

Response to the ACER Consultation on the proposal made by all Transmission System Operators for the implementation framework for the European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation

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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

Topic 1: Consistency between AOF and local activation of bids

Question 1

Do you agree with the Agency's approach to monitor and minimise systematic deviations between bids selected by the AOF and bids activated by the TSOs or do you consider that this approach is too strict or too loose?

Energie-Nederland believes that the choice for the control demand option is indeed not compliant with the EBGL. Apart from the issues mentioned in this context, it also makes pricing difficult. In the end it does not create a level playing field. We have the impression that the main reason to propose the control demand approach is that TSOs can remain as autonomous as possible.

However, we do see the harmonization effort needed to implement the control request approach. Controller settings will have to be the same and TSOs will have to adapt. We have not seen the analyses of the operational risks involved.

Energie-Nederland, therefore, could envisage a short transitional period with a control demand approach, if this gives comfort for the transition to TSOs. However, the end goal should be a control request system.

Question 2

What would you consider necessary to be reported on an annual basis, as indicator(s), with respect to deviations between selected and activated bids?

What would you consider as acceptable level of deviations?

It is very difficult to answer this question. Besides the deviations there are also effects on bids itself, as the technical conditions differ from LFC area to LFC area. We have noticed that only slight differences in technical and contractual differences have led to larger differences in bids in e.g. the FCR market. This aspect of the control demand approach therefore leads to an unlevel playing field.

However, since this will be the transition model for some time it indeed is important to monitor this aspect. Proposals for reporting are:

- The report should monitor the deviations as % of aFRR delivered in a different way than selected by the AOF.
- The total deviations volume,
- The number of deviations which occurred in a given bidding zone as well as the volume and the time in which any significant deviation was observed.
- The monitoring should also follow the impacts of such deviations.

Topic 2: Full activation time

Question 3

Would you support the harmonisation of FAT by 17 December 2024?

What solutions would you suggest for mitigating the concerns on the level playing field until the full harmonisation?

In the 13 November workshop ACER stated that a lower FAT would lead to more competition. In our view this is not the case. On the contrary a lower FAT value leads to entry barriers and less competition. FAT should be tuned to TSO needs to fulfil the control target. We have not seen a clear analyses based on that principle that leads to a 5 minutes FAT.

Nevertheless, Energie-Nederland supports an early harmonization of the FAT. As a matter of fact, since this also involves changes and harmonisation in controller settings, this should be combined with change to a control request approach.

Topic 3: Declaration of bids as unavailable and their modification by TSOs

Question 4

Do you agree with the proposed framework for changing of bids by TSOs?

What additional elements would you consider necessary for enhancing the transparency?

According to Title 3, Load-Frequency Control Structure in the SOGL, TSOs should take a reactive approach in reaching the control target regulate the FRCE towards zero within the time to restore frequency. The purpose of FRR is to progressively replace *activated* FCR (143-1-b) and the purpose of RR is to progressively restore *activated* FRR and support FRR activation (144-1-a,b). This is a sequential approach with the FRCE as input and will use predominantly aFRR and only occasionally an mFRR product (Article 145-5). In such a system the necessity for the proposed framework is much lower. If congestions pop up, these should be dealt with through redispatch in order not to distort level playing field and price formation in the balancing energy market. Rather than trying to deal with changing of bids the root cause should be dealt with. However, there is still a need for the proposed framework, especially in the current situation. Regarding the proposal we have some comments:

Regarding the first criterion Energie-Nederland believes it is not clear enough: new information constantly flows through TSOS systems, we hence recommend to further clarify what kind of new information would be considered as relevant to justify the flagging. In our view, since balancing is a real time process, only real time physical information is relevant.

Furthermore, the annual report should be made public (this should be explicitly written in the IF) and include analyses of what is happening, which leads to improvements. Clarification is needed on the verification of circumstances in which TSOs declare bids unavailable: how will it be verified if TSOs properly assess the need for changing a bid or declaring it as unavailable? Introducing the possibility for TSO to flag some bids as unavailable for activation by the platform – whether for internal congestion, margin or

any other purpose – could introduce a market distortion between BSPs, since the BSP whose offers have been set unavailable could suffer, in some cases, a loss of opportunity. Allowing TSOs to withhold standard bids should be conditioned on a fair compensation for the loss of opportunity for the impacted BSPs: e.g. an upward offer with a price inferior to the marginal price but flagged as unavailable should receive adequate compensation reflecting the opportunity loss.

During the public workshop, ACER mentioned that there is no legal background to impose such compensation, which has to be dealt with in the national T&C. Energie-Nederland however believes that since the aFRR foresees the possibility for TSO to “reserve” bids for congestion or capacity reasons for instance (criterium 3) and impose that those limitations are made on the most expensive bids, the IF could also impose a proper compensation for those bids if they would at the end not be activated although in-the-money. TSOs, not the market, should bear the costs of these imperfections to incentivize further harmonization and integration. The details of such compensation should of course be determined in the national T&Cs.

Topic 4: Other comments

Question 5

Please comment on other topics indicating clearly the related Article, paragraph and sub-paragraph of the aFRR IF proposal.

Energie-Nederland supports 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.

Market parties need clear rules and simple, transparent processes (resulting in low entry barriers and thus more competition) in order to market flexible capacity in an efficient way. Correct price formation should ensure that the most economic capacity is activated to solve the imbalance. This will not happen as long as local imbalance considerations are leading for individual TSOs.

Energie-Nederland believes that the balancing market should be seen as the residual *energy* market where TSOs keep the system in balance through re-actively activating bids and settling BRPs with the cross product marginal price of each ISP.

The reactive approach is set in Title 3, Load-Frequency Control Structure in the SOGL: The purpose of FRR is to progressively replace *activated* FCR (143-1-b) and the purpose of RR is to progressively restore *activated* FRR and support FRR activation (144-1-a,b). This is a sequential approach with the FRCE as input and will use predominantly aFRR and only occasionally an mFRR product (Article 145-5). Imbalance settlement should be based on the marginal price of these activations where an entire (with consideration of congestions) region is being considered, in line with the day-ahead and intraday market. Simple and harmonized rules allow BSPs to offer their energy at the lowest possible price enhancing the overall system. The same price should also be used for BRP settlement to allow for consistent incentives.