



EXPLORE STAKEHOLDER CONSULTATION RESULTS

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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, Österreichsenergie, 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?