

ENTSO-E's consultation on the mFRR public consultation

A Eurelectric response paper

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.

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8. Please add here your feedback related to the introductory Articles 1 and 2 ‘Subject matter and scope’ and ‘Definitions and interpretation’.

In line with our answer to question 9 on Article 3, we believe definition of “ (g) elastic mFRR demand” is redundant, as it represents an involvement of TSOs into the market that they themselves operate, and it could lead to price caps on that market.

9. Please add here your feedback on Article 3 'High level design of the mFRR-Platform'

Elastic mFRR demand

As stated already in previous consultations, eurelectric considers that TSOs should have the full ability to define their needs of balancing activation, including for mFRR. 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. 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 respective balancing platforms/products. However, the output of the process to determine needs should solely be a certain volume to be procured.

eurelectric is therefore concerned over inclusion of elastic bids into final proposal for mFRR implementation framework. From market point of view, 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. We question whether this is possible as the unbundling principles of EU legislation do not allow TSOs to be active in the market. Moreover, they would have the ability to impose certain price caps to the market, which runs counter to the EB GL.

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

mFRR product bid constraints

eurelectric is also concerned over lack of clarity on point 6, letter c of Article 3, specifically on constrains of each standard mFRR product bid. The explanation is not provided in the implementation framework (IF), which leads to uncertainty for market participants. Article 10 deals only with constrains of optimization algorithm, not with bid constraints. Any limitation to cross border exchanges have to be justified and made fully transparent.

Counteractivation

We do not agree with the condition in item (d) of paragraph 3 that the frequency restoration power interchange is minimized only if this does not impact the social welfare. This condition allows counter-activations between BSPs.

eurelectric believes that the cases where a counter-activation would materialize should generally be limited to balancing needs. Counter-activations should in no case relate to some missed trades on intraday market, as this is out of scope of TSO's role. 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 mFRRIF would decide to go forward with counter-activations, eurelectric demands that their occurrence and impact will be monitored and reported on a permanent basis.

10. Please add here your feedback on Article 4 'The roadmap and timeline for the implementation of the mFRR-Platform'

eurelectric believes that TSOs should provide full transparency on the overall mFRR platform implementation. Specifically, we believe more information could be provided on future enlargement of the platform (para 2a). From our point of view, meaning of "early regional cooperation" is unclear – does this encompass observer's status, or other forms of cooperation?

We also believe the deadline in paragraph 4(d) could be moved earlier in time. In any case, BSPs must be granted sufficient time, i.e. at least 12 months for mFRR implementation.

11. Please add here your feedback on Article 5 'Functions of the mFRR-Platform'

no comment

12. Please add here your feedback on Articles 6 'Definition of standard mFRR balancing energy product'

eurelectric prefers a Full Activation Time of 15 minutes. Nevertheless, we understand the technical limitations due to the Time To Restore Frequency as specified in the SOGL. However, it should still be clear that reductions in the FAT will lead to non-linear reductions in the available capacity. Any increase in the FAT due to efficiency improvements at TSO or European mFRR platform side would therefore be most welcome, due to its positive effect on liquidity.

In any case, it is crucial that the 12.5 minutes is considered as an absolute floor that should not be lowered any further. No additional constraint or requirement than reaching the setpoint within 12.5' should be imposed at national level. For instance, there should be no obligation to follow the trapezoidal TSO-TSO exchange profile or to react faster. In particular, imposing a start within 2.5 minutes after order's receipt would be very detrimental to the amount of bids proposed by BSPs

and subsequently to the liquidity of the mFRR platform. Part 2.6.2 in the explanatory document states that the delivery period for direct activated bids is between 5-20 minutes. Article 6 on the other hand leaves this up to national implementation. These provisions are thus incoherent and unclear. If the maximum duration of delivery period is thought to be 20 minutes, it should be clearly stated in the IF, and not only in the explanatory document.

eurelectric deems necessary the possibility of technical and economic links between bids, due to the chronology proposed by TSOs (BEGCT is set before the result of previous periods, that means that bids can't be updated by BSPs). We also believe that conditional linking should be allowed for market participants.

13. Please add here your feedback on Article 7 'Balancing energy gate closure time for the standard mFRR balancing energy product bids'

eurelectric believes the BE GCT could be moved closer to real-time, to give BSPs the possibility to update their bids based on the results of the previous trading period. This would be possible if the TSO GCT is set not as a range, but at an ambitious time closer to delivery period (see details in comment to Question 14). By setting mFRR GCT closer to real-time, one would also avoid overlaps with local intraday market GCT.

14. Please add here your feedback on Article 8 'TSO energy bid submission gate closure time for the standard mFRR balancing energy product bids'

eurelectric believes mFRR IF should provide market with clarity on essential platform features, such as the TSO energy bid submission gate closure time. This should be defined as a one moment in time, not as a range. Accordingly, BE GCT for BSPs could be moved closer to real-time, if TSO GCT is moved to later stage. We urge TSOs to remain ambitious when setting this value; we prefer setting the GCT as the latest deadline possible (i.e. 10 minutes, leaving possibility to set BE GCT for market participants at 15 minutes, in line with GCT for local intraday market that should be earlier than balancing energy GCT).

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

eurelectric asks for clarification of number of merit order lists. Article 9 in point 5 sets that "The mFRR-Platform shall create two common merit order lists for each quarter hour that shall contain all the available standard mFRR product bids submitted by the participating TSOs.". At the same time, under point 7 and 9, it sets 4 CMOLs (1. direct activation, positive direction; 2. DA, negative direction; 3. scheduled activation, positive direction; 4. SA, negative direction). Article 2 sets that "Every direct activatable bid is scheduled activatable bid as well, while not every scheduled activatable bid is direct activatable bid.", which would postulate that indeed only two merit order lists, in line with point 5 of Article 9 are suggested. We believe this matter needs to be clarified within the IF, as it is an essential part of the whole platform.

For the sake of simplicity of the MARI platform, eurelectric prefers two merit order lists (for positive and negative direction). This however must be accompanied by equal rules valid for both SA and DA products, i.e. national requirements cannot be stricter than those suggested by the IF (for instance on FAT, see response to Q12).

16. Please add here your feedback on Article 10 'Description of the optimisation algorithm'

Social welfare should not be the main objective of the optimisation algorithm. We consider the maximization of social welfare as an objective of the exchange of mFRR or the MARI platform too broad given the limited scope of the MARI platform itself. The maximization of social welfare should be the outcome of the overall market functioning, of which MARI is but a partial component. If any consideration is to be given to the maximization of social welfare, and the contribution of the mFRR process to social welfare, this should be done in a holistic consideration including other balancing platforms and other market timeframes, in particular the Intraday timeframe.

Instead, we suggest that the objectives of optimization algorithm rather state (in descending order of importance):

- a) Maximizing satisfaction of the mFRR needs of individual LFC areas;
- b) Minimizing the total amount of activation of standard mFRR balancing energy product bids, avoiding counteracting mFRR activation through implicit netting;
- c) Minimizing procurement costs of the balancing energy through the selection of the lowest-price bids on the Common Merit Order List;
- d) Minimize the amount of automatic frequency restoration power exchange on each border between LFC areas.

Paragraph 4 also does not distinguish between two outputs for direct and scheduled activation. This should be specified as a part of IF.

Pursuant to Article 2 of the IF, capacity allocation for purpose of mFRR exchange is out of scope of the IF and will be dealt by separately. In contrary to this, point 5 of Article 10 deals with calculation of cross-zonal capacity, letters d and e deal even with possibility of additional limitations to cross-zonal capacity. eurelectric believes the issue of cross-zonal capacity allocation should be done in a transparent manner and in one coherent document, and should thus not be included in the IF.

17. Please add here your feedback on Article 11 'Proposal of entities'

no comment

18. Please add your feedback on Article 12 'Governance'

The governance includes no reference to any stakeholder involvement, even though BSPs (and BRPs) may be directly impacted by decisions taken. There should be a clear involvement of stakeholders, preferably as soon as possible in the discussions related to mFRR implementation. A possibility would be to have stakeholder observers present in the expert groups.

19. Please add here your feedback on Article 13 'Decision Making'

The decision-making includes no reference to any stakeholder involvement, even though BSPs (and BRPs) are impacted by the decisions taken. There should be a clear involvement of stakeholders, preferably as early as possible. When eventually a decision is to be taken, formal stakeholder consultation for a period of at least one month should be foreseen.

20. Please add here your feedback on Article 14 'Categorisation of costs and detailed principles for sharing the common costs'

no comment

21. Please add here your feedback on Article 15 'Framework for harmonisation of terms and conditions related to mFRR-Platform'

From eurelectric point of view, it is essential to ensure a level playing field between BSPs, without enforcing additional burdensome constraints at national level.

22. Please add here your feedback on Article 16 'Publication and implementation of the mFRRIF'

no comment

23. Please add here your feedback on Article 17 'Language'

no comment

24. Please add here general comments on the proposal

Transparency

eurelectric regrets that mFRR IF does not deal with the issue of transparency and publication of data related to mFRR platform. We request that the following data would be included in the common publication in ENTSO-E transparency platform:

- Capacity – Price curve
- Activation volumes for each product and bidding zone
- Volumes directly activated and scheduled-activated
- Information on the cross-border capacity: how much is available/used; which borders were constraining.

- Initial inelastic demand as per Article 2 for respective LFC blocks
- Information on interconnection controllability actions (in the event such a feature is implemented in mFRR platform): differences between constrained and unconstrained auction outcomes.

The optimisation algorithm should be at least made public, the ideal being an open-source solution, including future developments.

TSOs should also provide better transparency on the links between the choices in the IF and the options for settlement. If design choices in the IF would preclude settlement options, TSOs should be:

- Fully transparent on it;
- Consider delaying final decisions on such design choices for the platform until the cross-product settlement discussion is finalized, or leave the possibility to revisit the choices already made.

Fallback procedures

We regret missing reference to fallback procedures applicable for mFRR platform.

Bid filtering

Regarding bid filtering, 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 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.

Losses in HVDC lines

Explanatory document in section 3.3.2 deals with losses in the HVDC lines. Based on the wording of the text, eurelectric is concerned over possible double counting of such losses in case of balancing activation reducing the physical flow, and asks for clarification. Consistency with other timeframes needs to be ensured.

Overlaps

We would like to note that there are several overlaps between Articles 3, 5 and 10, which does not give certainty to market participants. To name a few: objective functions of optimization algorithm and its functioning, outputs of OAF, constraints, cross-zonal capacity allocation. eurelectric asks for better linking of these Articles whilst clearly setting principles, inputs and outputs of respective platform functions.

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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