

ENTSO-E's consultation on the implementation framework for the imbalance netting process

A eurelectric response paper

March 2018

eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

Response ID ANON-Z8T7-QNDQ-H

Submitted to **Proposal for the implementation framework for a European platform for the imbalance netting process**

Submitted on **2018-03-14 17:31:27**

Introduction

1 What is your name?

Name:

Ioannis Retsoulis

2 What is your email address?

Email:

iretsoulis@eurelectric.org

3 What is your organisation?

Organisation:

eurelectric

4 What types of organization do you represent?

Association

5 Please add here your feedback related to the introductory Articles 1 and 2

Articles 1 and 2:

6 Please add here your feedback on Article 3 High level design of the IN-Platform

Article 3:

We welcome the implementation of the IN-Platform to ensure an efficient balancing process over all Europe.

7 Please add here your feedback on Article 4 Implementation of the IN-Platform

Article 4:

8 Please add here your feedback on Article 5 Functions of the IN-Platform

Article 5:

Comment on article 5(2): see comment to article 11(2), regarding objective function "netting at any cost".

Comment on art.5.3 (a): There is a clear need for clarification in the platform design of how the distribution of costs will be implemented. Especially in a case where multiple optimisation regions or LFC blocks perform prior imbalance netting. There should at least be a reference to art.11.4(b), where this procedure seems to be implied.

Comment on art.5.3 (b) ii: There is no definition or description of the term 'strong detrimental effects in terms of costs and benefits'. We are convinced that at least a description is needed. The current wording is too vague. It should be specified how long such strong detrimental effects should persist before an exclusion of a border can be done. Further examples of the "strong detrimental effects should be provided.

If such exclusion is implemented, sufficient transparency must be ensured. These examples should include what are the reasons for such effects, how they can be mitigated and a timeline for implementing the mitigation measures.

Comment on art.5.4 (d): It should be specified on what the imbalance settlement pricing will be based. If such a settlement will be based on prices of (avoided) aFRR activations, some level of harmonization of aFRR pricing should be implemented, in particular for LFC blocks outside the aFRR cooperation. Furthermore a description is needed of how the prices of the activated bids the aFRR, mFRR and RR-platform are allocated to the imbalance settlement price in such a case

9 Please add here your feedback on Articles 6 - 7 Governance and Decision making

Article 6 - 7:

Comment on art.6.1: A further explanation is needed or a specification of what 'unjustified economic advantages' could occur. We are asking TSOs to be more concrete and give examples for such cases of "unjustified economic advantages". There should also be a reference to the settlement and market participants, as they are at least as much at risk to suffer unjustified economic (dis)advantages. This reference should be based on transparent and traceable facts in order to promote confidence of market parties

Comment on art.6/7: We notice a complete lack of reference to stakeholder consultations in either governance or decision making (e.g. in case of methodology update). If decisions taken by the platform have impacts on the (balancing) market or the formation of imbalance settlement pricing, market participants should be informed and consulted before.

Comment on art. 7 (9 and 10): Pursuant to GLEB article 4(4) and similarly to 7(8), it should be added that "A blocking minority for these decisions must include at least a minimum number of TSOs representing more than 35 % of the population of the participating Member States, plus TSOs representing at least one additional Member State concerned, failing of which the qualified majority shall be deemed attained".

10 Please add here your feedback on Article 8 Proposal for entity or entities

Article 8:

11 Please add here your feedback on Article 9 Framework for harmonization of the terms and conditions related to balancing

Article 9:

Is this Article really necessary in the implementation framework?

12 Please add here your feedback on Article 10 Categorization of costs and detailed principles for sharing the common costs

Article 10:

Comment on art. 10: The allocation of regional costs as defined in 10(1-b) is not specified. We are asking for transparency and further explanation. As regards to GLEB article 23(5), this allocation should be further detailed, or alternatively use common costs sharing arrangements set out in 10(6).

Comment on art.10.1 (b): There seems to be a missing word in "[...] but not [all?] member TSOs in the IN-Platform".

Comment on art.10.4: eurelectric would welcome explanations on the inclusion of 'optimization regions' (excl. the aFRR cooperation region, whose costs will be handled within the aFRR implementation projects) in this sub-paragraph, as they may entail costs on a regional level.

13 Please add here your feedback on Article 11 Description of the algorithm for the operation of imbalance netting process function.

Article 11:

Comment on art. 11.1: There is a clear need to describe the fall-back approaches in detail, These should be linked with the fall-back solutions for the aFRR cooperation platform. We are asking TSOs to publish this information in a transparent way.

Comment on art. 11(1-e-i) Beyond reference to EBGL article 37, the sequence between imbalance netting, the cooperation of FCR-activation and aFRR activation for the use of cross zonal capacity should be detailed and the final proposal should be published.

Comment on art. 11(1-e-ii) which foresees that TSOs may enforce additional limitations on netting capacity: such decisions have to be made fully transparent (methodology, values, revisions) and justified. See also comments to article 5(3-b) (exclusion of a border)

Comment on art. 11(2). eurelectric assumes that IN-platform intends to keep actual IGCC principle of netting "at any costs", regardless of the opportunity costs within different LFC areas. According to ENTSO-E's reports, it seems that some control areas suffer economic losses for up to 30% of the control cycles. This highlights that settlement rules are crucial to share appropriately the overall benefits of imbalance netting, and avoid any unjustified economic disadvantage.

Comment on art. 11(3) see also comments to 5(3)

Comment on art. 11(4). There is a need for market parties to understand the interactions between IN and aFRR cooperation would work. eurelectric is asking for a clear description. Currently we understand that:

- For a given control-cycle, all LFC-areas/blocks send their ACE and aFRR bids to the aFRR-cooperation platform
- The aFRR-platform performs prior netting and sends its net need to the IN-platform
- The IN-platform performs netting with the others blocks/optimisation region and returns a correction to aFRR-cooperation platform
- The aFRR-cooperation platform clearing algorithm performs bids activation in order to fulfil its residual need, and returns a correction through new settings for virtual tie-lines between the participating LFC-areas

We would welcome confirmation of this understanding and/or clarification of the interactions within the implementation framework and also publish this information.

Comment on art.11.4(c): What is the governance on multiple optimization regions (excl. aFRR cooperation regions): do they have to merge once they have a common border, do they have to use the same platform?

Comment on art.11.6: The proposed wording seems to imply that merging IN and aFRR common platform is voluntary once both regions overlap ('can'). We do not see a reason why IN should remain separated if aFRR platform is fully implemented and both projects cover the same region.

14 Please add here general comments on the proposal

all:

We welcome the implementation of the IN-Platform to ensure an efficient balancing process over all Europe.

The Implementation Framework contains so far no data/information publication towards the market parties. Netting volumes should be published as soon as possible after real-time and any additional information (limits on cross-border capacity, limits on activation volume, etc.) should be published as soon as possible. This information is very important to allow BRPs and BSPs to take efficient operational decisions.

Follow-up and feedbacks should be presented in periodical reports as mentioned in GLEB articles 59 and 60.

We are still missing a discretion whether and what limits can be set on the imbalance netting volume of individual LFC blocks: Are there any limits remaining (e.g.

pre-contracted volumes, free bids, ...)? Eurelectric need clarity on the way limitations to imbalance netting are set, in particular but not exclusively with respect to volumes of aFRR. We consider that those limitations should not hinder the level-playing field between BRPs and BSPs.

In addition, eurelectric would appreciate more precise information on how the remaining imbalances post-netting are allocated. For instance, one article in the official documents could detail this. We also strongly recommend the algorithm to be made public.

We would also like to ask ENTSO-E to publish all individual submitted answers, on the dedicated website, along with a relevant report on how they were treated.

Last but not least eurelectric would like to have more clarity on where the interaction between the different platforms, in relation to the allocation of cross-zonal capacity, will be addressed.

EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability



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