates across bidding zone borders. The prequalification is out of scope of this SPBC methodology because the rules from the SO Regulation apply. The TSO-BSP settlement for a common market should be included and harmonised in a proposal in accordance with Article 33 of the EB Regulation and therefore is also out of scope of this SPBC methodology.</p>

3 List of respondents²

Organisation	Type
CBS- Centrica Business Solutions	Energy company
CEZ, a.s.	Energy company
EDF SA	Energy company
EFET - European Federation of Energy Traders	Association
EnBW	Energy company
Energy Pool Développement SAS	Energy company
ENTSO-E	Association
Eurelectric	Association
IFIEC Europe	Association
Illwerke vkw AG	Energy company
MVM Partner Ltd.	Energy company
RWE supply and trading	Energy company
UFE- Union of the French Electricity Industry	Association
TIWAG-Tiroler Wasserkraft AG	Energy company
TRIMET Aluminium SE	Energy company

²The author of the confidential answer is not listed.