Energinet, Fingrid, Statnett and Svenska kraftnät proposal for an exemption to disallow balance service providers from transferring their obligations to provide aFFR capacity across bidding zone borders in accordance with Article 34(1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

December 2019
Energinet, Fingrid, Statnett and Svenska kraftnät proposal for an exemption
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Exemption on transfer of Balancing Capacity

ACER Decision on Exemption on transfer of aFRR Balancing Capacity: Annex I

Exemption to the obligation to allow transfer of aFFR balancing capacity for the Nordic
LFC Block

in accordance with Article 34(1) of Commission Regulation (EU)
2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

5 August 2020
Energinet, Finngrid, Statnett and Svenska Kraftnät proposal for an exemption to disallow balance service providers from transferring their obligations to provide AFR capacity across bidding zone borders in accordance with Article 34(1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing.
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Exemption on transfer of Balancing Capacity

Whereas

(1) The Proposal takes into account the general principles and goals set out in the EB Regulation (as specified in the EB Regulation as well as in accordance with Article 141(2) of Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as the “SO Regulation”). This document is hereinafter referred to as the “Proposal”).

(2) This Exemption applies to the Transmission System Operators of the Nordic LFC Block. The Transmission System Operators of the Nordic LFC Block (hereafter referred to as the “TSOs”) are considered the TSOs allowing balancing service providers to transfer their obligations to provide balancing capacity pursuant to Article 34(1) of the EB Regulation. Where the Nordic LFC Block encompasses both Union and third country TSOs, all Union TSOs in that synchronous area shall endeavour to conclude with the third country TSOs an agreement setting the basis for their cooperation.

(3) The goal of the EB Regulation is to establish an EU-wide set of technical, operational and market rules to govern the functioning of electricity balancing markets. It sets out rules for the procurement of balancing capacity, the activation of balancing energy and the financial settlement of balance responsible parties. It also requires the development of harmonised methodologies for the allocation of cross-zonal transmission capacity for balancing purposes. Such rules will increase the liquidity of short-term markets by allowing for more cross-border trade and for the more efficient use of the existing grid for the purposes of balancing energy.

(4) The TSOs are mutually willing to exchange aFRR capacity within the Nordic synchronous area and have developed common and harmonised rules and processes for the exchange and procurement of aFRR capacity. The exchange of aFRR capacity in the Nordic synchronous area is based on a TSO-TSO model (hereinafter referred to as “aFRR”) capacity pursuant to Article 34(1) of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereafter referred to as the “EB Regulation”). This exemption would be limited to the geographic area covering the load frequency control block of obligations across bidding zone borders. This proposal is hereinafter referred to as the “Proposal”.

(1) The Proposal takes into account the general principles and goals set out in the EB Regulation (as specified in the EB Regulation as well as in accordance with Article 141(2) of Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as the “SO Regulation”). This document is hereinafter referred to as the “Proposal”).
Exemption on transfer of Balancing Capacity

Taking into account the available cross-zonal capacity (hereafter referred to as “CZC”) and the FRR dimensioning rules in accordance with Article 157 of the SO Regulation.

(5) This Proposal uses Exemption based on the possibility for TSOs to request an exemption from the requirements of Article 34 of the EB Regulation regarding the transfer of balancing service providers’ obligations to provide balancing capacity between or across bidding zones within the same geographical area, i.e. the Nordic synchronous area, in which the procurement of aFRR capacity takes place. TSOs can request an exemption from the requirement to allow BSPs/balancing service providers to transfer balancing capacity bids when the contracting period is strictly less than one week. The contracting period for the aFRR capacity market in the Nordic synchronous area will usually only be one day, and this is expected to reduce the need for such flexibility among BSPs/balancing service providers relative to a longer contracting period.

(6) Article 5(5) of the EB Regulation requires that the expected impact of the Proposal/Exemption on the objectives of the EB Regulation is described. The expected impact is presented below (points (7) to (9) of this Whereas Section).

(7) The Proposal/Exemption contributes and does not in any way hamper the achievement of the objectives of Article 3 of the EB Regulation. In particular, the Proposal serves the following objectives:

(a) The Proposal/Exemption fosters effective competition, non-discrimination and transparency in balancing markets (Article 3(1)(a) of the EB Regulation). Specifically, the proposal enables still allows the transfer of bids to the greatest extent practical without hampering the ability to transfer balancing capacity obligations within a bidding zone thereby, not harming operational security of supply. The ability to transfer balancing obligations within a bidding zone gives potential BSPs/balancing service providers greater flexibility in managing the risks of being unable to deliver and may encourage greater participation in the market by BSPs/balancing service providers with limited alternative options for managing this risk in their own portfolio. This greater participation should foster competition in the balancing capacity market. It should also ensure that there is no implicit discrimination in favour of competitive advantage for balancing service providers having a portfolio of balancing capacity across different bidding zones, which might otherwise be far better able to manage the risk of non-delivery far better by effectively transferring capacity obligations among/within their portfolio. Finally, by establishing a common structure for the exemption across the whole Nordic aFRR capacity market and structuring the exemption rules based on bidding zone design and therefore in relation to the capabilities of the regional electricity network, we ensure borders a level playing field for balancing capacity providers across the Nordic synchronous area is ensured.

(b) The Proposal contributes to the objective of integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security (Article 3(1)(c) of the EB Regulation) because the method used to award aFRR capacity
Energinet, Fingrid, Statnett and Svenska Kraftnät proposal for an exemption to disallow balance service providers from transferring their obligations to provide aFRR capacity across bidding zone borders in accordance with Article 34(1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing.

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obligations, as described in the TSOs’ proposal for a methodology for a market-based allocation process of cross-zonal capacity for the exchange of balancing capacity in accordance with Article 41(1) of the EB Regulation, ensures that sufficient cross-zonal capacity CZC is reserved to allow for the automatic activation of the awarded capacity. Were If the cross-zonal transfers were allowed, contrary to the Proposal, the transfer of aFRR capacity obligations might result in a situation in which these obligations could not be fulfilled without violating operational security constraints.

(10)(c) The Proposal This Exemption contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the European Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets (Article 3(1)(d) of the EB Regulation) because the method used to award aFRR capacity market obligations, as described in the TSOs’ proposal for the establishment of common and harmonized rules and processes for the exchange and procurement of balancing capacity and for the application of a market-based allocation process in accordance with methodologies pursuant to Article 33(1) and Article 38(1) of the EB Regulation, accounts for the potential value of cross-zonal capacity CZC to the day-ahead energy market. Cross-Allowing the cross-zonal transfers of aFRR capacity obligations would risk obliging TSOs to restrict or reverse the efficient use of cross-zonal capacity CZC by the energy market in order to ensure operational security, because BSPs balancing service providers exchanging aFRR capacity obligations do not face the cost of the changes in cross-zonal the actual allocation of CZC to this extra balancing capacity exchange needed to safely enable the transfer. Preventing Not allowing such transfers prevents such inefficient transfers from occurring.

(11) In conclusion, the Proposal contributes to the general objectives of the EB Regulation to the benefit of all market participants and electricity end consumers.

SUBMIT THE FOLLOWING PROPOSAL TO THE RELEVANT REGULATORY AUTHORITIES WITHIN THE NORDIC SYNCHRONOUS AREA:
Energinet, Fingrid, Statnett and Svenska kraftnät propose for an exemption
to disallow balance service providers from transferring their obligations to
provide aFRR capacity across bidding zone borders in accordance with
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Exemption on transfer of Balancing Capacity

TITLE 1

General provisions

Article 1

Subject matter and scope

1. The Proposal shall be considered asThis document establishes the common proposal from the TSOs for an exemption for the TSOs in the Nordic synchronous geographical area from the requirement to allow BSPs balancing service providers to transfer their obligations to provide aFRR capacity pursuant to in accordance with Article 34(1) of the EB Regulation. This exemption would be limited to the transfer (the ‘Exemption’), while respecting the requirements of obligations across Article 32 of the EB Regulation.

1. The Exemption applies to all the bidding zone borders.

2. The Proposal covers of the Nordic synchronous geographic area defined in the common rules and processes adjacent to the bidding zones in which TSOs of the Nordic LFC block perform common procurement of aFRR capacity in accordance with Article 33(1) of the EB Regulation.

Article 2

Definitions and interpretation


2.1. In the Proposal Exemption, unless the context requires otherwise:

(a) the singular indicates the plural and vice versa;

(b) the table of contents and headings are inserted for convenience only and do not affect the interpretation of the Proposal and this exemption;

(c) any reference to cross-zonal capacities shall include also the reference to allocation constraints as applied in the respective capacity calculation methodology pursuant to Article 20 of the CACM Regulation or Article 10 of the FCA Regulation;

(d) any reference to legislation, regulations, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it then in force.

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Exemption on transfer of Balancing Capacity

(e) any reference to an Article without an indication of the document shall mean a reference to this methodology.

TITLE 2
Exemption

Article 3
Exemption to transfer bids aFRR capacity obligations between bidding zones

1. A BSP shall not be allowed to transfer its obligations as a balancing service provider’s obligation to provide aFRR capacity, i.e. results from the selection of an accepted aFRR capacity bid, in the procurement of aFRR capacity pursuant to Article 33(1) of the EB Regulation.

2. A balancing service provider shall not be allowed to transfer the obligation pursuant to paragraph 1 across bidding zone borders.

TITLE 3
Final provisions

Article 4
Publication and implementation of the ProposalExemption

1. The TSOs shall publish the ProposalExemption without undue delay after the relevant regulatory authorities in the Nordic Capacity Calculation Region have approved the Proposal or a decision has been made by the European Union Agency for the Cooperation of Energy Regulators in accordance with Article 5(6), Article 5(7), Article 6(1) and Article 6(2) of the EB Regulation.

2. The TSOs shall implement the Proposal at the same time as the common and harmonised rules and processes for the exchange of aFRR capacity in accordance with Article 33(1) of the EB Regulation are implemented by the TSOs of the Nordic LFC Block.

Article 5
Language

The reference language for the ProposalExemption shall be English. For the avoidance of doubt, where TSOs need to translate the ProposalExemption into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 7 of the EB Regulation and any version in another language, the relevant TSOs shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of the ProposalExemption.

this Exemption.