

ACER consultation on the TSOs' proposal of a list of standard products for balancing capacity for FRR and RR



EFET response – 10 March 2020

The European Federation of Energy Traders (EFET¹) welcomes the opportunity to provide our comments on Article 25(2) of Commission Regulation (EU) 2017/2195 (the 'EB Regulation') of the transmission system operators' (TSOs) methodology for a list of standard products for balancing capacity for frequency restoration reserves and replacement reserves (hereafter 'SPBC methodology').

General thoughts on standard products for balancing capacity and reservation of transmission capacity for balancing purposes

EFET welcomes the proposal for standard products for balancing capacity as a cornerstone to integrated European balancing markets. Common product characteristics are vital to provide a level-playing field in joint balancing capacity procurement.

This being said, these standard products will be developed for use by the TSOs in the context of balancing capacity cooperations between TSOs. Such cooperations foresee, in reality, the reservation of cross-border transmission capacity by the TSOs for balancing purposes. Since the early stage of drafting of the Electricity Balancing network code, we have opposed this idea. Though by the time of the adoption of the EBGL, the concept was rebranded as "cross-zonal allocation of capacity", its effects remain the same.

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

The cross-border reservation of transmission capacity by the TSOs for balancing purposes poses a serious risk to the availability of cross-border transmission capacity in the preceding trading timeframes. By allocating transmission capacity specifically for use in the balancing timeframe, TSOs remove available capacity from the allocation in the other timeframes, thereby restricting market participants' ability to adjust their positions across borders in the most economically efficient manner, and to contribute to overall system balance.

The use of cross-border transmission capacity is a key element of European market integration in the forward, day-ahead and intraday timeframes. A major objective of integration projects such as the EU Harmonised Allocation Rules for forward transmission rights, as well as single day-ahead and intraday coupling are to improve the access and use of such transmission capacity by the market. Reserving capacity (from the forward timeframe onwards) for use by the TSOs in the balancing timeframe would turn the clock back on those improvements.

Q1: 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.

Articles 4, 5.1 and 5.2 set the basic characteristics of balancing capacity products (including granularity, minimum bid size, location).

On the mandatory characteristics, we consider it fundamentally impossible to associate a location with a capacity bid, since the bidding is portfolio-based and not unit-based, and BSPs don't necessarily know themselves which unit(s) they will use to fulfil their commitment at the time they bid in the capacity auction. Imposing a choice ex-ante of the units that will be used would be extremely restrictive and would for example prevent BSPs to react to an unplanned outage. We agree that the information on the bidding zone location is necessary (because it has an impact on the use of XB capacity) – but also sufficient, given the arguments above. Having each standard balancing capacity product bid tagged with a location would cripple portfolio-based bidding by BSPs. Congestions should be tackled with adequate market-based congestion management mechanism, and not foreclose balancing capacity bids.

We consider necessary to specify in the general provisions for standard capacity product bids that market participants should have the possibility to link their bids or, on the contrary, to submit exclusive bids, in order to reflect the constraints of their reserve providing units (handling of limited energy reservoirs, of start-up cost recovery...).

On bid divisibility, as required by the EB Regulation Article 25(5), BSPs may submit divisible bids as well as indivisible bids. The TSOs understand that this characteristic of the bid is valuable for BSPs in order to potentially reflect their costs in a balancing capacity market and therefore do not consider further restrictions. Possibility to submit indivisible balancing capacity bids by BSPs is determined in the national terms and conditions. The TSOs propose to not harmonise the maximum indivisible bids size and leave such decision to the TSOs exchanging balancing capacity or sharing of reserves. This is also in line with the proposal for standard product for balancing energy. However, it must be noted that indivisible bids will introduce complexity in the auction clearing algorithm, which may potentially lead to unwanted effects such as unforeseeably rejected bid (URB), unforeseeably accepted bid (UAB).

Article 5.3 refers to additional characteristics, requested by a single TSO for its control zone within a BCC. Apart from maximum bid size for indivisible bids, we do not see, at this stage, any reason for including additional specific requirements in the standard balancing capacity products. The explanatory document accompanying the consultation does not provide any justification in that regard. We suggest deleting article 5.3.

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 from pre-contracted balancing capacity bids must not contain any additional restrictions.

Q2: 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

Article 3.5: In case balancing capacity cooperation is undertaken, participating TSOs shall strive to ensure a level-playing field among respective participants. This may inter alia concern prequalification processes or TSO-BSP settlement. The current proposal of the TSOs fails to reach the objective of establishing and maintaining a level-playing field.

Also, balancing capacity cooperation between self-dispatch and central-dispatch models should be strengthened as the documents do not provide sufficient certainty on the functioning of such cooperation.