

ENTSO-E consultation on RR implementation framework

A eurelectric response paper

April 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.

Dépôt légal: D/2018/12.105/10

1. What is your name?

2. What is your email address?

3. What is your organisation?

4. What types of organization do you represent?

- **Association**
- Generation
- Power Consumers
- Power Supply
- Storage
- Aggregator
- Others

5. Country / countries that you represent

6. Please add here your feedback related to the introductory Article 1 and Article 2

We consider it inappropriate that the Implementation Framework (IF) refers to the explanatory document for a list of participating RR TSOs (art.1(1)). The IF document should be self-contained with the explanatory document solely for clarification and support.

We consider the maximization of social welfare as an objective of the exchange of Replacement Reserves or the RR-platform too broad given the limited scope of the RR-platform itself. The maximization of social welfare should be the outcome of the overall market functioning, of which the RR-platform is but a partial component. If any consideration is to be given to the maximization of social welfare, and the contribution of the RR process to social welfare, this should be done in an holistic consideration including other balancing platforms and other market timeframes, in particular the Intraday timeframe.

Whilst addressing what is within and outside the scope of the project, we would like to highlight the apparent lack of attention paid to the degree of harmonisation of the local aspects of the market. A level playing field is an essential prerequisite for an efficient market and, therefore, for the success of the project. We would like to see an overview of the local aspects in order to assure an appropriate level of harmonisation.

7. Please add here your feedback on Article 3: High-level design of the RR-Platform

Paragraph 1 (a) refers to the process where offers that are deemed 'coherent' with the RR standard products by the connecting TSOs are forwarded to the RR-platform. It is not clear from the text – nor from the explanatory document – what criteria are considered to evaluate whether an offer is coherent with the Standard Product. It should be clarified what exactly the scope is for TSOs to evaluate offers for coherence at this stage and what process will be used for non-coherent offers. Balancing Service Providers should know upfront whether a submitted bid will be considered 'coherent' or not if this solely refers to the simultaneous bidding of Standard and Specific Products on the same platform.

If the process of 'coherent' bid evaluation includes the withdrawal of 'unavailable offers' which is referred to in the explanatory document (paragraph 11, page 15), it should also be further clarified including under what conditions such bid filtering can be performed and what level of transparency to the BSP there will be.

eurelectric regrets the high-level description of the process and data towards the central data platform operated by Entso-E. Public confidence and use of ENSO-E Transparency platform lie in its robustness and reliability. Therefore, some requirements should be met before centralizing the publication of TERRE's important information. These requirements concern the definition of targets in terms of continuity of service, existence of a fall-back mode, the actions and timings in order to restore the operation and a clarification of the alerts and warnings triggered, and its related publication for stakeholders (Data Owners, Data Providers).

We request also that the following data would be included in the common publication:

- Capacity – Price curve
- Activation volumes for each product and bidding zone
- Information on the cross-border capacity: how much is available/used; which borders were constraining.
- Information on interconnection controllability actions: differences between constrained and unconstrained auction outcomes.
- If elastic imbalance need is kept: bidding structure by each TSO (volume and prices of elastic imbalance needs and their basis).

8. Please add here your feedback on Article 4: The roadmap and timeline for the implementation of the RR-Platform

Paragraph (1) refers to the fulfilment of “further requirements by the GL EB” to consider the RR-Platform to be formally implemented. It is not clear what further requirements by the GL EB RR TSOs consider relevant for the formal implementation of the RR-Platform to be considered fulfilled. This should be explicitly included or referred to.

9. Please add here your feedback on Article 5: Functions of the RR-Platform

No comments.

10. Please add here your feedback on Article 6: Definition of the RR Standard Products

It is not clear why the “maximum quantity in case of indivisible bids” is defined on local level. Differences in the ability of BSPs to offer a volume of indivisible bids distorts the level playing field on the RR-Platform. The maximum quantity for indivisible bids should be defined at RR-Platform level.

With unforeseeable rejected bids possible, large indivisible bids would be rejected in favour of subsequent smaller indivisible or divisible bids that result in an economically superior market outcome. It is then up to the BSP to balance the ability to offer a large indivisible block with the chance to be rejected. For the TSOs on the other hand, it should always result in an economically more efficient market outcome.

11. Please add here your feedback on Article 7: Gate closure time for RR standard product energy bids

The adjusted value of the Electricity Balancing Gate Closure Time of a range between 60 and 55 minutes before real-time is a limited – and yet still uncertain - improvement over the original proposal of 60 minutes before real-time. A timing of 55 minutes is a minimum but may, depending on the timing that the final results of XBID are available, remain of limited use to integrate ID results into the RR-Platform bids. Therefore, the reality remains that BSPs will have to make a choice between participation in the final moments of XBID – when there is often a surge in transactions – or in the RR-Platform.

We still lack a justification for the tasks to be achieved by the TSOs between BEGCT and TSOGCT. Part of these tasks (schedules processing, calculation of residual ATC and TSO’s need) could be carried out in parallel with bid submission by BSPs. Also, there would seem no reason why the Balancing Energy Gate Closure Time for BSPs could not be divided into 2 deadlines; one for the submission of scheduled energy programmes including volumes offered for TERRE (that would allow the TSOs to assess their balancing needs) and a second for the submission of offer prices related to the offered balancing volumes.

Finally, it is unclear what approval process will be used to translate the proposed range into a single value in the Implementation Framework. If National Regulatory Authorities would approve the inclusion of a range, we ask that they should only do so on the condition that the range will be translated to a single value through the formal amendment process

of the Implementation Framework, including stakeholder consultation and regulatory approval. At the same time, the RR TSOs should reconsider their decision window of 2 months before go-live given the approval process required, as well as the need for BSPs to have clarity on the process timing to adjust their processes and systems.

In addition, the timeline does not specify the deadline for TSOs to receive the communication of the results by the platform. Previously, this deadline was set at H-30min, meaning that in some cases, the BSP can receive the activation order after H-30, which is not consistent with a RR FAT equal to 30 minutes. eurelectric therefore demands the inclusion of this deadline – set a moment further from real-time than H-30 minutes – in the Implementation Framework.

12. Please add here your feedback on Article 8: TSO energy bid submission gate closure time for RR

We are encouraged by the willingness of the RR TSOs further explore a shorter timing of the TSO energy bid submission Gate Closure Time up to 36 minutes before real-time. At the same time, we have the same concerns on the stakeholder involvement, regulatory approval and a decision window that close to go-live as with the BE GCT. RR TSOs should strive to evaluate and decide on the final value for TSO bid submission GCT – as well as BE GCT – as soon as the technical parameters of the LIBRA platform are agreed with the service provider.

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

Paragraph 4 again refers to the submission of energy bids by the connecting TSO to the RR-Platform if they are deemed 'coherent', without clarification on what criteria will be used to evaluate such coherence.

The process also does not explicitly refer to any bid filtering of unavailable bids, something that the explanatory document clearly indicates will be part of the RR bid submission process (chapter 11 of the explanatory process). Regarding bid filtering, introducing the possibility for TSO to flag some bids as unavailable for activation by the platform – whether for congestion, margin or any other purpose – could introduce a market distortion between BSPs since the BSP whose offers have been blocked could suffer, in some cases, a loss of opportunity. Therefore, eurelectric considers that 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.

In addition, full transparency is required on TSO criteria for bid filtering and in particular transparency to BSPs of TSO actions on its respective units. This is especially pressing in Central Dispatch Systems (CDS) where Integrated Scheduling Process (ISP) bids are converted by the TSO into the RR Standard Product. This makes it especially difficult for market participants to assess to which degree their capacity is offered on the RR-platform or withheld by the TSO for congestion or margin reasons.

14. Please add here your feedback on Article 10: Rules for governance and operation of entity operating the platform and proposed designated entity

The governance and decision taking processes make no references to stakeholder involvement. We would appreciate the recognition of the continued need for stakeholder involvement in the future evolution of the RR-platform.

15. Please add here your feedback on Article 11: Framework for harmonization of terms and conditions

The rules regarding the maximum size of RR balancing energy needs refer to ‘certain conditions’ under which a TSO can notify the application of an exemption to this limitation. It should be clarified what conditions are referred to here, and whether this process – both its invocation and the definition of which conditions are eligible – is at the sole discretion of the TSO applying such an exemption. Ideally, a clearly defined set of circumstances should be described under which such an exemption can be requested, as well as an ex-post evaluation of the application of such exemptions.

As stated already in previous consultations, eurelectric considers that TSO should have the full ability to define their needs of balancing activation, including for setting RR and mFRR activation. To this end, they may take into account elements they deem necessary, e.g. expectations about the liquidity of the mFRR product on the MARI platform. In other words, the methodology applied by the TSOs to determine the volume should grant them a sufficient level of flexibility, in order to optimally allocate the balancing activation between RR and mFRR. However, the output of the process to determine needs should solely be a certain volume to be procured. eurelectric is thus opposed to allowing TSOs to use need elasticity, i.e. the pricing by TSOs of their balancing needs. The TSOs should not be able to price volumes in a market that they themselves operate: should that be the case, they would become directly active in the market and that would be in breach of the unbundling principles from EU legislation. Moreover, they would have the ability to impose certain price caps on the market, which runs counter to both the EB GL and the Clean Energy Package.

eurelectric also calls for full transparency in the methodology applied by TSOs to determine the needs, and its outcomes, something that is currently not reflected in the draft Implementation Framework.

“Terms and conditions for BSPs” only introduce here general principles that have to be further detailed. It is of utmost importance to ensure a level playing field between BSPs, without enforcing additional burdensome constraints at national level. Hence, the following items have to be detailed :

- Criteria for prequalification and qualification keeping
- Financial penalties in case of deviations.
- “accepted shape“

We note that summer 2017 consultation mentioned an “incentivized shape”, while RRIF now refers to an “accepted shape”. It is necessary to allow the participation of all assets currently participating in balancing markets and able to ramp up within a 30 minutes FAT, even if they can’t follow precisely the trapezoidal incentivized shape. The 10 minutes slope as presented in the consultation of July 2017 must not be more than a soft incentive. There should not be any additional requirement other than reaching the power delivery 30 minutes after the reception of the activation order.

If these principles cannot be respected, which would be an issue in terms of level-playing field, it is necessary to come back to the principle of a “block” product, without application of the trapezoidal shape.

16. Please add here your feedback on Article 12: Cost Sharing Principles

Paragraph 7 refers to ‘third countries participating in the RR-Platform’ for the sharing of common costs. It is not clear how countries that are not RR-countries can still participate in the RR-platform. This is the only reference made to such participation, including in the explanatory document. If third countries can in any way participate in the RR-Platform while not being a RR-country, such a process should be detailed and fully explained. As a reminder, eurelectric supports the participation of Balancing Service Providers from all countries in the RR-platform where possible. This means that BSPs located in non-RR countries should have the opportunity to supply RR to any country that is part of the RR-platform in a non-discriminatory way. Indeed, this is a general approach that should be applied to all projects, relating to all markets. Excluding these exchanges imply a great opportunity (and welfare) loss, especially since the majority of the cross-zonal capacity of the two biggest RR-countries, UK and France, are with non-TERRE countries.

17. Please add here your feedback on Article 13: Description of the optimisation algorithm

As already explained in our answer to question 6, we disagree with the prime objective of the RR-Platform being the maximization of ‘social welfare’, since this term should be considered from a holistic consideration. The objective of the RR-Platform – being a balancing energy procurement platform and only one process in the overall electricity market – should be to allow TSOs to procure balancing energy at the lowest cost with respect to their needs.

The optimisation algorithm should be made open-source, including future developments.

Paragraph 5 merely states the application of a fall-back procedure, which is however further elaborated in the explanatory document. We would consider it relevant that the main lines of the fall-back procedure would also be included in the Implementation Framework itself. Such description of the fall-back procedure should describe a timeline that ensures that an activation is in line with the RR FAT specifications.

18. Please add here your feedback on Article 14: Language

No comments

19. Please add here general comments on the proposal

The accompanying of the Implementation Framework by an explanatory document is positive for the understanding and correct interpretation of the IF. However, currently, it seems that some crucial elements are only mentioned or detailed in the explanatory document. It would therefore be an improvement if elements such as the list of participating/eligible countries, fall-back procedure and unavailable bids are directly included in the Implementation Framework. Also the evaluation period and process for counter-activations is not included in the Implementation Framework but only referred to in the explanatory document. As the explanatory document itself has no legally binding power, the RR TSOs should be more careful to include all relevant elements directly into the IF itself.

Regarding the process of counter-activations, eurelectric believes that the cases where a counter-activation would materialize should generally be limited. Indeed, it would only concern cases where either trades between market participants in the ID markets or efficient operational decisions based on such ID market trades would not have materialized.

Should this happen however, we believe that the role of TSOs is not to “correct” some possible missed trades of the Intraday markets and therefore, we are opposed to the idea of counter-activation if it is not related to balancing needs. We believe that the right approach is to work as soon as possible on the possible inefficiencies in the ID market leading to such cases, and avoid introducing new ones. The correct approach should thus be to exclude counter-activations that are not related to balancing needs and monitor whether they would have occurred if allowed. If the TERRE project would decide to go forward with counter-activations, eurelectric demands that their occurrence and impact will be monitored and reported on a permanent basis.

eurelectric would like to stress the importance of a level playing field to the efficient functioning of the integrated balancing market. To this end it is important that local implementation aspects are harmonised across all zones of the integrated market. This harmonisation needs to be guaranteed by an overview of the local aspects of all zones and by the close involvement of stakeholders in the local level development. We would also emphasise the importance of affording BSPs timely information on market design so that they are able to develop their own internal processes and systems for market go-live.

Last but not least, eurelectric would like to take the opportunity to remind that Intraday markets are and should remain the main tool for market participants to rebalance their positions close to real time. The development of cross-border exchanges of Replacement Reserve should therefore not lead to any detrimental impact to the Intraday markets. In particular, eurelectric would like clarity on the following element: our understanding is that any capacity that is not activated will be returned to the market at H-30min at the latest. Could the project confirm this understanding is correct?

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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