



## **TSOs' proposal on a list of standard products for balancing capacity for frequency restoration reserves and replacement reserves**



### **EFET response – 25 July 2019**

The European Federation of Energy Traders (EFET) welcomes the opportunity to provide comments on the ENTSO-E consultation on the proposed list of standard products for balancing capacity for frequency restoration reserves and replacement reserves pursuant to Article 25(2) of the Electricity Balancing Guideline (EBGL).

#### **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.

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.

## **Detailed comments on selected articles**

### **Articles 1 and 2 ‘Subject matter and scope’ and ‘Definitions and interpretation’**

- 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.

### **Article 3 ‘General principles’**

- Article 3.2 is rather unclear, as it only refers to the standard mFRR balancing energy product with direct activation. The mFRR implementation framework (currently under review by NRAs and soon to be referred to ACER for a final decision) referred to both direct and scheduled activated products. It is unclear whether the proposal as it stands, changes the mFRR framework or not.
- Article 3.7 should clearly state that rules for converting integrated scheduling process bids to standard balancing capacity product bids “should” be defined in the terms and conditions (not “may”). Article 3.4 should also use “should” instead of “may”. However, we also believe that these articles are redundant as they only repeat obligations from EB GL and SO GL.

### **Article 4 ‘Characteristics of standard balancing capacity products’**

- Article 4.2 refers to additional characteristics, requested by a single TSO for its control zone within a cooperation, for standard balancing products. 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. Also, the additional characteristics foreseen in Article 4.2 to be defined individually by each TSO contradict Article 6, requiring each TSO to apply the SPBC proposal, including the product characteristics. We therefore ask for the deletion of Article 4.2. In particular, the proposed characteristics (“resting period

between activations” and “maximum delivery duration”) contradict the definition of a firm balancing energy product, which this methodology is intended to provide. Even if a TSO requests additional characteristics, which we discourage for sake of level playing-field, those must not lower the requirements of a standard balancing capacity product.

For those reasons, we request deleting article 4.2.

- If the TSOs choose to retain article 4.2 in their final submission to the NRAs, at the very least it should include the principle that any deviation from the standard product characteristics should be applied by all TSOs within a cooperation. The text should then be changed to “All TSOs within balancing capacity cooperation may jointly have additional characteristics ...”
- We would like to know if the current proposal is to have common product definition per cooperation, as opposed to a unique product definition common to the whole Europe. Both approaches have merits and drawbacks, and we encourage TSOs to further elaborate on these. We favour a maximum of one capacity product per energy product per cooperation (see previous comment).
- 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.

#### **Article 5 ‘General provision for standard balancing capacity product bid’**

- We consider fundamentally impossible to associate a location with a capacity bid, since the bidding is portfolio-based and not unit-based, and the BSP doesn't necessarily know itself which unit(s) he will use to fulfil its commitments at the time he bids in the capacity auction. Imposing to choose ex ante 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 with foreclosing of 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...).

## **Additional comments**

- We consider that the TSOs' proposal is not giving any clarity to the market on how the standard balancing capacity product will be shaped. We also regret the lack of common vision by TSOs on how a future standard balancing capacity market will look like.
- Balancing capacity cooperation between self-dispatch and central-dispatch models should be clarified, documents do not provide sufficient certainty on the functioning of such cooperation.
- We ask for clarification that a given TSO cannot be involved in several different balancing capacity cooperations for a given type of reserves.
- Articles 4 and 5 of the proposal should make a clearer distinction between the characteristics of the SPBCs that are mandatory and those that are variable (i.e. defined by the BSP in its bid, with possible restrictions on the allowed values). The validity period should be clearly defined. Currently it is also unclear what the difference between Articles 4 and 5 is, i.e. which characteristics are mandatory for BSPs to meet and which characteristics BSPs may define themselves.