

# Entso-E consultation on methodology for the activation purposes of balancing energy bids

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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.

**8. Please add here your feedback on Whereas**

Paragraph 4 of this introduction makes reference to the obligations on TSOs under Articles 29(3) of the EBGL and Paragraph 6 states that the requirements of this Article would be fulfilled by the APP. Eurelectric does not consider the APP sufficiently detailed to:

- (a) “describe all possible purposes for the activation of balancing energy bids” and
- (b) “define classification criteria for each possible activation purpose.”

and, therefore, does not agree that it would meet the requirements of Article 29(3) of the EBGL.

**9. Please add here your feedback on Article 1 and Article 2 'Subject matter and scope' and 'Definitions and interpretation' respectively.**

Eurelectric is pleased that the APP goes some way in Article 2 towards defining bid activation for balancing, but considers it necessary to add a precise description of activations for congestion management, if the consideration of system constraints is to be included in the final APP. All possible activations for congestion management need to be individually itemised and defined precisely. They should not merely be inferred as part of a collection of activations that do not fall into the categories of the standard products activated to achieve the control targets of the RR, mFRR and aFRR processes in accordance with the SOGL. As drafted, the scope of activations for congestion management is too broad and includes all unclassified transactions of the TSO.

It seems from the consultation documents that the activation of specific products is assumed to be for congestion management. If this is so, then Eurelectric would question why? Specific products are those that the TSO is not able to convert to standard products. They are not necessarily activated for system congestion management.

Eurelectric would like to emphasise the importance of the clarity of these definitions. They should form a rational basis for the segregation of the costs of balancing and congestion management for an appropriate allocation of these costs. They are also an important prerequisite of cost transparency.

**10. Please add here your feedback on Article 3 'Activation Purposes and Classification Criteria'**

Eurelectric is concerned that the TSO processes for balancing and congestion management may be integrated. Caution is required, so as to avoid this possibility and to ensure that BSPs and BRPs are provided with the correct market signals.

If the activation for system constraints is left as a possible activation purpose in the APP proposal, then it is essential that more clarity is provided by the TSOs in the process and a precise listing of the different possible system constraints is added.

As currently drafted, the APP states that activation purposes may be balancing or system constraints. It refers to the objectives of the frequency restoration process and the reserve replacement process set out in Articles 143 and 144 of the SOGL, but does not address the criteria for allocating activations between balancing and congestion management.

A detailed description of the activation purposes and classification criteria is key to satisfying the requirements of the EBGL. Eurelectric considers it important that some improvements in Article 3 are made in order to better achieve this. In particular, a full list of all possible activation purposes should be added, as well as a clear description of the classification methodology.

Such clarity, along with transparency of the TSO processes, is fundamental to the well-functioning of the market. Eurelectric considers it vital that, along with the clear definition of the process for classifying activations, a fully transparent process in which the TSO would publicise (to market participants as well as to other TSOs) details of the activations and their classification. This level of transparency should be common to all TSO areas and to standard as well as specific products. It should also apply to the publication of the reasons for any deviation from the results of the activation optimisation process referred to under 29(5) of the EBGL.

The market also needs a fair and non-discriminatory treatment of all participants that provide balancing and congestion management services to the TSO. To this end, BSPs should be compensated for any withholding of bids from the market by the TSO for local congestion management. If bids would have cleared in the market, then withholding should result in compensation, as though the participant had received the clearing price and the TSO had revoked the transaction by superimposing another equal and opposite transaction. Participants should in this way not be disadvantaged by offering services in the real time markets rather than the energy markets.

Regarding the criteria for activation purposes, Eurelectric makes reference to their document "Achieving a Level Playing Field in the Integrated Intraday and Balancing Markets" of July 2018 in which the importance of the correct classification of activations is highlighted.

In this document Eurelectric states that in any chosen model, the costs of balancing and congestion management should be accounted for and recovered separately; in particular, the costs of balancing energy should be allocated to the BRPs that are out of balance and the costs of resolving local transmission grid congestion should be under the responsibility of the TSOs.

**11. Please add here your feedback on Article 4 'Publication and implementation of the APP'**

Article 8.1.d on the condition of local energy market specificities i) a relatively small size of the electricity market, ii) a low number of BRPs, iii) a high frequency of ISPs with the need for activation of balancing energy or intended exchange in both directions

Eurelectric is pleased to be consulted at this stage of the drafting process, and trust that our views will be taken into account in the document that will be submitted to the NRAs for possible approval. Should the NRAs require modifications to the APP, then Eurelectric would expect stakeholders to be consulted and involved in the preparation of these modifications. Given that no precise list of activation purposes for system constraints was provided, Eurelectric expects that stakeholders are provided the opportunity to provide feedback on such a precise list.

**12. Please add here your feedback on Article 5 'Language'**

Article 8.1.e on the condition costs of balancing energy, to be entirely covered by the BRPs, which cause the single pricing

No comment on language.

**13. Please add here all general comments on the proposal**

*Comments on the explanatory document:*

The explanatory document should only provide an explanation of the activation purposes proposal and it should not itself introduce new features, such as a precision of activation purposes. The final APP will not be accompanied by the explanatory document; therefore it must be ensured that the framework itself is sufficiently detailed and understandable.

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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