

ENTSOE consultation on all RR TSOs' consultation on amended RRIF



EFET response – 21 October 2020

The European Federation of Energy Traders (EFET*) welcomes the opportunity to provide our comments on the ENTSOE consultation on TSOs performing the reserve replacement process ('RR TSOs') on their proposal for an amendment of the implementation framework for a European platform for the exchange of balancing energy from replacement reserves ('RRIF').

1. Do you have any comments to the amendments regarding interconnection controllability proposed to Art. 3(b)?

The article should read: "The RR TSOs will be allowed to submit a **desired** flow range for specific interconnectors, which will be respected, ~~if possible~~, by the optimization algorithm. The RR TSOs submitting a **desired** flow range will cover the costs of enforcing such a flow. In accordance with the approved methodologies pursuant to Article 30(1) and Article 50(1) of the EBGL, these principles will be applied until 1 July 2022."

The RRIF is a binding document, tentative formulations such as "if possible" or "desired" have no place in it. Moreover, it is not clear for us how the costs will be then supported by the TSO, on a "desired" approach.

2. Do you have any comments to the amendments regarding interconnection controllability proposed to Art. 11(3)?

We don't fully subscribe to the TSOs' reading of article 30(1) of the EBGL: according to EBGL, the methodology developed for balancing energy pricing for replacement reserves shall "determine prices for the balancing energy that results from the activation of balancing energy **for the frequency restoration process**". Whether bids activated in TERRE for other purposes than balancing are part of the frequency restoration process seems debatable. A more thorough discussion would be needed on this point.

3. Do you have any comments to the amendments regarding entities proposed to Art. 10?

We request a stronger commitment of TSOs to properly gather input for and inform market participants of any decisions affecting the functioning of the TERRE project and

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RR platform. This should be more explicitly stated than in the sibylline “validates analysis and outputs from the expert groups” of article 10 (2) (b) iv.

4. Do you have any comments to the amendments regarding entities proposed to the added Annex?

No comments.

5. Do you have any comments to the amendments regarding daily clearings proposed to Art. 11(5)(a)?

We do not agree with the insertion of the words “which is still subject for possible derogation”. First, the clumsy wording of this formulation induces potential confusion between:

- A possible derogation in the mFRR framework for TSOs to use the mFRR platform
- A possible derogation as part of the RR framework to disregard the deadline for TSOs to use the mFRR platform

In the first case, any derogation contained in the mFRR framework would in any case have effects on this provision of the RR framework, so a repetition of the possibility for derogation is pointless. If the wording actually refers to the second case, we oppose the inclusion of a new derogatory provision in the RR framework.

6. Do you have any comments to the amendments regarding counter-activations proposed to Art. 13(5)?

We oppose the extension from 12 to 24 months of the period where TSOs are allowed to use counter-activations without limitations. The introduction of a time limit after which TSOs will have to “minimise the counter-activations which at least may not serve the balancing purpose” was a key part of the compromise reached in the framework of the RRIF adoption. The idea was to ensure that after one year, TSOs limit and justify counter-activations for other purposes than balancing, an activity that we and other market participant representative judge outside the scope of the platform. We this unilateral and non-justified extension of the one-year tryout period as a breach of confidence on the side of TSOs.

As a reminder, we reiterate below our concerns with counter-activations and their regulation in the RRIF:

Article 5 (1) (a) and 13(5) do not include any description of the Activation Optimisation Function (AOF). We remind the TSOs that whatever is in their Explanatory Document is not legally binding, and hence details on the AOF should be included in the RRIF.

In particular, we are worried of the inclusion of a possibility for TSOs to perform counter-activations via the AOF. We generally do not agree to allow counter-activations by TSOs in TERRE, should such counter-activations go beyond what is strictly necessary to meet the balancing needs of a TSO. Counter-activations that clear bids between market participants that are not related to the balancing needs of a TSO exceed the boundaries of the balancing energy procurement process that is the objective of the TERRE platform. As a result, the TERRE platform would become a hybrid market of balancing energy procurement and intraday auction.

In response to stakeholders' concerns with regard to the impact of counter-activations on the intraday market, TSOs carried out an "impact assessment" on the matter in the explanatory document accompanying the RRIF. In a couple of paragraphs without evidence, the TERRE TSOs conclude that counter-activations will have no impact on the liquidity of intraday market. This assertion omits the point that the TERRE platform would offer market participants a way to trade across borders closer to real-time than the XB ID allows. This should also be seen together with the fact that the TERRE project foresees a BE GCT that is possibly concomitant with the ID XB GCT, which means that the full results of the XB ID may not yet available at BE GCT. This leads to the same result, i.e. that market participants will have to make a choice between participating in the last minutes of the continuous intraday market before XB GCT or submitting offers on the TERRE platform. In this case, the possibility for counter-activations will directly impact the liquidity of XBID¹.

As mentioned in our previous replies, regarding the overall objective of the TERRE platform, we reiterate our belief that the goal is to minimise activations: balancing mechanisms in general should be designed to fulfil the balancing needs of TSOs, and the cost of this should be an incentive towards BRPs to balance their portfolio in previous timeframes, especially the day-ahead/intraday market. The inclusion of counter-activations pollutes the imbalance price with market activities. The TERRE platform design should focus on allowing TSOs to procure balancing energy as efficiently as possible. Counter-activations, on the other hand, are rather linked to optimising social welfare. While we appreciate TSOs concerns on this matter – which we would have liked to see make their way in other implementation methodologies such as the Capacity Calculation Methodologies of the CACM Guideline²– we believe that social welfare ought to be assessed beyond the RR process. For us, as long as market participants still have means to optimise social welfare (via the intraday market), such optimisation will happen by letting market participants the opportunity to balance their portfolios as close to real time as possible and by ensuring that TSO actions in the activation of RR are only based on TSO needs, hence fully understandable by the market.

¹ See also [EFET response to TSOs consultation on the TERRE platform \(replacement reserves\)](#)

² See our response to the TSOs proposals of Capacity Calculation Methodologies, last updated on 22 March 2018, available at: http://www.efet.org/Files/Documents/Downloads/EFET_Eurelectric_MPP_NordenergiTSOs%20consultation%20CCM_22032018.pdf

We note the intention of the TSOs in the explanatory document to monitor “the frequency, the volume and the impact of counter- activations on cross-zonal marginal price, URBs, computational time and social welfare during the parallel run phase and a predefined operational period RR-Platform”. We do not agree with this approach: a firm decision not to allow counter-activations should be taken before even the parallel run. We do not believe the question of the merits of counter-activations will be resolved by monitoring that is proposed in the explanatory document. The difficulty with counter-activations is not the frequency of their occurrence, but rather the fundamental market design question of whether or not market deals should take place in a balancing procurement environment. Moreover, as explained previously, we expect an impact on the intraday liquidity as a result of market participants adjusting their bidding behaviour to the choice to make between intraday and TERRE. Such change in behaviour will not occur in the parallel run but only gradually once TERRE goes live. As a result, any result of such an analysis will underestimate the detrimental impacts. EFET therefore asks that TSOs (and thereafter NRAs) make a clear choice on how cross-border intraday markets and the TERRE platform should interact before the TERRE platform goes live.

Finally, the question of counter-activations is largely caused by the proposed ability of TSOs to define their needs in an elastic manner. This creates a demand-supply curve that is very similar to, e.g., the day-ahead market. If, on the other hand, the TSO imbalance needs would be systematically expressed in a non-elastic manner, the imbalance needs of all TSOs could first be netted and subsequently matched with the upward or downward merit order list. This would make the process faster, more efficient and more transparent.

7. Do you have any other general feedback on the RRIF or on the RR process in general?

First, we would like to remind the TSOs that whatever is in their Explanatory Document is not legally binding. The RRIF lacks the necessary details, especially on the functioning of the RR platform

Second, we regret that despite repeated comments from market participants, the RRIF does not foresee the possibility for BSPs located in control areas where TSOs do not perform the RR process to offer RR energy directly on the platform via a cross-border BSP-TSO option.

On transparency, we once again stress the need to for TSOs to commit to properly gathering input for and inform market participants of any decisions affecting the functioning of the TERRE project and RR platform.

Transparency of the TSO actions is also of primary importance. We request that the following data be systematically published:

- Capacity – Price curve

- Information on the cross-border capacity: how much is available/used; which borders were constraining?
- Information on interconnection controllability actions: differences between constrained and unconstrained auction outcomes
- If the formulation of elastic imbalance needs is allowed by the NRAs: bidding structure by each TSO (volume and prices of elastic imbalance needs)

While the harmonisation of national balancing frameworks is not properly speaking in the scope of the RRIF, we remind TSOs of the importance to ensure basic harmonisation of their national framework to allow market participants to compete on a level-playing field. We consider the following three elements as high priority for harmonisation:

- Balancing Energy Deviation Settlement Price, including any additional penalties or market regulation rules
- Imbalance Adjustment
- Removal of national caps and floors to the bidding price (partly addressed in article 11 (3)).

Finally, we would welcome a press statement by ENTSOE with the go-live dates of TERRE in the different countries because several of them are joining the project at the time of writing.