

## **Survey on the harmonisation of terms and conditions related to the balancing platforms**

Brussels, 21 July 2023 - The European Federation of Energy Traders (EFET) welcomes the opportunity to provide comments regarding the ENTSO-E survey according to article 18 of Regulation (EU) 2017/2195 establishing a guideline on electricity balancing (EB GL).

You will find our detailed answers below.

- 1. What further harmonization do you consider necessary on the rules, requirements and conditions for (aggregated) demand facilities, energy storage facilities and power generating facilities to become a balancing service provider (BSP) related to the qualification process and the participation to the service. Please give specifically attention to communication requirements, prequalification tests, availability controls and on the consequences in case of non-compliance with the requirements (e.g. financial penalties, exclusion)? Why further harmonization is considered necessary and give examples of (the consequences) of lack of harmonization? Which priority should be given to possible harmonization needs?**

As a strong proponent of markets, EFET considers that a level playing field should be ensured for all participants, and this both between different resources and different countries. Concrete objectives should be to maximize the use of standard products and avoid tech specific products (just for demand or storage for instance), no exemptions on imbalance responsibilities, exclusion or collaterals should be granted.

With balancing capacity cooperations, the harmonization of technical requirements and prequalification standards is becoming even more relevant. The balancing bids of BSPs from different countries are then not only in direct competition for selection by the activation optimisation function (AOF) in the common merit order lists, but also in the balancing capacity auctions.

Further harmonisation is necessary in the field of:

- Monitoring, tolerance bands and penalties:  
The means in place to ensure a commonly defined level of regulation quality and the subsequent financial and contractual penalties for non-delivery have a large impact on the costs and risks associated with offering balancing products.
- Communication requirements, concerning availability and security:  
This is a main driver of setup and operational costs and hence the profitability of decentralized energy resources in particular. At the same time, it is crucial to

require a minimum standard that is appropriate to the criticality of the system balancing task.

- Technology-specific regulations:  
There are situations where technology-specific regulations need to be in place to accommodate a certain type of asset within the specifications of a balancing product (e.g. additional constraints on storage in alert situations, forecasting accuracy and monitoring for renewables). Beyond any piloting phase, these regulations need to be aligned to ensure the same conditions for participation in the joint balancing market for a specific technology in different countries.
- Mandating that the national Terms and Conditions and the cross-zonal Terms and Conditions consider the products not requiring an ex-ante pre-qualification, in order to cross-check incoherencies, redundancies, areas of improvement, etc.
- including the minimum requirements for the product pre-qualification checks (eg. time for activation, max duration of activation, possible deviation bandwidths, MTU granularity, existence or not of locational information).

This should apply at least for standard products, but also allowing to include non-standard products in this Terms and Conditions.

- 2. What further harmonization do you consider necessary on the rules, requirements and conditions for (aggregated) demand facilities, energy storage facilities and power generating facilities to operate as balancing service provider. For example, but not limited to data and information to be delivered, bid characteristics, activation or the settlement process. Why further harmonization is considered necessary and give examples of (the consequences) of lack of harmonization? Which priority should be given to possible harmonization needs?**

Balancing resources that provide upward or downward regulation by avoiding consumption or infeed are subject to the definition of a hypothetical baseline of non-activation. This baseline definition including monitoring and control needs to be harmonized as it is responsible for the resulting regulation quality.

Any new national System Operator (SO) service should have a minimum set of differential attributes in order to be implemented. This promotes standardization and minimize proliferation of slightly different processes/products (i.e. product fragmentation or tailor-made practices), thus promoting market integrity.

On the mandatory characteristics, we consider it fundamentally impossible to associate a location with an energy bid, since the bidding is portfolio-based and not unit-based, and BSPs don't necessarily know themselves which unit(s) they will use to fulfil their commitment at the time they bid in the auction.

Imposing an ex-ante choice of the units that will be providing the service would be extremely restrictive and would for example prevent BSPs to react to an unplanned outage. We agree that the information on the bidding zone location is necessary (because it has an impact on the use of cross-border capacity) – but also sufficient. Having each standard balancing energy product bid tagged with a location would cripple portfolio-based bidding by BSPs. Congestions should be tackled with adequate market-based congestion management mechanism, and not foreclose balancing energy bids.

The possibility to submit indivisible balancing energy bids by BSPs is determined in the national terms and conditions. The TSOs propose to not harmonise the maximum indivisible bids size and leave such decision to the TSOs exchanging balancing capacity or sharing of reserves. This is also in line with the proposal for standard product for balancing energy. However, it must be noted that indivisible bids will introduce complexity in the auction clearing algorithm, which may potentially lead to unwanted effects such as unforeseeably rejected bid (URB) or unforeseeably accepted bid (UAB). This characteristic should be a harmonized requirement for the level playing field.

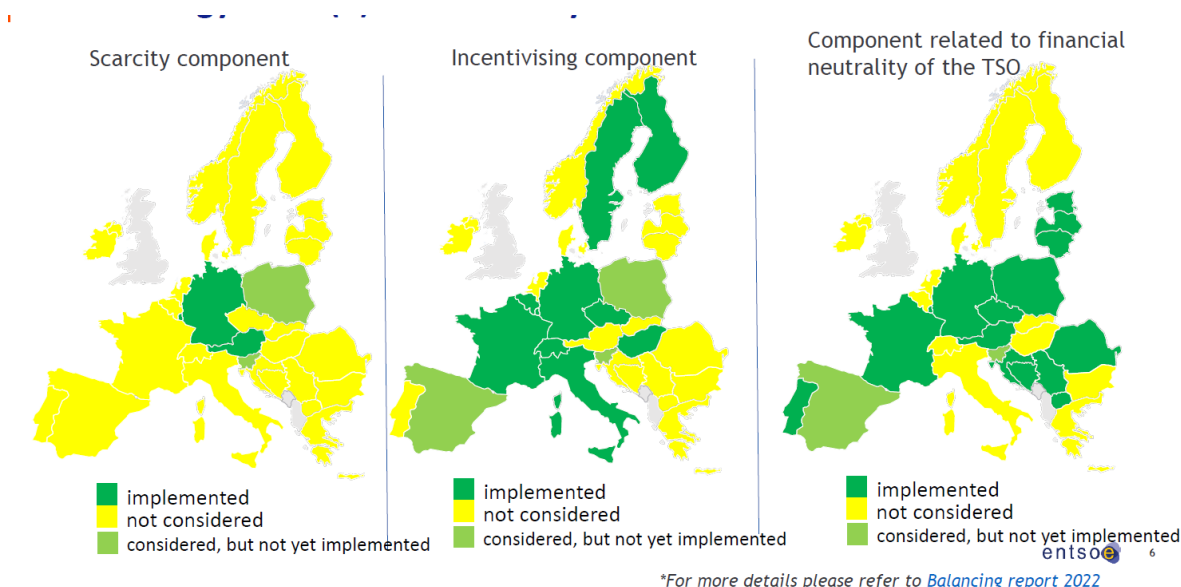
**3. What further harmonization do you consider necessary on the rules and conditions for the assignment of each balancing energy bid from a balancing service provider to one or more balance responsible parties? Why further harmonization is considered necessary and give examples of (the consequences) of lack of harmonization? Which priority should be given to possible harmonization needs?**

We are not aware of deviations of the general principle of linking BSP actions to a BRP. In fact, all balancing energy bids of a BSP should be linked to a single BRP. Having the same imbalance settlement methodology and imbalance price calculation in place is a prerequisite for identical financial incentives on regulation quality.

One of our general feelings is the lack of ambition of the different implementation of the TSOs with regard to imbalance settlement harmonisation. This still requires much more effort by ENTSO-E and ACER. In 2022, the majority of TSOs used additional components following ACER methodology and a minority was still using dual pricing<sup>1</sup>. Around 10 TSOs have still not switched to the 15-minute ISP.

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<sup>1</sup> [https://eepublicdownloads.blob.core.windows.net/strapi-test-assets/strapi-assets/2022\\_ENTSO\\_E\\_Balancing\\_Report\\_Web\\_2bddb9ad4f.pdf](https://eepublicdownloads.blob.core.windows.net/strapi-test-assets/strapi-assets/2022_ENTSO_E_Balancing_Report_Web_2bddb9ad4f.pdf)



EFET has been and remains a strong supporter of marginal pricing, both for balancing energy and imbalance settlement. From a theoretical viewpoint, this would translate into a support for imbalance settlement marginal pricing based solely on balancing energy prices, i.e. applying “the marginal price of marginal prices of each balancing energy process”. This solution would also be the one that sends the most correct price signal – i.e. the cost of the last, marginal capacity required to provide the necessary balancing flexibility – to incentivise BRPs to strive to be balanced or support the system balance.

To ensure the effectiveness of the ISH methodology and further harmonisation, any particular constraint at national level impacting prices formation in the balancing and other timeframes should be removed. In particular, article 17.3 EB GL states that BRPs in self-dispatch systems have the right to change the schedules required to calculate their position without any condition prior to the intraday cross-zonal gate closure time. This means that, if deemed necessary by the BRP, netting of internal schedules should be allowed within the BRP portfolio, and between BRPs in parallel with the participation to the intraday market.

- 4. What further harmonization do you consider necessary on the rules for using, converting and updating the integrated scheduling process bids in countries with a central dispatch model, including the gate closure time? Why further harmonization is considered necessary and give examples of (the consequences) of lack of harmonization? Which priority should be given to possible harmonization needs?**

At present no central dispatch country is participating in the mFRR platform. Italy was the first central dispatch model to join this 19 July in the aFRR platform. It is essentially the TSO acting as a market participant in the balancing platforms. Depending on the TSO-

BSP remuneration scheme, there is a commercial involvement on the TSO side. Hence, particular attention has to be given to the checks and penalties associated with the balancing task.

## **5. How can we improve this survey?**

This survey – or at least the focus of this iteration of the survey, i.e. demand response – covers the intersection of the work that is being carried on by the Network Code Demand Response Drafting Committee and the EBGL. It highlights once again the risk of diverging requirements in both NCs. We suggest further coordination between any future revision of the EBGL and the work being carried out in the NC DR drafting committee.

## **Contact**

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