

## **Response to the ACER Consultation on the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with manual 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: Elastic demand in the mFRR platform

#### Question 1

*Do you agree with the high-level principles and conditions proposed by the Agency for elastic demand?*

Energie-Nederland does not see mandate or even the need for elastic demand. 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 fact it is unclear how this is exactly defined and gives the TSOs the opportunity to influence balancing volumes and therefore influence the balancing price, but more importantly distort BRP positions. This leads to ineffective behaviour of BRPs.

Moreover, Energie-Nederland proposes to only use one standard mFRR product. That can be either DA or SA, with a preference for the DA product. In a concept with the same marginal price for BSP and BRP settlement the SA product will be primarily delivered through passive contribution of BRPs. This approach simplifies the market and system operation and thus reducing operational and market risks.

Conclusion: elastic demand should not be introduced in the mFRR platform. As we do recognize the existence of pro-active TSOs that will have to be accommodated for in a transition period. In that case effects can be monitored more clearly.

The reporting of that monitoring should be made public and should at least monitor these points:

- How the elastic curves have been built? What triggers the choice to use them? On what basis do TSO apply them?
- How the elastic demand curve impacted the selection of bids in comparison with a non-elastic demand curve
- The proportion of volume (TSO demand) using an elastic demand curve versus the volume using a non-elastic demand curve

In addition to a reporting, transparency in real time should also be given as even local elasticity will influence the central platform. When a demand curve is elastic, the market should be informed about the alternative (local) solutions that have been used to determine the elastic demand curve.

## **Topic 2: Scheduled counter-activations**

### *Question 2*

*Do you agree to allow scheduled counter-activations in the mFRR platform in order to maximise the economic surplus subject to reporting and monitoring of possible negative effects?*

Counter activations distort the intra-day market and price forming in the balancing market. Moreover, Energie-Nederland believes that counter activations are not needed as in a reactive system, as required by the SOGL, balancing is predominantly done by activating aFRR, supplemented by occasional mFRR bids (see question 1). In such a system there are no linked bids and market parties will do the economic optimization through primarily the intra-day market. Counter activations would actually mean that TSO activation causes imbalances and should therefore not be allowed.

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

### *Question 3*

*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 (criterion 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: General principles for unforeseeably rejected bids**

##### *Question 4*

*Do you agree with the above principles for unforeseeably rejected bids?*

Energie-Nederland does not see this problem occur very frequently in a reactive system mentioned in the questions before. In such a system market parties (BRPs and BSPs) do the economic optimization, primarily in the intra-day market. The intra-day market allows for more complicated bids. The balancing market should be as simple as possible as it deals in real time and operational speed is required even more than in the intra-day market. The activation by the TSOs is not a optimization algorithm, but the activation of a simple common merit order list where the most last activated bid determines the price for all products. The only complexity in the merit order approach may be the inclusion of network constraints in real time.

Nevertheless, given the situation we are starting, the issue has to be dealt with. In that perspective we agree with principles mentioned by the Agency.

#### **Topic 5: Other comments**

##### *Question 5*

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.