

**Energie-Nederland response to the ENTSO-E consultation  
on the implementation framework for the exchange of  
balancing energy from frequency restoration reserves with  
automatic activation.**

*Date: 28 June 2018*

**Energie-Nederland**

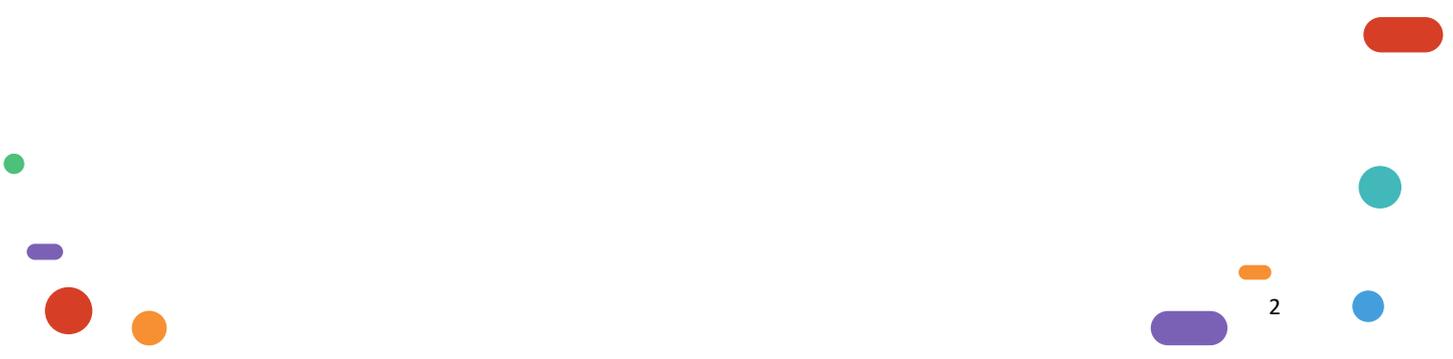
Energie-Nederland is the association representing the commercial participants in the energy market in the Netherlands. This includes generation, trade, supply, aggregation and services companies. Energie-Nederland believes that the transition to a carbon free energy system should be done by using the efficiency and innovation power of the energy market. Creating an international level playing field through market integration is key in this perspective.

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## Answers to the consultation questions

The sections below give the consultation questions with our answers. In this paper we have excluded the administrative questions in the beginning and start with question 8.

### ***8. Please add here your feedback related to the introductory Article 1 and Article 2: “Subject matter and scope” and “Definitions and interpretation”***

“Border” is not clearly defined here. The definition is without context. Possibly it is better to use LFC border to differ from e.g. a Bidding Zone border.

It is incorrect to use social welfare in this context as the aFRR energy process is only one of the platforms that can be used to exchange energy. In this context the objective is rather to find the right price to satisfy the demand through the merit order of aFRR bids.

### ***9. Please add here your feedback on Article 3: “High-level design of the aFRR-Platform”***

It seems open whether TSOs can use other criteria than price and availability of cross border capacity to sort the bids in a CMOL. In our view there should not be other criteria and this should be clear in the text.

Article 3-7-a: How does the frequency restoration controller of the connecting TSO deal with calculation of the set point for aFRR activation deal with the fact that possibly bids are activated with characteristics that are not tuned to other controller settings as long as there is no full harmonisation?

### ***10. Please add here your feedback on Article 4: “The roadmap and timeline for the implementation of the aFRR-Platform”***

Article 4-2-b: “The TSOs shall endeavour .....” Shouldn’t the TSOs comply with Article 18 of the EBGL?

Article 4-2-b: “in accordance with Article 18 of EBGL and in line with national legislation”? In our view the EBGL overrules national legislation in case of conflicts. Is this the meaning of the wording “accordance” and “in line”?

Article 4-3-b and 4-3-c: The deadlines are missing for this step.

### ***11. Please add here your feedback on Article 5: “Functions of the aFRR-Platform”***

Article 5-3-c: We see no clear justification for the FAT of 5 minutes. The explanatory documents mentions a study, but this study is not public. Energie-Nederland believes that the FAT should be as high as possible to allow TSOs to comply with the SOGL requirements with a market with maximum competition. A higher FAT value leads to more competition. We also believe that the frequency quality should be better than what is considered as robust in the SOGL, as this would lead to inefficiency.

Energie-Nederland therefore urges TSOs to come forward with the details technical and economic of this crucial part of this proposal to justify the decision.

Article 5-4-c: This article is vague and open: What is exactly the purpose of this article? The balancing energy market should be financial neutral to TSOs. Settlement should therefore be very easy and straightforward based on the activation of the CMOL. What adjustments are foreseen and what (perverse) incentives does this give to TSOs?

**12. Please add here your feedback on Article 6: “Definition of the standard aFRR balancing energy product”**

Energie-Nederland believes that only a fully harmonised aFRR market leads to a true level playing field. This article leaves several aspects open. Furthermore, crucial characteristics like FAT and whether portfolio bids are explicitly allowed are not mentioned.

TSOs propose not to harmonise the mode of activation (FAT versus Ramping approach), it's unclear to us whether this does not hamper the level playing field. Clarity is requested how fast responding BSPs are remunerated in the different countries. For example, if a battery with a near infinite ramping time in country A gets fully rewarded for the delivered energy (a 'rectangle' shape instead of a 'trapezoid') while a battery in country B is restricted by a pre-determined trajectory, does this make the latter one less competitive?

**13. Please add here your feedback on Article 7: “Balancing energy gate closure time for the standard aFRR balancing energy product bids”**

Energie-Nederland believes that the balancing energy market should interfere as little as possible with the other short term markets. We therefore believe that the BEGCT should be short than 25 minutes before real time. This would increase competition in the market as especially smaller market players have a lower risk profile.

Furthermore, we suggest to include also balancing energy gate opening time in the proposal to allow BSPs time to prepare and submit bids.

**14. Please add here your feedback on Article 8: “TSO energy bid submission gate closure time for aFRR balancing energy product bids”**

Article 8-2: The proposal gives the possibility to modify and reject bids. We think that it should be exceptions and that these actions should be published and justified.

**15. Please add here your feedback on Article 9: “Common merit order lists to be organised by the activation optimisation function”**

Article 9-3: What is available in this context? All bids the connecting TSO has received?

**16. Please add here your feedback on Article 10: “Description of the optimisation algorithm”**

Energie-Nederland believes that a CMOL is a very straightforward optimisation algorithm: selection of the cheapest bids for meeting the overall aFRR demand with consideration of network congestions. We cannot see any other criterion included in this “calculation”. In that perspective we cannot see the justification of the minimisation of the exchanges among LFC areas. The goal should be the economic efficient activation of bids to meet the aFRR demand on a regional level regardless the exchanges resulting from that.

With regard to social welfare see comment on Article 2.

The Framework should also include the fall-back procedure.

Article 10-4-b: What is the increase in efficiency to give priority to control blocks?

**17. Please add here your feedback on Article 11: "Proposal of entities"**

No comments.

**18. Please add here your feedback on Article 12 and Article 13: "Governance" and "Decision making"**

The proposal ignores stakeholder input in the platform. Energie-Nederland urges TSOs to include the advice of stakeholders on expert groups and board level. This would smoothen the implementation and operational processes and foster transparency. Furthermore, NRA approval should be included in the decision making process.

Article 12-1: What exactly is "unjustified economic advantage" in this context. It shouldn't be related to the energy balancing market, as this should be financial neutral to TSOs.

**19. Please add here your feedback on Article 14: "Categorisation of costs and detailed principles for sharing the common costs"**

No comment.

**20. Please add here your feedback on Article 15: "Framework for harmonisation of terms and conditions related to aFRR-platform"**

The article is very vague. Energie-Nederland promotes a formalised framework that structurally involves stakeholders in the harmonisation process. It should be possible for stakeholders to address harmonisation opportunities in an early stage between cycles.

As said before Energie-Nederland believes that only a fully harmonised aFRR market leads to a true level playing field delivering the full efficiency potential. However, we acknowledge that interim steps in harmonisation are probably unavoidable. Reasons for non-harmonisation should be clear and we would ask for annual reporting on the value of the inefficiency and the effect on the individual markets due to the lack of harmonisation.

**21. Please add here your feedback on Article 16 and Article 17: "Publication and implementation of the aFRRIF" and "Language"**

No comment.

**22. Please add here general comments on the proposal**

We fully support the objective of creating a European balancing market in line with the markets in the other timeframes (forward, day-ahead and intra-day) as this will enable a successful energy transition. That said we notice this concept is severely challenged and we must conclude that the proposed implementation frameworks for aFRR, mFRR and RR give the impression that TSOs see each other as competitors rather than entities that have to work together to operate the single Europe electricity system as one. Many provisions seem to safeguard the autonomy and financial

positions. There is reference to national legislation in several articles and an important part of this legislation may be TSO regulation with possibly perverse incentives for cooperation. Here we see a challenge for NRAs to streamline this.

If the NRAs do not succeed it is foreseeable that the effort to set up the European platforms does not lead to any gains in social welfare at all, or worse would lead to a decrease of welfare. Market parties need clear rules and simple processes in order to market the flexible capacity in an efficient way. Correct price formation should ensure that the most economic capacity is activated to solve the imbalance. This will clearly not happen as long as pro-active and reactive TSOs coexist, as proactive TSOs will activate (RR, mFRR) before real-time while reactive TSOs do not.

We have concerns with the proactive way of balancing. Firstly, we do not understand how it is possible to forecast an imbalance. Clarity is requested how this is done, why it is needed (the duty of TSOs is to restore frequency in 15 mins so no need to solve something that has not taken place), and how it is beneficial, as there is always the risk that the forecast was wrong and that the activated capacity is redundant or has aggravated the situation. Secondly, freedom of dispatch is compromised as the flexibility from BRPs are disregarded. Pro-active balancing of a TSO lead to socialisation of energy costs of balancing and thus distorting incentives for BRPs inside and outside an LFC area.

Energie-Nederland believes that the balancing market should be seen as the residual market where TSOs keep the system in balance through re-actively activating bids and settling BRPs with the marginal cost of each ISP. This approach will use predominantly aFRR and only occasionally an mFRR product. Such clarity allows BSPs to offer their capacity at the lowest possible price enhancing the overall system. However, this proposal and also the proposals for the other products lack the provisions for the interaction of the different balancing products. Moreover, the pricing methodology is also essential to judge this proposal for implementation. Therefore, we expect a consultation on the complete framework of balancing platforms and their interaction in a later stage.