

# **EXPLANATORY DOCUMENT ON NETWORK CODE DEMAND RESPONSE (NC DR) IMPACT TO EB REGULATION AND RECOMMENDED AMENDMENTS - ENTSO-E PROPOSAL**

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## Executive Summary

This document describes the proposals including justifications for the amendment to the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereafter 'EB Regulation') with the goal of aligning EB Regulation to the new Network Code on Demand Response (NC DR).

The new NC DR has been drafted in accordance with ACER Framework Guidelines on Demand response by the Drafting Team of ENTSO-E and the EU DSO Entity together with the Drafting Committee. The NC DR, as drafted today, impacts the EB Regulation.

An analysis was conducted by ENTSO-E with the purpose to identify the set of amendments necessary to ensure consistency between EB Regulation and the new NC DR. Due to the tight schedule, the discussions with the DSO Entity on the points below were not concluded. Therefore, additional to the joint amendment proposal, ENTSO-E proposes to amend:

1. Terms and Conditions for Balancing;
2. TSO-DSO interactions;

**This document refers to the draft content of the NC DR and the proposed EB Regulation amendments may need to be clarified further once the NC DR content is finalised.**

# 1. Terms and Conditions for Balancing

## Framework Guideline on Demand Response provision

Paragraphs 27, 28 and 29 of FG are applicable Aggregation models.

## Draft NC DR requirements

These EB Regulation amendments refer to Article 19.0(N) “Aggregation models”, Article 25 “General principles for baselining methods”, Article 39 “Principles for Governance and Interoperability” and Article 69 “National Implementation and Condition for Coordination” of the draft NC DR.

## Explanations of required EB Regulation amendments

Aggregation models applied in a given Member States will affect how balancing services are provided through aggregation. Hence, the T&C for BSPs should reflect the relevant aggregation model. Same applies to the use of flexibility registers.

In order to ensure consistency between the different TCMs from different NC/GLs, the T&C based on Article 18 EB Regulation should be developed taking into account the rules mentioned above. The proposed provision of article 2 letters b and c uses the wording already applied in other NC/GLs in the context of consistency between TCMs.

In addition, T&Cs for BSPs shall per default be stand-alone and be developed by TSOs only, but be in line with T&C for the local service providers defined in the NC DR.

In case of decision by NRA, they may be merged with local service T&Cs to common T&Cs for SPs on national level.

## Recommended EB Regulation amendments

**The following amendments are recommended to Art. 18(2) of EB Regulation:**

“ 2. The terms and conditions pursuant to paragraph 1 shall:

a) -also include the rules for suspension and restoration of market activities pursuant to Article 36 of Regulation (EU) 2017/2196 and rules for settlement in case of market suspension pursuant to Article 39 of Regulation (EU) 2017/2196 once approved in accordance with Article 4 of Regulation (EU) 2017/2196;

b) apply the aggregation models defined pursuant to Article [19.0] of Regulation (EU) 2025/XXX [NC DR];

c) be consistent with national terms and conditions for flexibility registers pursuant to Article [39] of Regulation (EU) 2025/XXX [NC DR] once approved in accordance with Article [6] of Regulation (EU) 2025/XXX [NC DR]. “

The proposed amendments to Art 18(2) may need to be supplemented with further conditions, subject to the finalisation of the NC DR following the submission.

**The following amendments are recommended to Art 18.5(a), Art 18.5(c), and Art 18.5(d) of EB Regulation:**

“ 5. The terms and conditions for balancing service providers shall contain:

(a) the rules for the qualification process to become a balancing service provider pursuant to Article 16. These rules shall include a simplified qualification process to avoid duplications when the applying balancing service provider is already qualified for as a service provider of local services;

(b) the rules, requirements and timescales for the procurement and transfer of balancing capacity pursuant to Articles 32, 33 and 34;

(c) the rules and conditions for the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to become a balancing service provider. For reserve providing groups or reserve providing units, that exclusively consist of distributed generation and distribution connected demand response and storage these rules and conditions shall include:

- (i) a simplified access to balancing services in case of parallel application to provide different balancing products-;
- (ii) a provision to avoid duplications of prequalification of identical reserve providing units;
- (iii) a process for assigning, switching or removing the balancing service provider;
- (iv) a procedure for validating baselining methods;

(d) the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO during the prequalification process and operation of the balancing market. These requirements shall include:

- (i) roles and responsibility in terms of the flexibility register platform operator(s), including responsibility for operators of reserve providing units and reserve providing groups that exclusively consist of distributed generation and distribution connected demand response and storage;
- (ii) a specification of all procedures for data exchange in relation to the [flexibility register, product verification process for specific balancing products, product prequalification and switching of balancing service providers;
- (iii) a procedure for the balancing service providers to inform all affected parties without undue delay about the reduction the available capacity;
- ~~(iii)~~(iv) Conditions for the balancing service provider’s obligation to pre-notify the flexible customer in case of termination of reserve providing unit’s assignment to a balancing service provider. “

In addition, in connection Art 18.5(a), Art 18.5(c), and Art 18.5(d), there may be a need to add a definition of the specific terms derived from NC DR (e.g., “flexible customer”) to Art.2 of EB Regulation (this is to be clarified in the future process).

## 2. TSO-DSO interactions

### Framework Guideline on Demand Response provision

Section 2 “Roles and Responsibilities” Paragraph 21 of FG reads:

*(21) Article 18 of the EB Regulation requires TSOs in coordination with the affected DSOs to develop TC related to balancing including TC for BSPs and for BRPs on a MS level. The new rules shall require these TC to specify the processes for all potential market participants to offer balancing services, including those engaged in aggregation as well as demand response and storage. These processes shall include at least the requirements for all market participants, including those engaged in aggregation as well as demand response and storage, for becoming BSPs, for the settlement of balancing services, for the balance responsibility and for the settlement of imbalances.*

### Draft NC DR requirements

With regard to balancing, draft NC DR contains Art. 69(2)(b) (Title VII) on the TSO-DSO coordination.

### Explanations of EB Regulation amendments

The NC DR provides that it is possible to communicate grid limitations on DSO level after a BSP submitted its balancing bid. The NC DR foresees communication: “For balancing services, at the latest before the times the bids are processed by the balancing processes in accordance with Articles 24 and 32 of Regulation (EU) 2017/2195, as applicable”. As the processing of bids may be interpreted as a process taking place after gate closure time, it must be possible to establish a sufficient compensation on a national level in case the delivery of a bid is not possible due to a limitation communication after gate closure time. If it would have been communication sufficiently before the gate closure time, the BSP may have been in the position to reflect the limitation in its bids accordingly.

### Recommended EB Regulation amendments – change of Art. 15 (3)

“ 3. Each TSO ~~is entitled to~~ may, together with the reserve connecting DSOs within the TSO's control area, jointly elaborate a methodology for allocating costs resulting from actions of DSOs pursuant to paragraphs 4 and 5 of Article 182 of Regulation (EU) 2017/1485. The methodology shall provide for a fair allocation of costs taking into account the responsibilities of the parties involved. 4. DSOs shall report to the connecting TSO any limits defined pursuant to paragraphs 4

and 5 of Article 182 of Regulation (EU) 2017/1485 that could affect the requirements set out in this Regulation. “