

REE consultation on the amendment of Spanish OP to adapt to the national Terms & Conditions related to balancing



EFET response – 30 April 2020

The European Federation of Energy Traders (EFET¹) welcomes REE open approach to this consultation which included three webinars accessible to all interested parties. That said, we would welcome if REE would in future hold at least one webinar in English to facilitate the participation of international stakeholders, for which the implementation of EU wide legislation in Spain might be of relevance.

For instance, this may be already the case for the upcoming webinars on the implementation of the 15 minutes ISP. This would provide a wider picture to all stakeholders of the steps that REE intends to take to achieve the roadmap recently updated and a clear commitment on the timeline proposed. We would also encourage the publication of the webinar's recordings on the public REE website.

We emphasise that in the implementation of any pan-European legislation such as the Electricity Balancing Guidelines (EBGL) and System Operator Guideline (SO GL) by system operators (SOs) and National Regulatory Authorities (NRAs), should not only aim to meet the strict legal text of the obligation. An effective implementation will require a rounded assessment of specific legislation, but also of wider regulation and the policy intent. On such basis, we consider that the proposals at times lack this, specifically we want to note the requirements set by Article 6 of EU Regulation 2019/943 to which we will refer through the text as appropriate.

Noting the above, we support efficient implementation of the guidelines as these were intended to ensure effective market design and fair competition to all.

Implementation and practicality of key concepts such as BRP

The proposal appears to be giving an interpretation to the balancing responsible party concept which aligns with the current Spanish market design, more than that of the EBGL. Through REE webinar on the 14th of April it was emphasised that under each BRP there will be two balancing positions according to article 21(6) of the national terms and conditions approved by CNMC, one for consumption and one for generation which will not be netted.

While we recognise that REE proposal is in line with European regulation for the immediate future (article 54(3)(b) applies), we recommend REE to propose CNMC an early implementation of the single imbalance position². This will foster the analysis of the rest of design features to be amended, as single pricing and ISP alignment.

² The ACER decision on the Imbalance Settlement Harmonisation Proposal is expected from ACER in June 2020. Even though this decision will allow a 18-month period to adopt all the prescriptions in the methodology, there is no limitation for CNMC and REE to implement this earlier.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org

We encourage REE that when market participants proof BRP relationship, agreements should be nimble. We would welcome that the sole level of proof being a copy of a signed bilateral contract between the parties.

Commercial schedule ‘exchanges’ between market participants

We consider positive the proposal that market participants will be allowed to adjust/exchange their schedules after the close of each round of the continuous intraday market.

We propose to extend the measure to the day-ahead and intraday markets.

Minimising barriers to the balancing market and redispatching.

The proposal is not compliant with requirement to eliminate price limits as stated in Article 10 of EU Regulation 2019/943. Negative price bids on technical restrictions management process are only allowed in hours with negative prices in intraday-auctions or day-ahead market outcomes. We consider that there should be no administrative restriction to place negative bids, or price limits of any kind as required by EU legislation and the EU Target Operating Model.

Management of technical restrictions through generation reduction is a service which should always be market-based (i.e. with a financial remuneration depending on market conditions, not set upfront administratively), as it provides and should compete with reducing consumption units. This should include any restrictions to the PDBF, which should be limited through market-based mechanisms. This is in accordance with Article 13 EU Regulation 2019/943.

System needs and constraints must be managed first and foremost through market-based measures. Only when these are exhausted, non-market-based tools might be used. A side from ensuring that the most cost-efficient tool is deployed, it also enables a more accurate cost benefit assessment between managing constraints through market mechanisms vs additional infrastructure investment. This way, also ensuring that limited resources available for infrastructure investment are well targeted.

Ensuring a competitive market with a level playing field

One of the pillars of effective markets is minimising entry and exit barriers, as well as ensuring that no unnecessary restrictions are placed on selected parties, as stated by Article 6 of EU Regulation 2019/943 particularly article 6(1)(c). On this basis, we do not see any benefits of unnecessary constraints to how production units (Spanish acronym UPs) for demand and storage are structured. We consider that market participants in a competitive market should be allowed to create one or more storage and aggregated demand units under the BSP umbrella as long as these are over 1MW in size.

This will allow market participants to structure the storage and aggregated portfolios based on their individual commercial and/or operational preferences, which may not only reflect different commercial arrangements with market participants customers, but also allow for diverse set-ups within market participants.