EXPLORE STAKEHOLDER CONSULTATION RESULTS

07 / 12 / 2016
Introduction

- On 21 October EXPLORE TSOs published a report on the possible design of a cross-border FRR market
- Stakeholder feedback was collected until 21 November
- These slides present a first overview of the feedback that was received, and the first preliminary response
- They focus on:
  - The EXPLORE target model
  - Pricing and settlement:
    - TSO-BRP settlement
    - TSO-BSP settlement
    - TSO-TSO settlement
  - The aFRR concept and product
  - The mFRR concept and product
  - Cross-zonal capacity usage
General consultation results

- EXPLORE has received feedback (not exhaustive):
  - From representatives of market participants in all EXPLORE countries, including Energie-NL, BDEW, FEBEG, Osterreichsenergie, VKU and EFET
  - From other stakeholders, i.e. BSPs and BRPs
- The number of stakeholders who responded was not sufficient to consider having a global view of the market opinion, therefore the input is considered as an indication for further work
- There is a relatively large variation in the responses received, partially reducible to current differences between countries
- On a select number of points all stakeholder feedback was aligned, in particular:
  - On the holistic approach applied by EXPLORE TSOs in the design
  - On the most relevant criterion for mFRR product selection: interaction with ID markets
  - On the usage of cross-border capacity
  - On non-discrimination between the prices for TSO-BSP settlement for exported bids and bids activated for local use in a marginal pricing scheme
- Several points raised by stakeholders will be investigated in more detail
The EXPLORE target model

- EXPLORE is unique in its focus on interactions:
  - Between different design aspects of a future balancing market design
  - Between the balancing energy market and other energy markets, specifically intraday

- Stakeholders support this holistic approach applied by EXPLORE TSOs

- Interactions with ID markets are considered of utmost relevance:
  - Gate closure times should be as close as possible to real-time, the assumption of no more than 30 minutes is supported. Stakeholders question whether aFRR and mFRR GCTs should be equal => this warrants further investigation
  - Stakeholders suggest to release excess flexibility to intraday markets after gate closure time. => this warrants further investigation
**TSO-BRP settlement**

- EXPLORE has concluded on local imbalance pricing: the imbalance price should be derived locally.
- Local needs can be reflected in specific local choices for additional components or explicit links with intraday prices.
- Stakeholders generally agree with the choice for a local imbalance price.
- Most stakeholders (though not all) indicate that the level of harmonisation proposed by EXPLORE is insufficient, in particular in regards to additional components.
- They point out that differences in the methodologies used for determining TSO-BRP settlement prices pose risks for market participants that lead to different TSO-BSP prices, and thereby disrupt the level playing field.
TSO-BSP settlement

In the EXPLORE report, three options for TSO-BSP settlement remain open:

- Local marginal pricing
- Cross-border marginal pricing
- Pay-as-bid

In all cases, TSO-BSP settlement should be the same for bids activated for local use and for export.

In case of marginal pricing, one price for mFRR and one for aFRR should apply (referred to as per-product pricing).

Stakeholders differed in opinion in regards to keeping the pay-as-bid option open.

Stakeholders that preferred marginal pricing differed in opinion between cross-border and local marginal pricing.

Stakeholders differed in opinion on per-product pricing. Some stakeholders argued that cross-product pricing provided better incentives. Other stakeholders argued that the products have different technical requirements.

All stakeholders agreed there should be no difference in settlement for bids activated for local use and for export in a marginal pricing scheme.
aFRR

- aFRR design choices all affect liquidity as well as ACE quality
- EXPLORE TSOs have presented in the report the differences between a FAT and a setpoint product, and their relation with an exchange of control request or control demand on the border
- Stakeholders were asked about effects on liquidity of changing the aFRR full activation time
- EXPLORE TSOs have different FAT (5min DE, AT, 7.5min BE, 15min NL)

- Stakeholders did not agree on a preference for a FAT or a setpoint product. Some stakeholders questioned the compatibility of a FAT product with settlement of requested volumes -> this warrants further investigation
- Stakeholders asked questions on the possibility of simultaneous activation of the entire aFRR MOL for a short duration setting the marginal price -> this warrants further investigation
- Some stakeholders say FAT should be as long as possible while respecting TTRF. Other stakeholders prefer existing shorter FATs.
mFRR

- EXPLORE TSOs propose an mFRR product with both direct activation (DA) and scheduled activation (SA)
- Three options remain for the possible times of activation before the ISP of delivery:
  - Option 1: DA between 22.5 and 7.5 minutes, SA at 7.5 minutes
  - Option 2A: DA between 15 and 0 minutes, SA at 7.5 minutes
  - Option 2B: DA between 15 and 0 minutes, SA at 0 minutes

- Stakeholders all agreed that the interaction with ID market was the most important criterion and some of them proposed options about how to reduce these interactions -> proposals have to be further investigated
- There was no agreement on the point of time for SA activation in the stakeholder responses.
Cross-zonal capacity use

- EXPLORE TSOs asked stakeholders for their opinion in regards to the priority for usage of cross-zonal capacity between the different (close-to)-real-time processes (ID, aFRR, mFRR exchange/sharing)

- Stakeholders all agreed that no reservation of cross-zonal capacity for the balancing energy market should occur

- A preference for cross-zonal capacity usage for aFRR over mFRR was indicated

- It was questioned whether imbalance netting should always be prioritised over FRR

- The prioritisation of cross-zonal capacity usage warrants further investigation
Next steps

- An addendum to the report will be published in April 2017, containing:
  - Detailed response to the stakeholder input
  - Further analysis of remaining content points:
    - Raised by stakeholders
    - Identified by EXPLORE TSOs
- EXPLORE is discussing possibilities:
  - For extendibility of the results
  - For implementation
- EXPLORE partners welcome further discussion with stakeholders on balancing market design
Questions

Thank you for your attention!

Any further questions?