

## **TSOs consultation on a methodology for the activation purposes of balancing energy bids**



### **EFET response – 13 November 2018**

We thank the TSOs for the opportunity to comment on their draft proposal of a methodology on the activation purposes of balancing energy bids. We are also grateful to ENTSO-E for the organisation of workshops on the subject on 20/21 June and 16 October 2018 as they provide useful insights into the TSO approach to this methodology.

#### Article 3:

**Article 3.1: The TSO activating the bid from the common merit order list shall use the following activation purposes:**

- (a) balancing;**
- (b) system constraints.**

We are disappointed by the lack of precision of the draft methodology proposed by the TSOs. Article 29.3 of the Electricity Balancing Guideline (EBGL) states that the methodology shall “describe all possible purposes for the activation of balancing energy bids” and “define classification criteria for each possible activation purpose”. The proposed methodology only lists them, but no description is provided. EFET considers that the proposed methodology is therefore not compliant with the requirements from the EBGL.

From discussions at the workshops organised by ENTSO-E in June and October, it seems that the only reason why TSOs would activate balancing energy bids for other reasons than balancing is “interconnector controllability”. We suggest that TSOs use this concept and name in the methodology as the only activation purpose available to them aside from balancing.

The term “system constraints” is far too vague for this implementation methodology, and opens the door for the activation of balancing energy bids for many more reasons than the one currently identified by the TSOs. We do not support such open-ended wording in an EBGL implementation methodology. Instead, and according to article 29.3 EBGL, the possible activation purpose(s) should be precisely defined and itemised.

If the wording “system constraints” is maintained in the methodology, EFET expects that market participants will be consulted on the precise list and classification criteria for such system constraints, in order to properly comply with articles 29.3, 5.2(d) and 10.1 EBGL.

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 the TSOs (or, as the case may be, ENTSO-E) to issue guidance for the activation 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.

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.