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# Terms of Reference for the Balancing Stakeholder Group

- Final -

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## 1. Introduction

On the 27<sup>th</sup> and 28<sup>th</sup> of November 2014 the 27<sup>th</sup> Florence Forum concluded that it welcomes the ongoing process to improve the draft Electricity Balancing Regulation (hereinafter: EB Regulation) and invites ACER and ENTSO-E to undertake further work on a more ambitious text with a clear deadline for the completion of the process (...). Given the importance of early implementation of the EB Regulation the Forum encourages ACER and ENTSO-E to strengthen the role of the balancing pilot project stakeholder group and invites ACER to co-chair the group.

ENTSO-E and ACER will take the initiative to create a Balancing Stakeholder Group (the “BSG”). This group will serve as a platform for relevant stakeholders to assist ACER and ENTSO-E and its members in achieving the objective of an integrated balancing market through early implementation of the EB Regulation drafted by ENTSO-E complemented by the Qualified Recommendation provided by ACER. This early implementation will focus both on regional development and on defining European principles, in order to further detail the design of the Balancing target model. Early implementation will end once the comitology process is finished and the EB regulation has entered into force.

The current draft EB Regulation sets out a development process where the regional implementation will provide a stepping stone towards the development of an integrated European balancing market. The draft also describes the development of European common principles of balancing markets. By starting the early development of both these aspects before the formal adoption of the EB Regulation, the process can gain momentum before the formal adoption of the EB Regulation to enable faster integration of balancing markets.

These terms of reference describe:

- the objectives;
- the deliverables for this group for the period of early implementation;
- roles, responsibilities and working arrangement between ACER and ENTSO-E on the co-chairing;
- Membership, roles and responsibilities of participating stakeholders.

## 2. Objectives of the group

The main objective of the Balancing Stakeholder Group is to provide a European level forum where ACER and ENTSO-E will be able to discuss and consult with stakeholders the proposals for different terms and conditions or methodologies that shall be developed by TSOs pursuant to the EB Regulation. Among those, the proposals for the Implementation Framework for the regional implementation models are of significant importance.

In order to prepare the meetings of BSG and discuss the proposals to be put forward, ACER and ENTSO-E will also set up a bilateral Balancing Coordination Group.

The Balancing Stakeholder Group will:

- Provide a forum for ENTSO-E, ACER and stakeholders with participation of the European Commission, through which the different implementation activities for the integration of balancing market are discussed and consulted.

- Allow stakeholders to receive early information and provide feedback and comments to ENTSO-E and ACER on the development of implementation projects and draft terms and conditions or methodologies;
- Allow ENTSO-E to report on the implementation projects, in particular the lessons learned and problems encountered as well as to report on early drafts for the terms and conditions or methodologies to be developed pursuant to EB Regulation;
- Allow ACER together with respective NRAs where applicable to report on regulatory progress of adaptation and preparation for the early implementation of the EB Regulation and potential issues with existing (national) legislation.
- Allow ACER, ENTSO-E and stakeholders to learn from the implementation activities and gain important lessons needed for future development and detailing of the electricity balancing target model.

The Balancing Stakeholder Group shall not replace the obligation for general public consultations required by the EB Regulation after its entry into force. The Balancing Stakeholder Group shall also preserve TSOs joint responsibility for the development of the implementation projects and NRAs responsibility for monitoring and regulatory supervision of those projects. ENTSO-E and ACER shall facilitate the co-ordination of TSO and NRA activities among different CoBAs. ENTSO-E or ACER may organise workshops on specific issues when needed and/or have bilateral contacts/meetings with individual stakeholders. The Balancing Stakeholder Group will be informed about the timing and conclusions of these communications/meetings where appropriate.

ENTSO-E and ACER will cease the Balancing Stakeholder Group and merge it with the stakeholder group in accordance with the EB Regulation after its entry into force.

### **3. Deliverables for the period of early implementation**

The objective for the period of early implementation is to engage with stakeholders on the central elements of the EB Regulation and to work towards achieving the ambitious targets for (early) regional implementation models.

#### **Deliverable 1: European Roadmap for early implementation of the EB Regulation that shall**

- Set the high level plan how current national markets shall – through the stepping stone of regional balancing markets – develop towards a European Balancing Market;
- by providing the draft definition and configuration of the CoBAs for all processes – that are to be included either obligatory or optional – for the regional implementation models, endorsed by the participating TSOs and building from the work done in the Pilot Projects;
- with a description of the main milestones & main deliverables for the implementation of these models;
- including a European and regional Governance structure for the development of the RIM's for TSOs, NRA's and stakeholder engagement; and
- complemented by a draft skeleton describing the main elements of the implementation frameworks for the Regional implementation models shall to be developed by ENTSO-E.

**Deadline:** Q3-2015

**Responsible:** ENTSO-E & ACER

#### **Deliverable 2: CBA of Imbalance Settlement Period**

In accordance with article 21 of the draft EB Regulation all TSOs will perform a cost benefit analysis to guide the decision on harmonisation of Imbalance Settlement Period. First the criteria and methodology for elaboration of CBA will be developed by Q2 2015. In second step, ENTSO-E will use the criteria and methodology to perform CBA and report its findings to BSG by Q1 2016.

**Deadline:** Q2-2015 and Q1-2016

**Responsible:** ENTSO-E

**Deliverable 3: Proposals for Standard mFRR and RR Products**

In accordance with article 29 of the draft EB Regulation all TSOs shall develop a proposal for a list of Standard Products for Balancing Capacity and Standard Products for Balancing Energy for Frequency Restoration Reserves and Replacement Reserves. On the deadline for this deliverable ENTSO-E shall consult the BSG on their proposal for the standard products for mFRR and RR products.

**Deadline:** Standard Products for Balancing Energy Q2-2015, Standard Products for Balancing Capacity Q4-2015

**Responsible:** ENTSO-E

**Deliverable 4: Proposals for Standard aFRR Products**

In accordance with article 29 of the draft EB Regulation all TSOs shall develop a proposal for a list of Standard Products for Balancing Capacity and Standard Products for Balancing Energy for Frequency Restoration Reserves and Replacement Reserves. On the deadlines for this deliverable ENTSO-E shall present the outcomes of the aFRR study to the BSG and consult the BSG on their proposal for the standard products for aFRR products.

**Deadline:** Presentation of outcomes from aFRR study Q4-2015 and Standard Products for Balancing Energy and Capacity Q2-2016

**Responsible:** ENTSO-E

**Deliverable 5: Proposals for pricing methodology**

In accordance with article 39 of the draft EB Regulation all TSOs are to shall develop a proposal for harmonised pricing methods for Balancing Energy. On the deadline for this deliverable ENTSO-E shall consult the BSG on their proposal for the harmonized pricing method for Balancing Energy.

**Deadline:** Q2-2016

**Responsible:** ENTSO-E

**Deliverable 6: Activation purposes of Balancing Energy bids from the CMO Lists,**

In accordance with article 40 of the draft EB Regulation all TSOs shall develop a proposal for classification methodology for activation purposes of Balancing Energy bids in line with the general objectives of the Balancing Market pursuant to Article 10. On the deadline for this deliverable ENTSO-E shall consult the BSG on their proposal for the activation purposes of Balancing Energy bids.

**Deadline:** Q4-2015

**Responsible:** ENTSO-E

**Deliverable 7: High-level principles for the different algorithms and optimisation processes**

In accordance with article 70 of the draft EB Regulation all TSOs shall jointly define principles for balancing algorithms that are to be applied for the Imbalance Netting Process Function, Capacity Procurement Optimisation Function, Transfer of Balancing Capacity Function and Activation Optimisation Function. On the deadline for this deliverable ENTSO-E shall consult the BSG on their proposal for the principles for these balancing algorithms.

**Deadline:** Q1-2016

**Responsible:** ENTSO-E

## 4. Role, responsibilities and working arrangements

ACER and ENTSO-E will co-chair the meetings in the following way:

- ENTSO-E will chair those parts of the meetings related to the implementation aspects:
  - a) Presentation of implementation projects and activities and discussion on experience from implementation projects and activities;
  - b) Planning activities for future implementation projects and activities;
  - c) Discussion on identified problems/barriers and their solutions.
  
- ACER will chair those parts of the meetings related to market design aspects:
  - a) discussion on the draft terms and conditions or methodologies developed by ENTSO-E (all TSOs);
  - b) discussions on conclusions and lessons for the purpose of guiding any future improvements or refinements of the target model for the European electricity balancing market.

**All representatives to the stakeholder group commit to:**

- consistently attend meetings (with a stable membership);
- actively participate in meetings;
- liaise with their members and stakeholders to update on the pilot project development and represent their views and concerns; and
- highlight issues and concerns as early as practicable.

**ENTSO-E commits to:**

- prepare regular reports on implementation projects taking into account the requests for reporting from stakeholders and ACER; and
- develop early drafts of the terms and conditions or methodologies taking into account the requests for reporting from stakeholders and ACER.

**ACER commits to:**

- provide early feedback and positions on the development of implementation projects;
- provide early feedback and position on the terms and conditions or methodologies; and
- provide early feedback on preparation for implementation of the new regulation.

**ACER and ENTSO-E commit to:**

- act in an open and transparent manner to update on the progression of the implementation projects;
- provide information to facilitate the representatives' understanding and advice on aspects of the implementation projects and terms and conditions or methodologies; and
- provide working documents ideally 2 weeks or at least 5 working days before any meeting.

## 5. Publication of Information

It is recognised that all information shall be treated as work in progress and shall be provided without prejudice to the right of ENTSO-E and ACER to update or amend its positions and stakeholder representatives to update or amend their positions and to respond to formal consultations as they see fit.

## 6. Records of meetings

- The chairs shall produce minutes of each meeting, which accurately reflects discussions.
- Participants shall be provided with a reasonable time period in which to comment on the minutes.
- In the event that no comments are received, the minutes shall be deemed to be approved.
- In the event comments are received, they shall be incorporated when justified, into a final version of the minutes, which shall be published on the ACER website.

## 7. Frequency of meetings

The group will meet on an as needed basis. As a general rule, the Balancing Stakeholder Group will meet 4 to 6 times per year.

## 8. Membership

The stakeholder group comprises of representatives from key European stakeholder organisations interested in participating. The European Commission may choose to attend as observers.

The composition of the stakeholder group will be up to 6 members from both ENTSO-E and ACER, and a maximum of 16 stakeholder representatives to be nominated and agreed by AESAG.

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