

27 June 2019 – Brussels
17th MESC meeting

EFET considerations on reservation of XB capacity for balancing

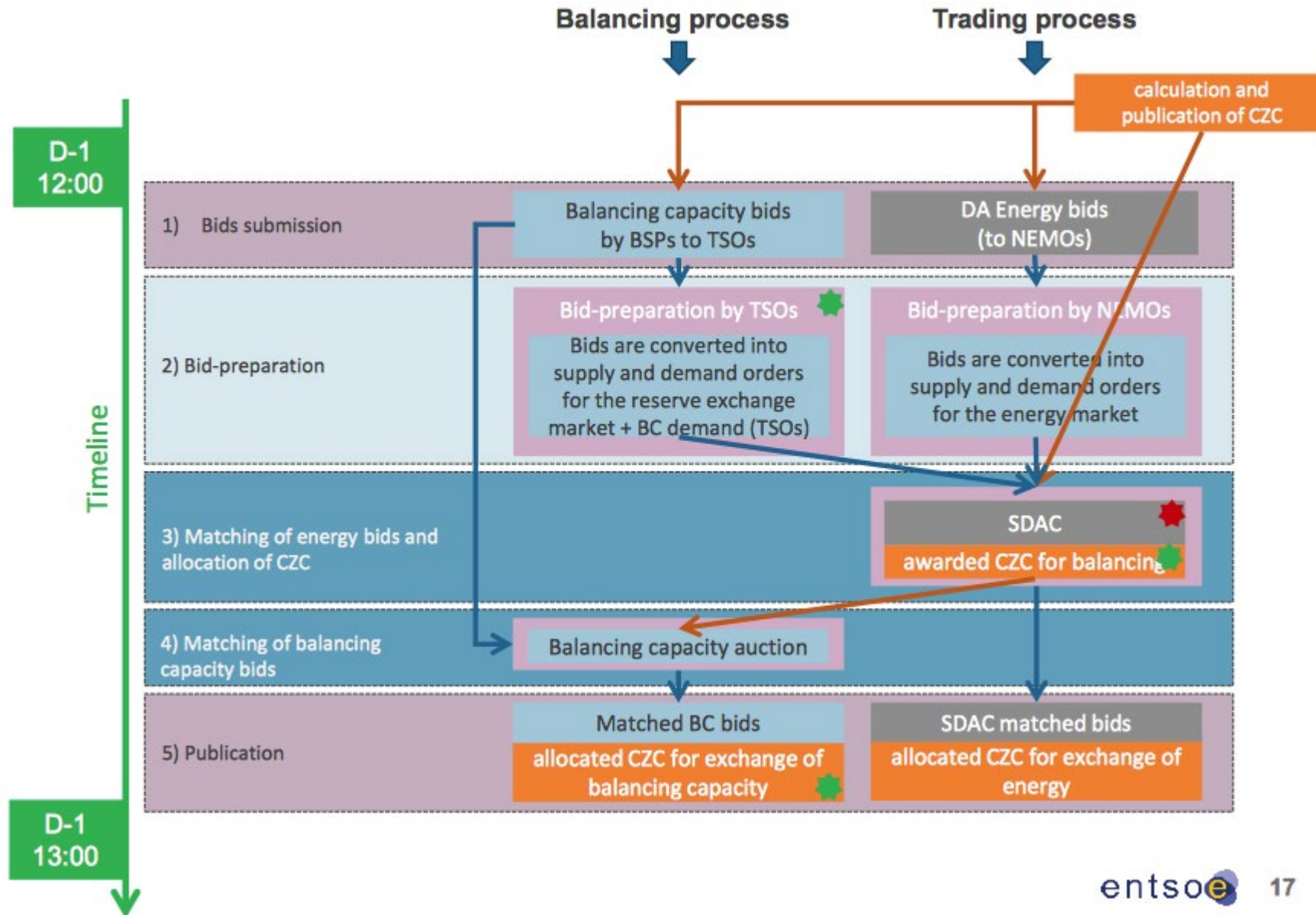
EFET

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Fundamental principles

- EFET has **opposed any reservation of XB transmission capacity by the TSOs for balancing purposes** since the drafting of the EB GL.
- XB reservation of capacity by the TSOs for balancing will result in inefficiencies:
 - Ignores the value of ID markets
 - Forecloses opportunities for MPs to balance their positions across borders close to real time
- So-called “market” and “economic efficiency” approaches are based on forecasts of capacity and/or energy bids, with a risk of damaging social welfare. Also, if chosen, these approaches will be developed at CCR level – missed opportunity for ENTSO-E to show stronger leadership in coordinating
- Co-optimisation methodology will be much less optimal than its name suggests (see next slide)

Co-optimisation process description



High-level comments on the co-optimisation proposal

- Co-optimisation was “sold” to decision-makers as a rigorous optimisation tool between DA capacity allocation and reservation of capacity for balancing.
- Because there will still be **two merit orders** (for balancing capacity bids and SADC), **without possibility to link bids**, MPs need to choose where they bid => no algorithmic optimisation of capacity allocation. [STEP 1,2]
- Uncertainty whether the **TSO demand for capacity is price sensitive or not**. [STEP 3]
- Unknown effects on the **performance of Euphemia**. [STEP 3]
- Because the capacity reservation **bid matching happens after the co-optimisation process**, risk of non-matching, uncertainty what that means for SADC. [STEP 4]