

7 December 2017 – Brussels
BSG meeting

Implementing the EB GL: Aiming ambitiously towards the target model

EFET

European Federation
of Energy Traders
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The Electricity Balancing Guideline in a nutshell

EB GL Art.3:

“fair, objective, transparent and market-based procurement of balancing services, without undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing distortions within the internal market in electricity”

- Efficient procurement of balancing energy by TSOs across borders via common merit orders of standardised products
- Payment of balancing energy and settlement of imbalances at the marginal price
- Gradual reduction of the ISPs to 15 min and restrictions for TSOs to act outside the operational window to preserve energy markets (ID, DA, FW)

The implementation of the EB GL will be a challenge

- EB GL left vast areas to be defined by TSOs/NRAs in methodologies
 - Member States took commitments when approving the EB GL
 - TSOs and NRAs should honour these commitments in the implementation phase
- Design of common platforms risks leaving a number of gaps
 - Harmonised remuneration of balancing energy
 - Harmonised imbalance settlement and requirements/penalties placed on BRPs
 - Cross-border allocation of capacity
 - Optimisation between balancing products (standard, and standard vs. specific)
 - Activation purposes and treatment of bids used for congestion management

Focus: Implementation hurdles – France (1)

- RTE published an EB GL implementation roadmap in June 2016
 - EFET and individual market participants expressed concerns with the level of ambition of the RTE proposals in WG meetings and the consultation run by CRE in November/December 2016
 - Multiple contacts between CRE and EFET in the course of S1 2016
- The CRE decision of June 2017 confirmed the main RTE orientations
 - Premise of the decision and resistance to reform based on assumptions of the cost-efficiency of the French (vs. DE) model contradicted by the ACER MMR
 - RTE studies to analyse possible reform avenues appear biased to us (changes to the model analysed in isolation)
 - EFET issued a position paper in October 2017: <http://bit.ly/2BoAU4Z>

Focus: Implementation hurdles – France (2)

- Will France be truly part of a common balancing framework?
 - Current “margins model” largely outside the 1-hour operating window
 - Orientations of RTE and CRE makes us fear a large reliance on specific products
 - Little faith of EFET in RTE studies analysing alternatives to pro-active management
- Will balancing energy/imbalance prices reflect the true value of energy?
 - aFRR imbalance settlement still based on DA – change can happen before PICASSO
 - Specific products in framework of “margins model” will stick to pay-as-bid and weighted average settlement
 - The k factor should be removed from the imbalance settlement price more rapidly
 - No clear timeline for progress on transparency on bids used for congestion management, how they affect the BE/settlement prices and are compensated

Conclusion

- EB GL implementation will be hugely challenging
 - Level of ambition agreed in comitology should be respected by all Member States
 - Implementation is not only about cross-border platforms, but also national balancing market design if we want the common framework to deliver
 - Despite our criticism on the French solutions, we recommend all EU TSOs and NRAs run a similar exercise of identifying gaps between current design and target model
- EB GL implementation should bring cost efficiency on all sides
 - Practical aspects, e.g. local IT solutions, should also be discussed with the market, ideally harmonised between Member States, to lower transition costs on both the TSO and market sides

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