

I. High level response of the Regulatory Authorities on the report

General comments

The NRAs of the EXPLORE countries welcome the progress made by TSOs in this project and the publication of the report on the EXPLORE FRR target model. It is a promising study that can develop towards the European platform(s) for FRR. The NRAs also acknowledge that the difficult choices are still to be made and welcome stakeholders to provide their views on the open design questions. The stakeholder responses will be considered in the finalisation of the study with the objective to propose an FRR target model that can be used as a starting point for the proposals of the implementation frameworks for the European platforms as required by the (draft) Electricity Balancing Guideline.

The study provides the outline of an incentive based balancing market that ensures operational security and incentivise market participants to help the system to restore its balance when and where possible. In an electricity market with an increasing amount of intermittent renewable energy sources a consistent balancing market design is of big importance. The proposed design is consistent between timeframes, allows trading as close as possible to real time and allows TSOs to perform their tasks – while complying with System Operational guideline - at the lowest cost possible.

The study shows that, for such a consistent design, harmonisation and integration objectives need to go hand-in-hand. The TSO efforts show that from a shared common objective of an integrated and harmonised balancing market differences in current national balancing designs can be overcome. The study provides the working assumptions that can reach the harmonization objective through coordinated insertion in the national terms & conditions for balancing. As such the study is a contribution to ongoing national discussions on balancing markets.

On the integration objective it is clear that the more difficult design questions are still open and NRAs are interested in stakeholders views on whether priority should be given to either (or both) harmonization or integration objective. Below NRAs provide their view on the cross-cutting and interrelated design questions including the points that need to be addressed for the final version of the report.

Pricing and settlement

The report describes the interaction between TSO-BSP pricing – what do Balancing Service providers get paid for balancing energy - with TSO-TSO settlement – what do TSOs pay each other when Balancing Energy bids are exported –, the possible designs and their consequences. NRAs support the choice of the remaining options and appreciate stakeholders views on the criteria used to assess the options, the use of marginal pricing vs pay as bid, the required preconditions to materialize the benefits and their preference for a final design.

aFRR concept

The way to exchange aFRR between Load frequency control areas and the choice of aFRR product definition (incl. full activation time) has consequences on the way TSOs keep to their individual responsibilities for frequency control quality. The report puts forward two design options but without any firm conclusion on either one. NRAs request TSOs to further develop clear criteria for assessing the options and to propose a common solution that supports the extendibility to the rest of Europe in the final design. Stakeholder feedback is appreciated on the analysis made and on their preference for either option.

Cross zonal capacity for Balancing Energy Exchange

In the report the TSOs propose to use remaining capacity after the Intraday Gate closure for exchange of Balancing Energy. Although accepted as a general rule NRAs see that there is also a need to further study the order of and priority for the use of capacity for the different balancing processes (e.g. aFRR and mFRR) and the consequences on the design of the European platforms. NRAs are interested in stakeholder feedback on the importance of this subject and in their views on what should be given priority.

II. Next steps

After the stakeholder feedback organized by TSOs during October NRAs and TSOs will review feedback responses. TSO are requested to finalize the study before the end of 2016 with the objective to publish it at the latest early 2017. NRAs will publish a common NRA position around the same time.