# Workshop on All TSO proposals on activation purposes and pricing

**Date:** 16 October 2018
**Time:** 10h00 – 16h00
**Place:** ENTSO-E, Brussels

# Panellists

| Name of the speaker | TSO |
|---|---|
| Michèle Dion-damael – WG AS convener | RTE |
| Pavel Zolotarev – PT Pricing Settlement and Activation Purpose convener | TransnetBW |
| Benjamin Genêt – PICASSO convener | Elia |
| Martin Høgh Møller – MARI convener | Energinet |
| Mathilde Bongrain – Expert Algorithm on the TERRE Platform | RTE |
| Amine Abada – TERRE convener | RTE |



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# List of participants

| | First Name | Last Name | Company |
|---|---|---|---|
| **1.** | Sophie | Marquet | N-SIDE |
| **2.** | Blandine | Malvault | Eurelectric |
| **3.** | Pierre | CASTAGNE | Eurelectric |
| **4.** | Hélène | Robaye | Eurelectric |
| **5.** | Yves | Langer | N-SIDE |
| **6.** | Jerome | Le Page | EFET - Europe Federation of Energy Traders |
| **7.** | Olivier | Van den Kerckhove | ENGIE |
| **8.** | Georgios | Giannopoulos | Elia |
| **9.** | Martin | Apko | energy consultant |
| **10.** | Zuzana | Mjartanová | The CEZ Group |
| **11.** | Eveliina | Seppälä | Fingrid |
| **12.** | Marion | Steward | EDF |
| **13.** | Thierry | Lemoyne | ARKEMA (IFIEC) |
| **14.** | Vincent Dario | Kocevar | Uniper Global Commodities SE |
| **15.** | Johannes | Schulz | RWE Supply & Trading GmbH |
| **16.** | Julian | Kretz | Next Kraftwerke GmbH |
| **17.** | Stefano | Rossi | ARERA |
| **18.** | Matteo | Moraschi | Enel |
| **19.** | Valerio | Morri | Terna |
| **20.** | Michele Cosimo | Dalena | Terna |
| **21.** | Tiemen | Govers | TenneT TSO BV |
| **22.** | Frank | Nobel | TenneT TSO BV |
| **23.** | David | Plomp | Vattenfall |
| **24.** | Mathieu | Fransen | ACM |
| **25.** | Guillermo | Gomez Limia | OMIE |



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|---|---|---|---|
| **26.** | Daan | Bohnen | Iberdrola Generación |
| **27** | Martín | PérezBustos Mazaneque | REE |
| **28.** | Iñigo | Rupérez | Ibedrola Generación |
| **29.** | Steve | Wilkin | ELEXON Ltd. |
| **30.** | Matthew | Roper | ELEXON Ltd |
| **31.** | Marijn | Maenhoudt | CREG |
| **32.** | Daniel | Valencia Yamhure | Shell |
| **33.** | Martin | Vergier | CRE |
| **34.** | Gonzalo | Morollón Castro | ENTSO-E |
| **35.** | Alexander | Dusolt | ENTSO-E |
| **36.** | Ricardo | Renedo Williams | ENTSO-E |
| **37.** | Ester | Peregrina Mayoral | ENTSO-E |
| **38.** | Kristine | Marcina | ENTSO-E |



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# MINUTES

## 1. Welcome: Agenda

ENTSO-E (Michèle Dion-damael) welcomes the participants. She introduces the workshop´s agenda and the EBGL consultation timeline on behalf of ENTSO-E TSOs. Each of the panellists introduces him/herself to the audience and to the webinar participants. Slides 2 and 3 of this Workshop.

## 2. An overview of the pricing and activation purposes proposals

### 2.1. Activation purposes proposal:

ENTSO-E (Pavel Zolotarev) presents an overview of the scope and the principles on which this proposal on activation purposes has been based on. Slides 5 and 8 of this Workshop. He also invites to check the consulted version of the proposal and the explanatory document for a better understanding of this proposal.

ENGIE asks to include a more elaborated list for activations for system constraints. ENTSO-E (Pavel Zolotarev) underlines the importance to read this proposal together with the Implementation Frameworks as some of them covers this topic in more details. He clarifies that implicitly it is clear from the implementation frameworks that bids only have locational information on LFC area. ENTSO-E (Amine Abada) supports this view and reminds that RRIF Explanatory Document thoroughly covers activations for system constraints.

Eurelectric shares the same concern as ENGIE and suggests to include further details as in RR. ENTSO-E (Pavel Zolotarev) asks if Eurelectric members see a clear boundary for not having an exhaustive list. Eurelectric will include in the ongoing public consultation its feedback on this topic. ENTSO-E (Martin Høgh Møller) adds that such activation purposes can only solve cross-border issues (e.g. interconnection controllability). ENTSO-E (Pavel Zolotarev) finally reminds the interconnection between this proposal and the pricing proposal. He commits to assess whether more details can be included into this proposal before submission for NRAs approval.

ACM asks if the system constraints referred in this proposal are the same as the system operation remedial action listed in the SOGL article 22(1)(f) and (g). He also wonders about the relation with the system constraints named as interconnection controllability and Article 22(1)(g) of the SOGL. ENTSO-E (Amine Abada) confirms that interconnection controllability is a remedial action and clarifies that enabling system constraints is in line with SOGL Article 22(1)(f), too.

ENTSO-E (Pavel Zolotarev) openly questions to the audience if these two options are enough. He reminds that the EBGL requires to report the purpose of activation. In his opinion having these two options makes the process more transparent. He finally encourages stakeholders to submit their view in the current public consultation.

### 2.2. Pricing proposal:

ENTSO-E (Pavel Zolotarev) introduces the pricing proposal slides 9 to 23 of this Workshop.

ACM asks if the definition used for cross-zonal-capacity is in line with the one provided in the Transparency Regulation. ENTSO-E (Benjamin Genêt) explains that the definition is in the course to be improved among IFs for a better alignment among different balancing platforms and guidelines.

ACM inquiries about slide 15 Figure whether one price per direction means one price for positive and one price for negative activation. ENTSO-E (Amine Abada) clarifies that each ISP will have at least one price per optimisation for each bidding zone/LFC area, regardless the direction (upward/downward). ENTSO-E (Benjamin Genêt) completes by explaining that the EBGL interpretation by TSO's is to have at least one



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price. ENTSO-E (Pavel Zolotarev) adds that this approach enables fair BSP 's bid selection based on the price and not in the direction and that normally activation is only in one direction.

ENTSO-E (Martin Høgh Møller) opens the discussion among the stakeholders on their preference whether or not to have different prices per direction. ACM clarifies that different directions mean: positive energy balancing is activated to solving a shortage, negative energy balancing is activated to solving a surplus. In sum, have the same price for producing and for reducing the production. ENGIE expresses its preference under the premise of 15 min BEPP: have two prices, one per direction for aFRR. ENTSO-E (Benjamin Genêt) explains that in the most cases in one uncongested area there will be activation only one direction. He adds that TSOs consider one direction as the best solution to match demand, constraints and offers at the same time.

Eurelectric asks for clarification on slide 23, where to set the price within the different curves presented. ENTSO-E (Pavel Zolotarev) provides some pros and cons of stabling this point on the green curve. Eurelectric asks whether the reaction to ramp up can take longer than a control cycle, whether a downward need could be created before a bid is ramping down and what the remuneration would be. ENTSO-E (Pavel Zolotarev) explains this can indeed happen and that price is set by the AOF dependent on what is activated.

ENGIE asks clarification on whether the controller output influences the shape of the curve presented. ENTSO-E (Pavel Zolotarev) explains that indeed the shape depends on the generation structure in the LFC area. He explains that standard products don't define the exact shape of the reaction, e.g. hydro could be much faster. Also control loops are finally about physical and not market characteristics. It is beneficial to follow the signal from the physical reaction and the EBGL does not require to harmonize operation of the controller. ENGIE finds this undermines the idea of a standard product. ENTSO-E (Pavel Zolotarev) explains that mFRR and RR standard products have a minimum duration, whereas aFRR standard products don't. If a bid would be disactivated by the TSO, as no longer needed, it would still receive the XBMP. ENTSO-E (Pavel Zolotarev) refers for further information in the explanatory document.

# 3. Balancing Energy Pricing Period for aFRR

## 3.1. Introduction and approaches: optimisation-cycle Vs. 15 minutes BEPP

ENTSO-E (Benjamin Genêt) introduces the slides 25 to 32 of this Workshop and the options on the pricing period (control cycle and based on 15mins ISP).

ENGIE questions if the optimisation cycle volume-weight-average approach is a working assumption, or a decision adopted by the TSOs on local level in line with the proposal on imbalance settlement harmonisation. ENTSO-E (Benjamin Genêt) confirms that at this stage is a working assumption.

ENGIE comments on slide 27 and asks to elaborate more on what multiple balancing energy prices per ISP means, considering the weighted average balancing energy settlement price for every activated bid per ISP. ENTSO-E (Benjamin Genêt) responds that this depends on the time and activation of each bid along the ISP.

Vattenfall and Eurelectric question how the optimisation-cycle BEPP provides full consistency with the AOF and at the same time maximises the occurrence of price convergence between LFC areas. They also consider that a control cycle BEPP leads to a mix between marginal pricing and pay as bid. ENTSO-E (Benjamin Genêt) explains TSOs view that the marginal price is calculated per BEPP, this maximises competition during each BEPP and avoids that congestion in a control cycle BEPP influences a 15mins period.

Vattenfall does not see the benefit for a control cycle BEPP and underlines that BSPs submit bids on a 15mins basis with the same price for 15mins, thus control cycle BEPP is not a true market clearing. ENTSO-E finds that less congestions are an important benefit.



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Vattenfall suggests making the link between the pros & cons presented and the EBGL. ENTSO-E (Benjamin Genêt) refers to the whereas section of the pricing proposal where they are explained these links with the guideline. Vattenfall agrees this proposal explains which articles of the EBGL are considered.

ACM asks for clarification on slide 29 whether 'selected' or 'activated' is the proper term to be used for the first bullet point. ENTSO-E (Benjamin Genêt) confirms that the correct term is 'activated'.

Vattenfall has the fear of market abuse in small countries. This could be mitigated by a 15mins BEPP. ENTSO-E (Benjamin Genêt) explains that not bidding at the variable costs is not necessarily a market abuse. REMIT is the basis for detecting market abuse.

### 3.2. Bid price of 15 min BEPP

ENTSO-E (Benjamin Genêt) explains the difference between the congestion and the activation discrepancy.

ENTSO-E (Benjamin Genêt) elaborates on the self-regulating effect when very-high prices are reached and how the roles of the BRP and BSPs could react. He concludes that if Imbalance price is higher (ex-ante) then BSP will be incentive to include mark-up.

ARERA suggests the opposite interpretation of the third bullet point on the slide 32 "The BSPs may increase the bid price at the beginning of the merit-order since the benefits may be less than what can be captured by playing on the imbalance position (where this is allowed)". ENTSO-E (Benjamin Genêt) explains in the example with a fictional BSP with different demands per consecutive ISPs, the net results obtained by this BSP are lower than expected.

In this line Eurelectric questions the premise presented: the BSPs know the volume that will be activated and whether there is congestion. ENTSO-E (Pavel Zolotarev) explains this is usually the case as they perform analysis based on demand patterns under similar conditions from historical data, enabling BRPs to foresee the behaviour of the market.

Vattenfall states that a BEPP of four seconds is not consistent with other products and markets. The simplification with 15mins intervals is preferred. No reason to move away from that. Vattenfall believes that having a dynamic price per each 4 secs, gives uncertainty when offering and this may result into mark-ups. They also raise the issue on transparency on the demand if it is based on a 4 seconds timeframe. ENTSO-E (Benjamin Genêt) embraces the alignment with other timeframes, but for TSOs the competition argument weighs strongest. CEZ Group express its doubts about the optimisation cycle approach.

Eurelectric asks for the decision process among the TSOs, compared to the options presented on the last Workshop when it was presented as an option the 15 min with mitigations or average value (e.g. 5 or 7,5 min). ENTSO-E (Benjamin Genêt) debriefs this process as the common approach agreed from PICASO TSOs, where fewer cons option was considered (e.g. filtering extreme activations) entail complexities and fewer advantages than disadvantages.

Eurelectric expresses their preference on a 15 mins BEPP.

## 4. Pricing for Activations due to System Constraints

ENTSO-E (Martin Høgh Møller) presents the slides 35 to 44 of this Workshop and asks for feedback the information presented in the slides 35 to 41.

ACM discusses whether a BSPs is always also a BRP. ENTSO-E (Pavel Zolotarev) and ENTSO-E (Michèle Dion-Damael) confirm that in some countries BSPs and BRPs are not the same. However, at least each BSP needs to be connected to a BRP.



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EFET clarifies that they represent both BRPs and BSPs. Usually both types have one view. EFET finds that activation for other purposes shall not affect the balancing energy price. EFET explains its concern that this proposal doesn't takes into consideration the effect on the imbalance price. ENTSO-E (Pavel Zolotarev) encourage EFET to provide a common clear view, where BRP and BSP roles is distinctly explained in the ongoing public consultation.

ENGIE advocates for a separate pricing for system constraints from the XBMP. They raise the question why XB constraints should have affect the imbalance price but not internal constraints. ENTSO-E (Martin Høgh Møller) illustrates the question with different scenarios discussed along this process by the TSOs. ARERA explains that two runs could be done for calculating a balancing energy price without the effect of bids activated for system constraints.

ACM asks about scenario(s) illustrated on slide 39 where countertrading is allowed and applied. ENTSO-E (Pavel Zolotarev) exemplifies outages among other situations in which to perform countertrading and clarifies the effect on the Imbalance price will be either one way or the other, especially considering the Balancing Energy Gate Close Time to real time.

ARERA asks for clarification on the content illustrated in slide 39. ENTSO-E (Martin Høgh Møller) clarifies that the right-hand side figure considers all activation purpose to form the Marginal Price, while the left illustrates the current proposal: only bids activated for balancing purpose clear at the Marginal Price.

EFET asks for clarification about the occurrence of system constraints to solve cross-border issues and how this data is publicly available. ENTSO-E (Martin Høgh Møller) explains the Nordic case, where this data transparent.

## 5. Price divergence

ENTSO-E (Mathilde Bongrain) explains the background of the topic illustrated on the slides 46 to 52 of this Workshop and contextualise it within the pricing proposal.

ENGIE asks where this concept is considered in the current proposal. ENTSO-E (Pavel Zolotarev) clarifies that side payment remuneration is not yet included in the proposal, but it is included in the explanatory document under consultation at this moment. ENTSO-E (Amine Abada) reminds that this topic is presented for transparency reasons. Only reason is to assess the best approach among stakeholders on this topic.

ACM that the downward bid should get P2 and the upward bid P1. ENTSO-E (Benjamin **Genêt**) reminds this solution solves the issue for the Pricing Proposal (TSO-BSP) but gives more complexity for the Settlement Proposal (TSO-TSO).

EFET asks how price divergence fits in the overall balancing scheme, what the links is to imbalance settlement and financial neutrality of TSOs. There will be side payments in case UAB are accepted, side payments would be financed through the imbalance settlement price. ENTSO-E (Benjamin Genêt) response that the concept of social welfare will be harmonised across the balancing platforms, in line with NRAs request. and in this regard the TSO neutrality is not contested by allowing UAB and elaborates this with pros and cons contained on slide 49.
Eurelectric asks for clarification in which of the balancing processes is foresees price divergence: mFRR Scheduled Activation and Direct Activation and RR. ENTSO-E (Benjamin Genêt) explains that only mFRR SA, since DA meant to be only in one direction.

Vattenfall remarks that the principle that should stand is the: "the best bids should be used".

ENTSO-E (Benjamin Genêt) concludes that price divergence is not a stopper for the development of the Platforms, however he encourages the stakeholder to submit their input.



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## 6. Q&A

CRE points out a possible scenario: RR-Platform goes-live by the time the pricing methodology has not yet been approved. ENTSO-E (Amine Abada) replies that a legal check is already ongoing to analyse such scenario. ENTSO-E (Pavel Zolotorev) reminds the IGCC platform went-live without the final approval.

ENTSO-E (Michèle Dion-Damael) thanks for the stakeholder participation for the discussion, on behalf of all Working Group Ancillary Services and the Balancing Implementation Projects members: TERRE, MARI, PICASSO and IGCC.



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