

ACER consultation on the TSOs proposal of a methodology for classifying the activation purposes of balancing energy bids



EFET response – 29 March 2020

The European Federation of Energy Traders (EFET) welcomes the opportunity to provide comments to the ACER consultation on the TSOs' proposal of a methodology for classifying the activation purposes of balancing energy bids in accordance with article 29.3 of the Commission Regulation (EU) 2017/2195 (EB GL Regulation).

Question 1: *Please share your views concerning the scope of the methodology for classifying the activation purposes of balancing energy bids*

Pursuant to Article 29(3)(a) of the EB Regulation, the methodology for classifying the activation purposes of balancing energy bids should “*describe all possible purposes for the activation of balancing energy bids*”. Furthermore, Article 29(4) of the EB Regulation requires that the TSOs activating balancing energy bids from the common merit order lists should define the activation purpose based on the aforementioned methodology.

While the EBGL does not mandate the classification of national uses of balancing energy bids for other purposes, the simple fact that the bids have to be submitted to the common merit order lists before being flagged by TSOs as unavailable because of activation for another purpose than balancing means that the methodology requires a greater level of detail. For standard products, all uses other than balancing, including at national level, should be listed. We support that no new activation purposes can be defined at national level, as ACER expresses in the consultation. Article 1.3 should be amended accordingly.

Reference to national terms and conditions should only be allowed for specific products that are not handled by the balancing exchange platforms, with balancing energy bids that are not included in the common merit order lists. In such cases, best practice should be to publish a technical explanation in national terms and conditions if different criteria are applied compared to the activation purposes of standard products.

On a side note, and while we acknowledge that the current methodology proposal only tackles the activation of energy bids for other purposes than balancing in the CMOLs, we encourage ACER to issue a guidance for the activation by TSOs of energy bids for other purposes than balancing in national merit order lists in Member States that allow joint merit orders for balancing and congestion management. To the extent possible, the same classification (with at least the same level of detail) as the one described in the amended proposal should apply to the activation of specific products at national level.

This matter is likely to have more impact for market participants than the activation of balancing energy bids for interconnector controllability in the CMOLs: indeed, the activation of balancing energy bids for congestion management or margins reconstitution at national level is frequent in Member States that allow such mixed merit orders. We request the following elements be implemented in all national terms and conditions in those Member States:

- Full transparency on the purpose for which the balancing energy bids are activated;
- Proper allocation of costs: bids activated for balancing purposes enter in the calculation of the imbalance settlement price, which is born by BRPs; bids activated for congestion management reasons or for margins reconstitutions enter in the calculation of the network management costs, which are paid by the end-consumers;
- Non-discrimination: bids that are not activated because of congestion management reasons but that should otherwise have been activated for balancing purposes should be duly compensated (from the TSOs' congestion management account), and the imbalance price readjusted accordingly.

Question 2: *Is the level of transparency provided in the amended Proposal with respect to the system constraint purpose sufficient?*

We welcome the fact that TSOs have detailed activation purposes for system constraints in article 3.4. However, we believe that these should not be sub-classifications of the “system constraints” activation purpose, but actual activation purposes because of their relevance, and listed in article 3.1 in place of the general “system constraints” purpose. Moreover, the possibility of flagging a bid with more than one activation purpose among those listed in article 3(4) should be foreseen.

The term “system constraints” is far too vague for this implementation methodology, especially now that detailed elements are available. It opens the door for the activation of balancing energy bids for many more reasons than the one currently identified by the TSOs. We appreciate that, according to article 29.3 EBGL, the possible activation purpose(s) should be precisely defined and itemised.

The replacement of “system constraints” in article 3.1 by the list currently under 3.4 would also ensure that the new – and welcome – transparency requirements of article 3.6 are properly applied: each activation for another purpose than balancing should include the detailed reason, which is not guaranteed with the elements of article 3.4 listed as “classification criteria”.

If the wording “system constraints” is maintained in the methodology, EFET expects that market participants will be consulted on any addition to the list of article 3.4, in order to properly comply with articles 29.3, 5.2(d) and 10.1 EBGL.

Concerning the potential burden this transparency might create on the TSO side (cf. ACER introduction to question 2), we fail to understand the difficulty that TSOs may encounter. TSOs decide on actions to maintain system security and balance for one or more specific reason(s). The reason(s) for activation being known to the TSO, we do not see what would prevent the disclosure of this information as soon as possible after the activation of the balancing energy bid.

Question 3: *If you would like to comment on other topics please indicate clearly the related Article, paragraph of the proposal and add a sufficient explanation.*

EFET notes that paragraphs b, c and d of article 3.5 foresee that two optimisation runs be carried out to classify bid activation. How coherence is ensured with the fact that the mFRR and RR platforms do not call for two optimisation runs to separate the activation of energy bids for system constraints (aka interconnector controllability) and for balancing purposes (cf. ACER Decision 03-2020 on the mFRR IF)?

The workshop organised on 18 March 2020 by ACER allowed us to understand the following:

- Balancing energy bids activated through the European balancing platforms will only be considered as activated for balancing purpose. We regret that, as we lose transparency on the evolution of CZC close to real time (plus the fact that congestion management will directly impact imbalance prices via the ISH proposal).
- Balancing energy bids activated outside of the European balancing platforms (hence activated locally by the connecting TSO) can get both purposes: balancing and system constraint. This means eventually that only Specific Products (the ones not shared on the European Balancing platforms) will have the possibility to be given both purposes. We therefore request full transparency on the activation of those bids for system

constraints (cf. our answer to question 1) as we lose it for all bids activated on the European Balancing platforms, which will affect the balancing energy and the imbalance price.

Generally, a clear distinction should be made between:

- Balancing energy bids that are set as unavailable to the European balancing platforms by the connecting TSOs for system constraints, hence not activated;
- Balancing energy bids that are activated for system constraint.

The same level of transparency as described in the article 3.4 of the amended proposal should apply to those bids set as unavailable.