

EBGL Stakeholder Workshop on the methodology for Co-optimisation of the Cross Zonal Capacity Allocation and the List of Standard Products for Balancing Capacity

Date: 06 June 2019

Time: 10h00 – 16h00

Place: ENTSO-E premises Avenue de Cortenbergh, 100; ground floor

Stakeholders:

	Last Name	First Name	Company/Association
1.	Robaye	Hélène	Eurelectric
2.	Retsoulis	Ioannis	Eurelectric
3.	Castagné	Pierre	Eurelectric
4.	Maes	Guillaume	Engie
5.	Le Page	Jérôme	EFET
6.	Lantrain	Aurore	Europex
7.	Pinto-Bello	Andres	SmartEn
8.	Nilsson	Rickard (from 13:30 CET)	Nord Pool/Europex
9.	López Rodriguez	Elena	Iberdrola Generación
10.	Merckel	Elsa	Alpiq Energie France
11.	Bernard	Aurelien	EDF
12.	Benquey	Romain	Centrica/Restore
13.	Ilieva-König	Svetlina	Produktmanagerin Energiewirtschaft
14.	Schmidt	Jan	Alpiq
15.	Moraschi	Matteo	Enel
16.	López Rodriguez	Elena	Iberdrola Generación
17.	Giesbertz	Paul	Statkraft
18.	Fransen	Mathieu Fransen	ACM
19.	Maenhoudt	Marijn	CREG

20.	Owen	Alastair	Ofgem
21.	De Haan	Jerom	ENTSO-E
22.	Chim	Didier	ENTSO-E
23.	Oberg	Martha Marie	ENTSO-E
24.	Bernardeau	Xavier	ENTSO-E
25.	Peregrina – Mayoral	Ester	ENTSO-E
26.	Spindler	Christian	ENTSO-E
27.	Morollón Castro	Gonzalo	ENTSO-E
28.	Marcina	Kristine	ENTSO-E
29.	Cerreto	Maddalena	ENTSO-E
30.	Cosimo Dalena	Michele	ENTSO-E
31.	Vieira	Vasco	ENTSO-E
32.	Dusolt	Alexander	ENTSO-E

MINUTES

Welcome and introduction to the Workshop

ENTSO-E welcomes all the stakeholders physically attending and remotely following it. The Agenda for this Workshop is also presented.

[Article 25(2) of EBGL] – Standard product for balancing capacity (SPBC)

ENTSO-E presented the slides on SPBC.

Stakeholders questioned the rationale behind the additional locational information, that can be defined in terms and conditions. They emphasized that in portfolio-based bidding market stakeholders bid capacity without informing which units will fulfil the commitments. So, in practice, additional information could be used only in central dispatch systems, or when portfolio is not cross - LFC areas. It was explained that locational information is requirement of Article 25(5) of the EBGL and Articles 48(1) and 108(2) of the SOGL, and it is important to know the location in case of bids are activated for system constraints purposes or in case there are congestions between bidding zones. It is up to the TSOs of BC cooperation do define what kind of specific information exactly is needed. Stakeholders emphasized that locational requirements for balancing capacity should be equal to the requirements for balancing energy, and they see no need to discriminate between the requirements of both products.

The transparency of the process was questioned – is it possible to provide market stakeholders with information why the bid was not selected due to congestion. The specific rules and processes shall be defined in terms and conditions. It was emphasized by PT SPBC that for balancing capacity, no single European market shall be established, like it is the case with balancing energy. Therefore, specific detailed rules may vary among different balancing capacity co-operations. As a result, e.g., BC bids have standard characteristics, however, validity periods can differ – week-ahead, day-ahead etc. products may be procured.

Stakeholders prefer improved distinction between balancing energy and balancing capacity standard products. Stakeholders also suggested to set the rules or specify (if possible) in which occasions standard balancing capacity products will be used and when specific balancing capacity products.

Stakeholders emphasize that linking of the bids is a very important feature for them due to pooling of different technologies, therefore creating the possibility to offer more flexibility. PT SPBC questioned if linking of balancing capacity products can be implemented, due to complexity of optimization of complex bids with CZCA using co-optimisation.

Stakeholders asked why maximum delivery duration is lower or equal to balancing validity period, where TSOs responded that it is up to each balancing cooperation to define, however it is open to attract the liquidity and different technologies on expense of quality. Stakeholders express their understanding that this is an even more important reason that necessitates having the possibility to link bids.

It was discussed that some current co-operations might implement the cross-border SPBC exchange. However this is not confirmed by any of parties yet.

[Article 40 of EBGL] – Co-optimised allocation process

ENTSO-E explains the main objectives, follow-up on the milestones from the last workshop and explains the principles behind the proposal.

Stakeholders encourage TSOs to go a bit further on transparency. They would like to know about the Market Based and Economic Efficiency alternatives and related knowledge-transfer process. ENTSO-E remarks that TSOs informed about the templates for the proposals (not Explanatory Document) at the first Workshop (4 February 2019). In this respect, nothing was requested by stakeholders nor promised by the TSOs. ENTSO-E informs that the regions will consult stakeholders once they decide for applying a regional co-optimisation process. Publishing the template may interfere with the interest of the region. ENTSO-E proposes to check the sharing of the template provided to CCR and get back to the stakeholders on this. ENTSO-E follows-up on the announcement done at the 4 February Workshop. The CCRs were informed on the milestones to follow if they decide to develop a proposal pursuant to Article 41 and 42. These are: 1) Run a public consultation – minimum 2 months in accordance with Article 10(2) of the EBGL, 2) Organise a Workshop with the relevant Stakeholders of the concerned CCR, pursuant to Article 9 of the EBGL and 3) Submit the final proposal agreed at the concerned CCR to the relevant NRAs by 18 December 2019, considering the NRAs’.

ENTSO-E clarifies that implementation of the co-optimization method is a voluntary action, and also reminds of that at this stage, there currently is no TSO planning to implement this co-optimisation alternative.

Furthermore, ENTSO-E clarifies that the proposal at this stage is only focused on providing high-level principles and rules, and not the detailed specifications, including mathematical models. Some participants raise concerns and questions on that since it makes it very hard to evaluate how the model would work. ENTSO-E responds that EB requirements prescribe TSOs to develop this proposal in the terms mentioned above. This proposal is fully compliant with EB.

ENTSO-E remarks the envisage idea on which this proposal was based on is to have fewer impacts on EUPHEMIA and NEMOs business processes and trading systems. Stakeholders raise that no requirements linked to this co-optimisation proposal has been put forward by ENTSO-E to All NEMOs in relation to the currently approved SDAC/SIDC Algorithm Methodology and Requirements.

ENTSO-E describes, as done in the February Workshop, the process proposed by all-TSOs for the co-optimisation allocation of the balancing capacity or sharing of reserves. Stakeholders petition to develop a proposal that is seamless implementable. ENTSO-E explains that this proposal comes from the work done with the support of a niche consulting firm, considering the criteria included in the material circulated for this Workshop. Stakeholders encourage TSOs to further elaborate on the linking of trading bids with balancing capacity bids. Stakeholders ask that links between energy bids and balancing capacity bids should be possible except on all occasions where they would definitively prove problematic. ENTSO-E offers to re-discuss this feature. Stakeholders consider that the feature of linking bids is necessary to consider the co-optimisation solution as a real efficient one, an assumption that is implicitly taken in the writing of the guideline (as this mechanism is not limited by a maximum amount of capacity reservation). ENTSO-E invites stakeholders to mention it in their answer to the consultation. ENTSO-E takes note of all relevant comments on this aspect of linking bids and clarifies that this is already part of the current work-stream programmed for this proposal.

Various stakeholders argue that a more detailed explanation (expand information) of the 5-steps illustration would be beneficial to understand the approach proposed. In this line, they find step 4 of the co-optimisation process as superfluous. ENTSO-E takes note of the suggestion.

Stakeholders ask how much cross zonal interconnection capacity could be utilized for balancing purposes, i.e. removed from SDAC/SIDC. ENTSO-E clarifies that limits are prescribed by the EBGL, a limit of 10% is set for market-based (Article 41) and 5% for economic efficiency (Article 42), while there is no limit for co-optimization (Article 40).

Stakeholders invite TSOs to elaborate on how the information is received from MCO function will impact on the price-sensitivity of the TSO demand. Also, they ask on the TSO cap demand possibilities in the co-optimisation process and what effect could have the submission based on price taking (inelastic) or price sensitive orders on the overall competitive price formation. ENTSO-E recaps the explanations provided on the first part regarding standard products; due to the cost optimisation/minimisation between the different products, the TSO demand could be price-sensitive. This is possible, doable competition between balancing products (RR and mFRR upward market).

ENTSO-E explains the CZCA optimisation principles and the components from which co-optimisation economic surplus is obtained. However, it was not clear to several participants what economic surpluses are being compared and forming the basis for the selection process (e.g. determination of if any of the CZ IC capacity shall be removed from SDAC and instead allocated to balancing orders) and therefore asked for more clarity on that. Various stakeholder suggest including the balancing energy surplus as part of the economic surplus. A stakeholder clarifies to the stakeholders the reason why the Balancing Energy (BE) value is not considered on the market value of cross zonal capacity for the exchange of balancing capacity or sharing of reserves. When drafting the EB guideline, this matter was assessed and found out that considering BE value (surplus + Congestion Income) would result in double counting, as long as Balancing Capacity (BC) will imply BE activation.

Stakeholders invite TSOs to better define the firmness for the different processes: BSP firmness, Market firmness, Allocation firmness, procurement firmness etc. ENTSO-E agrees with the recommendation proposed and will take this suggestion on.

Stakeholder asks about the CBA and whether this is done per product and direction. ENTSO-E clarifies that the EB Regulation prescribes differentiation between upward and downward in accordance with Article 32(3).

A stakeholder questions how the CZCA economic surplus optimisation could include the value of the BSP producer (if applicable) and consumer. Besides, he clarifies the wording included in the proposal/Explanatory Document for congestion income is incorrect since there is always congestion income. Moreover, a stakeholder proposes to use 'seller' and 'buyer' instead of 'producer' and 'consumer' surplus. ENTSO-E reflects on the shared view of the suggested terminology.

Stakeholders propose that ENTSO-E exemplify with a model of 2, 3 or more bidding zones how an allocation of the balancing capacity would work, also between non-adjacent bidding zones, and how it would influence the prices in SDAC and for Balancing in different situations. ENTSO-E takes note of the proposal

Stakeholders share their doubts about the overview-process behind the cross-zonal capacity allocation methodologies, mainly on the one presented; the CO CZCA proposal.

Stakeholders suggest a follow-up (no official Workshop is expected) on the points questioned during the Workshop: linking bids, Implementation feasibility, market-based and economic efficiency templates. Stakeholders complement that such follow-up facilitates collaboration, raises awareness and allows constructive and beneficial recommendations throughout the process, and kindly thank ENTSO-E in advance for ensuring it, even if it possibly goes beyond the legally established framework. ENTSO-E takes note of the suggestions and will check the best way to meet stakeholder engagement.

Closing and last comments

ENTSO-E wraps up the comments received from the stakeholders for the two proposals. ENTSO-E underlines, most of those are current investigations already identified by ENTSO-E. ENTSO-E will explore the way to follow up on these items that should be consensually decided by all TSOs.

All stakeholders present in this Workshop praised the convenient timing of the milestones: public consultation period of more than two months and the Workshop a bit after the first was launched. They recognise this was one of the main requests from the previous February Workshop. Lastly, stakeholders thank ENTSO-E for the organisation of such fruitful Workshop.