

12th Electricity Balancing Stakeholder Group (EBSG) meeting

Date: 3 September 2018

Time: 10h00 – 16h30

Place: ENTSO-E, Brussels

Participants:

De Wit	Paul	CEDEC	N
Schmidt	Peter	CEDEC	N
Le Page	Jerome	EFET	Y
Van den Kerckhove	Olivier	EFET	Y
Janson	Stephan	EFET	Y
Perret	Claude	Eurelectric DSO	N
Castagné	Pierre	Eurelectric	Y
Robaye	Hélène	Eurelectric	Y
Bedford	Emma-Louise	Eurelectric	Y
Fraile	Daniel	WindEurope	N
Beavor	Edmond	EUROPEX	Y
Lantrain	Aurore	EUROPEX	N
Doble	Trygve	GEODE	N
Theil	Anders	GEODE	N
Van der Velde	Fritz	IFIEC	N
Claes	Gaetan	EUGINE	N
Benquey	Romain	SmartEn	N
Pinto Bello Gomez	Andres	SmartEn	Y
Florian	Gonzalez	EDSO	N
Supponen	Matti	EC	Y
Boussetta	Selim	ACER	N
Fransen	Mathieu	ACER	Y
Fijalkowski	Jakub	ACER	N
Povh	Martin	ACER	Y

Tellidou	Athina	ACER	Y
Lanfranconi	Cristian	ACER	N
Henriksen	Stian	ACER	Y
Costa	Leonardo	ACER	Y
Woithe	Marie	ACER	Y
Schittekatte	Tim	EUI-FSR	Y
Barmsnes	Kjell	ENTSO-E	Y
Dion - Demael	Michele	ENTSO-E	Y
Genêt	Benjamin	ENTSO-E	Y
Høgh Møller	Martin	ENTSO-E	Y
Nobel	Frank	ENTSO-E	Y
Dusolt	Alexander	ENTSO-E	Y
Zolotarev	Pavel	ENTSO-E	Y
Peregrina	Ester	ENTSO-E	Y
Kasper	Ulf	ENTSO-E	Y
Gyulay	Zoltan	ENTSO-E	Y
Purchala	Konrad	ENTSO-E	Y

MINUTES

Welcome and introduction

ACER (Mathieu Fransen) welcomes participants followed by a round presentation. The Agenda is approved.

Imbalance settlement harmonisation

ENTSO-E (Frank Nobel) presents the work being done on imbalance settlement harmonisation, informing on the results of the survey on expected implementation. ENTSO-E stresses that the survey on intended implementation was informal and cannot be used to claim a position of ENTSO-E nor of any TSO or third party involved in the development of the “ISH proposal”, on specific issues related to the EBGL or to the proposal. ENTSO-E clarified that consultation ends on the 28th September and by 18th December proposal will be submitted to NRAs.

EFET asks if different prices are reflected on the survey, as without cross product pricing, marginal pricing makes large difference. ENTSO-E clarifies that marginal price or WAP for calculation of imbalance price means a difference on TSO financial result, resulting in redistribution effects between BRPs, BSPs and users for a connecting TSO. Depending on the product, prices might be different for different BSPs which also effects the incentives for BSP in their bidding behaviour.

FSR asks for clarification on scarcity pricing and the difference between the two options (incentive in all ISPs or some ISPs). ENTSO-E answers that no investigation on options was done, only an overview was to be provided in the survey.

ACER comments that all TSOs had to submit Terms & Conditions by mid-June and if the answers on the survey reflect the national proposals. ENTSO-E clarifies that the survey aims at showing the current intention of TSOs on their intended local implementation (not current setup), taking into account requirements from the EBGL. The survey was run after TSOs had concluded their proposals for Terms & Conditions. ACER also outlines that it would be interesting to see the current proposed T&C and what is foreseen in 3 years. ENTSO-E answers that current status is represented in the yearly AS surveys and this imbalance settlement survey represents more of an informal and non-binding long-term vision or future outlook.

Eurelectric asks if there has been an analysis on the answers identifying differences that may lead to further harmonization. ENTSO-E answers that this is an All TSO document that has been approved by TSOs almost unanimously, thus no additional elements for harmonisation identified.

FSR asks for clarification on incentivising component and scarcity pricing and if both components are needed. ACER notes that the incentivising component is the incentive to be balanced and to stick to the schedules and compared to scarcity component could always apply. ENTSO-E clarifies that an incentivising component is strengthening the price signals of, for example, the local intraday market, representing the real-time value of energy. If the imbalance price scheme ensures that the imbalance price is at least as high as a price index of such local intraday market, market participants are incentivised to close open positions in the wholesale market.

Eurelectric asks on difference between internal and external schedules. ENTSO-E explains that these definitions are on the SO GL and that external trade schedules are cross [bidding] zonal while internal trade schedules are the ones that BRPs have within the area of the same connecting TSO. ENTSO-E further explains that within EBGL for self-dispatching model generation and load schedules are not used for imbalance calculation and settlement.

Eurelectric asks why the allowance to use dual positions is connected to the switch to 15min ISP. ENTSO-E clarifies that dual positions are currently only used in TSOs with 60mins ISP and that the imbalance settlement harmonization proposal aims at a smooth transition from dual to single position, conditional to implementation of 15 min ISP.

EFET informs that their answer to the consultation is not finalised yet but considers that harmonization is limited and expected a more ambitious proposal. ENTSO-E answers that the document is more harmonized than it seems e.g. in regard to some TSOs only using aFRR, thus only one value going into the imbalance price calculation. ENTSO-E expects stronger differences through the application of a scarcity or incentive component.

EFET asks about the definitions of limits for minor and main components. Eurelectric asks if specific products are deemed a minor component. ENTSO-E answers that depends on pricing proposal and refers to article 30 on EB GL as it is not on the scope of balancing settlement. Eurelectric shares the view from EFET on limitation of harmonization in the proposal and would have hoped to see guidance principles for the marginal price in it. Also, Eurelectric shows its worries that there is no boundary on definition of minor and main components and no guidance on how to combine the main components.

ENTSO-E invites stakeholders to make proposals as EU association for more harmonization.

On cash flows, ENTSO-E explained that if any TSO wants to apply dual prices, scarcity component or incentivising component, the TSO has no financial interest in the settlement result. Prices directed to BRPs in imbalance pricing have to be separated from other costs related to balancing, that may be attributed to BRPs in a mechanism separate from imbalance settlement.

FSR asks if scarcity component to imbalance pricing would mean that TSOs would have larger income. ENTSO-E answers that in theory yes, but the whole process should be neutral for TSOs, so it won't affect

TSOs income, however from scientific view there may be a reason to add it also on the balancing energy price. ACER highlighted that settlement mechanisms pursuant to Article 44(3) of the EBGL are added to imbalance prices and not to balancing energy prices.

Pricing proposal

ENTSO-E (Pavel Zolotarev) presents the pricing proposal from Article 30 on the EBGL explaining that it only covers this article and not the TSO-TSO settlement.

Eurelectric asks on the example on cross border marginal pricing what the price would be in an unconstrained area in which one country does not have a need for balancing energy. ENTSO-E explains that there won't be any costs for the country that has not activated balancing energy, however the marginal price may be applicable and used for the imbalance settlement as some BSPs may still be in imbalance.

→ It was agreed by all parties that ENTSO-E shall prepare more scenarios.

Eurelectric asks on capacity allocation, which they consider a key aspect for the price. ENTSO-E answers that this is not in the scope, but the intention is to apply first come first serve. Eurelectric asks if the price will be calculated by the platform and if it will not be recalculated based on the volume activated. ENTSO-E confirms.

EFET and Eurelectric ask for more clarification in the explanatory document, how the validity period relates to prices made for each optimisation cycle (four seconds in aFRR currently) and for the compensation rejected bids. ENTSO-E clarifies that there is no remuneration for bids that are not selected. For bids activated for system constraints / interconnector controllability different options will be explained in the explanatory document (all bids remunerated with XBMP and pay as bid for bids activated for system constraints with minimum the XBMP).

Europex asks if these proposals will match with local arrangements as in UK, NRAs just approved local settlement arrangements. ENTSO-E answers that third parties are indeed involved in the imbalance settlement proposal however the European proposals cannot be fitted to all national developments.

mFRR

Eurelectric highlights the need to be consistent with other countertrading measures and with CACM regulation. ACER separates balancing action from countertrading, if activated by balancing platform, remuneration is obtained. There are several options for not activated/deactivated bids pricing for CM.

EFET understands there may be a marginal price for scheduled activated bids and a marginal price for direct activated bids. They ask if a BSP can choose whether his bid can be direct activated and/or scheduled activated. ENTSO-E explains that comments from the consultation of the implementation framework are being discussed.

EFET highlights that some distortion can be present if taking into account marginal price from the previous hour. ENTSO-E answers that it would not be fair to directly activated BSP if not taking into account previous period price and fairness in activation has to be ensured. EFET considers that this process should be clearer and more transparent.

aFRR

ENTSO-E highlights that maximising cross border competition was a key aspect for including marginal price. Optimisation cycle BEPP vs quarter-hour advantages are explained.

Eurelectric asks for some clarification on the link between competition and BEPP. ENTSO-E answers that maximising price convergence will maximize competition. For example, BSP are not forced to bid at their costs and can include a mark-up. Eurelectric is convinced that strategic bidding is not allowed. TSOs answer that the example was on bid strategy. Eurelectric thinks that no market design should be based on market distortion.

EFET comments that TSO should not decide on market design features where NRAs should decide on. If the argument for choosing the optimization cycle approach is the one explained, maybe it is not sufficient. ENTSO-E answers that the main argument is to reflect grid constraints realistically, therefore the optimization cycle has to be used as reflects transmission capacity situation. A 15min BEPP would artificially prolong a congested situation.

EFET asks if the mitigation measures are also explained in the explanatory document, and ENTSO-E answers that it is not expected to be a major issue. EFET finds that major issues are changing from one consultation to the next. ENTSO-E answers that based on early stakeholder involvement and consideration of stakeholders input, changes happen.

Eurelectric favors a 15min BEPP as all markets are oriented to the ISP and would be consistent with mFRR. EFET agrees that the marginal price of a 4s optimisation cycle should set the price for the ISP. ENTSO-E believes pricing per optimisation cycle is consistent with the other markets.

FSR finds that different options have different drawbacks and that there is a gap between BSP and BRP settlement.

On Eurelectric's request to publish studies supporting the choice ENTSO-E lowers expectations on what can be simulated. How markets develop is unknown. Sum of assumptions for simulation is very high.

EFET asks if price of a specific product adapted to an standard product by TSOs is also converted? ENTSO-E says that it depends on national terms and conditions. Although national, EFET recalls that there is competition cross border.

Activation purposes proposal

ENTSO-E (Pavel Zolotarev) presents the Activation purposes proposal.

Eurelectric expresses that this proposal is very important and must have clear principles on EU level in it.

ACER summarizes that there are two activation purposes, i.e balancing and system constraints.

FSR asks on the activation time for system constraints. ENTSO-E clarifies that timeframe are the same and that bids are not firm before GCT. In case of activation before it, it will be done via national process.

EFET asks if some bids can be activated for both purposes. ENTSO-E considers that mathematically, it can be separated, taking into account the two runs in the process. In the first run bids will be activated and on the second run, system constraint activation bids are identified.

ACER asks if these system constraints represent the only activation purposes apart from balancing. ENTSO-E answers that it could be distinguished between crossborder constraint and internal constraint. Eurelectric asks if there is something more than a list of system constraints activation purpose, expecting a full description to fit article 29.3.a. in EB GL, to frame the context of the constraints. ACER asks to narrow the scope of constraints.

ACER asks if this labelling will also be used in the TSO platform for demand.

Europex would like this distinction to be included in the information for third parties in the settlement process.

Remuneration of unavailable bids

ACER informs that NRAs are still discussing and intend to finalize their position in the next weeks. ACER proposes to organize a confcall or roundtable on this subject by end September or beginning October.

Eurelectric asks for equal treatment between two BSPs in the same bidding zone ensuring a level playing field. ENTSO-E points out that stakeholders must take into account that units on the distribution area have to

be managed by DSO for internal congestion management and connection agreements will need to be taken into consideration.

EFET highlights that the process of making bids unavailable should be compatible with pool-based bids. Also, full transparency is needed to understand what TSOs do for what reason.

FCR cooperation proposal

NRAs informed that their request for amendment will be finalised within the next two weeks. Main requests are to move the first implementation start to 1st July 2019, aligning with the second step, the marginal pricing and incorporation of the feedback from stakeholders. NRAs expect to approve this proposal by end of year.

ENTSO-E considers that this approach, which is in line with the initial proposal, is satisfactory. EFET and Eurelectric are pleased with the solution.

aFRR and mFRR– Implementation framework

ENTSO-E (Martin Høgh Møller and Benjamin Genêt) summarize the NRAs shadow opinion.

Eurelectric appreciates the sharing of the shadow opinion and asks if it is possible to have an overview of the comments that are going to be considered and the ones that are possibly not going to be taken in account.

ENTSO-E informs that some of the comments are easy to take on board; for counteractivation and elastic demands, more work is needed, as on the guaranteed volume.

AOB

ENTSO-E presents the NCIP Website & planned App.

Next steps

- End September: ISH webinar
- 16th or 23rd October: SH WS on pricing and activation purposes
- Next Meeting EBSG: 19th November

The chair thanks Kjell Barmsnes for its work since 2014, when this EBSG was created.