


**ACER**

 Agency for the Cooperation  
of Energy Regulators

# **ACER Qualified Recommendation for the Electricity Balancing Regulation**

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# Content

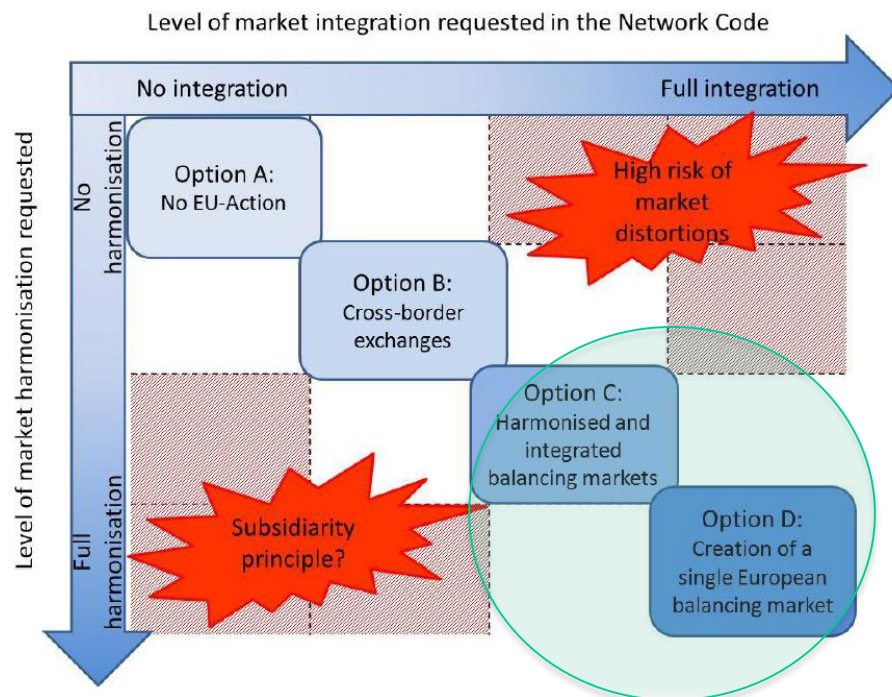
- **Current state of play**
- **Objectives of Balancing market integration**
- **Future changes to the code – what does the ACER recommendation say?**
- **Cooperation between TSOs**
- **Process design and the timeline for regional and European implementation**
- **The definition of Coordinated Balancing Area's**

## **European Balancing markets remain disparate**

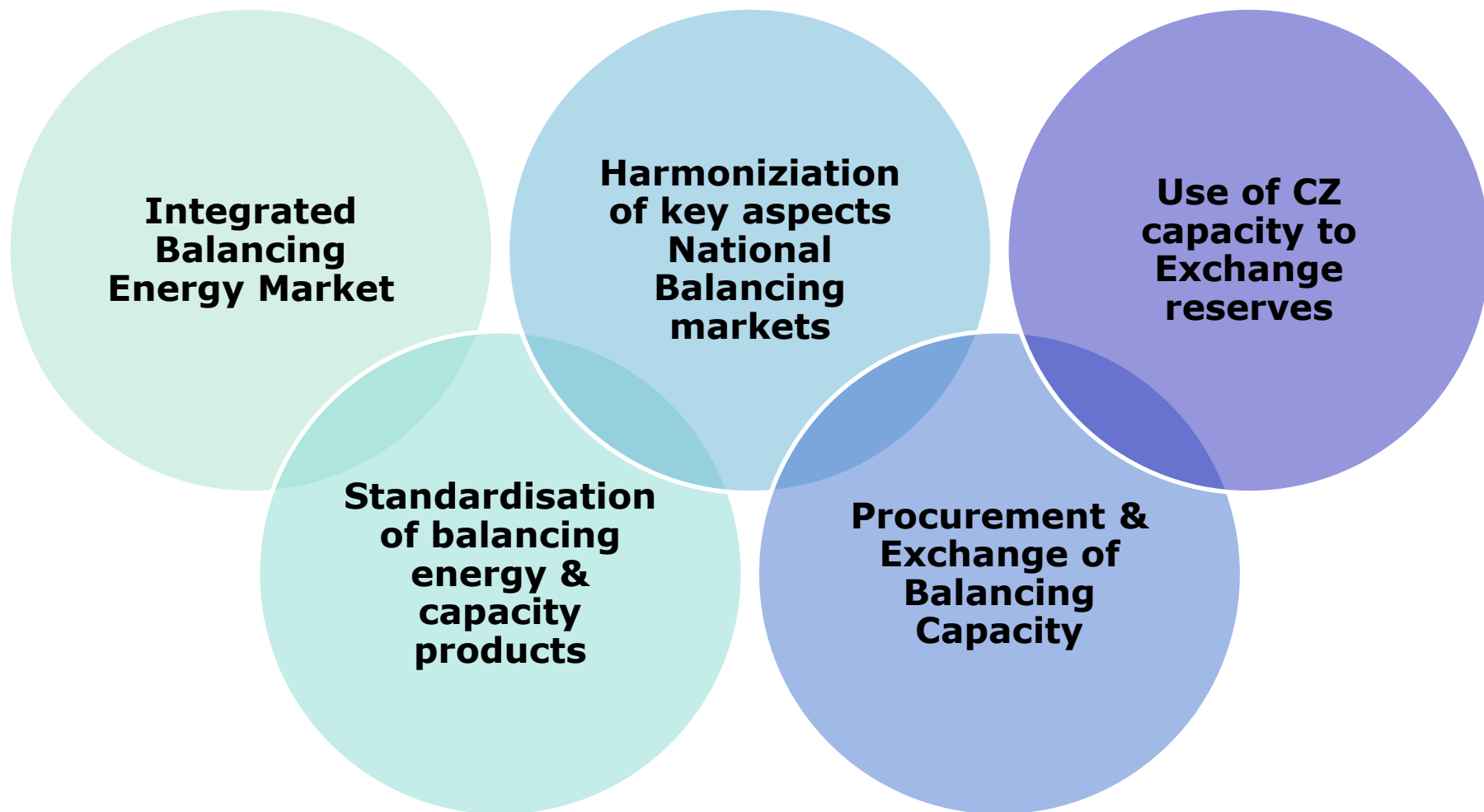
- **Different models to operate TSO systems in Europe coexist, leading to a huge diversity in national balancing markets design.**
- **As a consequence, national framework for balancing (products, gate closure times, market time resolution, financial settlement, etc.), as the result of local historical construction, remain disparate**
- **Based on initial impact assessment made the EC estimated a huge loss of social welfare due to the lack of balancing market integration**
- **In July 2015 ACER has sent it's recommendation for adoption of the draft NC to the European Commission including significant amendment proposals**
- **For reaching the deadlines already required in the ACER Framework Guideline the Early implementation phase is vital**
- **To support this process ENTSO-E and ACER have jointly created the Balancing Stakeholder Group and agreed on working plan for all European deliverables of the draft EB regulation**
- **Implementation in (pilot) projects are conducive for these deliverables as they provide substance development and real implementation experience**

## What are the objectives of Balancing Market integration?

- Fostering effective competition, non-discrimination and transparency in Balancing Markets;
- Integrating Balancing Markets and promoting the Exchanges of Balancing Services;
- Ensuring Operational Security;
- Facilitating the efficient and consistent functioning of DA, ID and Balancing Market;
- facilitating the participation of Demand Side Response
- facilitating the participation of Renewable Energy Sources



## Five main blocks to reach an Integrated Balancing Energy Market



## ACER recommends adoption of the Network Code subject to amendments

- **The proposed amendments aim to significantly improve the functioning of integrated balancing market through:**
  - the level of harmonization
  - the requirements on implementation
  - clarity and enforceability
- **Changes with respect to Regional Implementation Models**
  - Deadlines from the Framework Guidelines preserved
  - One Coordinated Balancing Area for **Imbalance Netting** in Continental Europe
  - **Maximum 5 Coordinated Balancing Areas** for exchange of balancing energy, (unless early implementation work shows different number is more efficient)
  - Consistency of Coordinated Balancing Areas for different processes
- **Changes with respect to Imbalance Settlement**
  - **Imbalance settlement period** should be **15 minutes**, unless disproved by CBA
  - Harmonization of Position, Imbalance, Imbalance Price
  - **Single Imbalance Price** for pos. and neg. imbalance is the standard
  - **Dual Imbalance Price only subject to clear criteria and justification**

## ACER recommends adoption of the Network Code subject to amendments

- **When barriers for entry and competition for DSR are identified:**
  - NRAs or MSs should improve retail market functioning; or
  - Enable the provision of DSR independently from suppliers
- **Self-Dispatching Model vs. Central Dispatching Model**
  - Self-Dispatching Model is the standard model for European zonal market
  - Central Dispatching Model may only be applied by TSOs that operate it at the entry into force of NCEB
- **Greater control and oversight on transitional/exceptional issues:**
  - Specific products and unshared bids
  - TSOs acting as balancing service providers
  - Overlaps between ID and balancing market
  - Deviation from common merit order list
- **More clarity and ambition on:**
  - Reservation of cross zonal capacities – co-optimisation is the long-run solution
  - Procurement and exchanges of balancing capacity

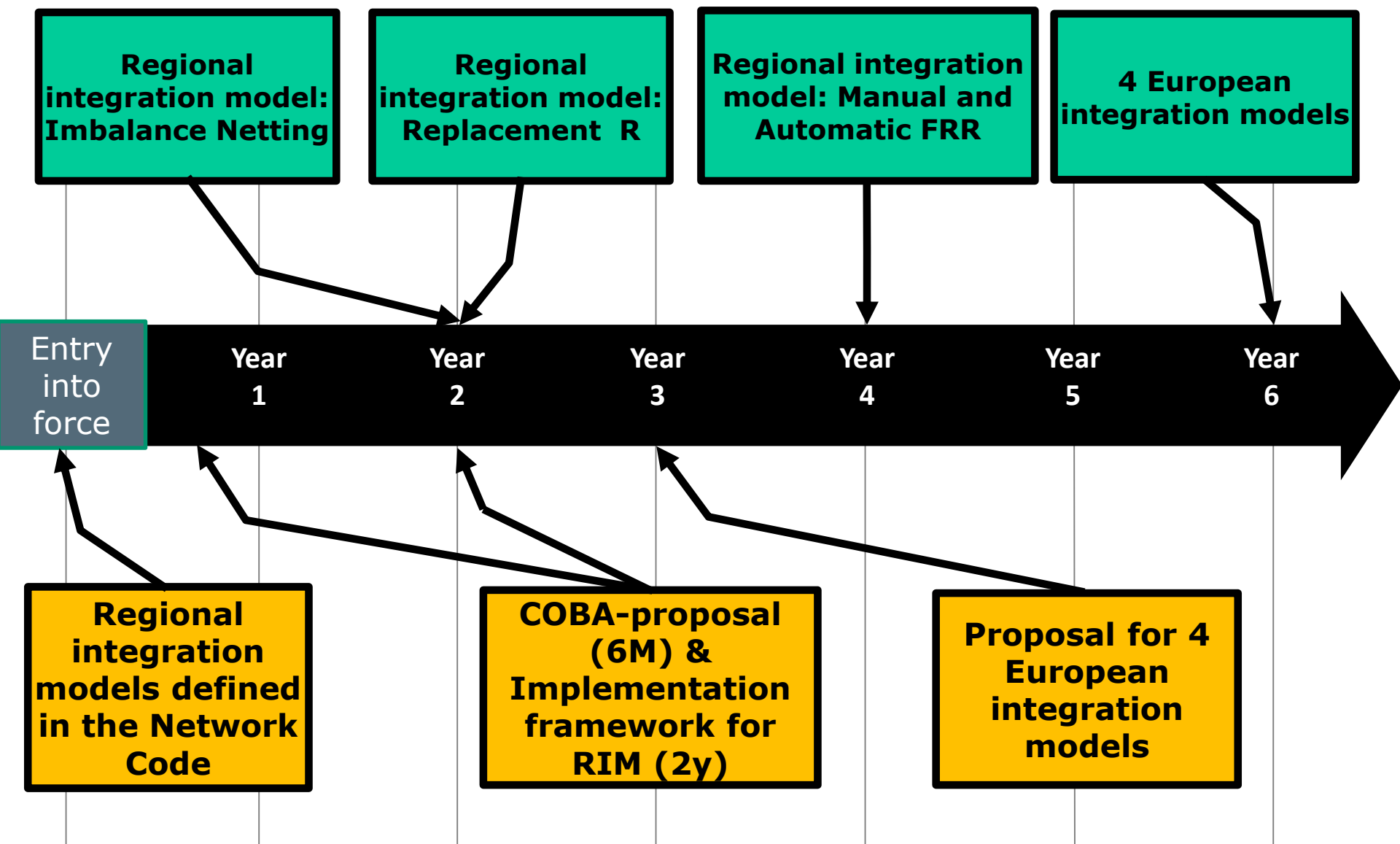
## **Why don't we let TSOs integrate balancing market on voluntary basis?**

- **Incentives set on national basis are inadequate/insufficient**
- **Existing balancing markets are incompatible – standardisation and harmonisation is essential**
- **Institutional inertia – TSOs/stakeholders like/prefer existing solutions**
- **Inadequate governance and decision making rules**
- **Local interests and redistribution of welfare**
- **Avoiding multiple changes or harmonisation steps**
- **Enforcement of compliance**



## Process and timeline for European implementation

- **Two stage implementation**
- **Four integrated balancing energy targets:**
  - Integration model for Imbalance Netting
  - Integration model for Replacement Reserves
  - Integration model for Manual Frequency Restoration Reserves
  - Integration model for Automatic Frequency Restoration Reserves
- **Regional integration models:**
  - Clearly defined in the network code
  - Proposal for COBA's for RR, mFRR and aFRR after 6 months
  - TSOs develop implementation framework after 2Y with all NRA approval
  - Implementation: 2Y (IN,RR) or 4Y(mFRR,AFRR) after entry into force
- **European integration models:**
  - Basic requirements defined in the network code
  - Detailed proposal from TSOs 3Y after entry into force with all NRA approval
  - Implementation 6Y after entry into force



## Creating a consistent framework for implementation

- Each TSO may be attributed to only one CoBA for each RIM unless it has responsibilities in several synchronous area's
- One CoBA in Continental Europe for Imbalance netting
- CoBAs for IN/aFRR/mFRR do not need to be equal, but consistent:
  - Consistency is explained Annex I: aFRR COBA is a part of IN COBA and mFRR COBA consists of one or several aFRR or RR COBAs
  - GB & IRL to implement aFRR based on CBA – if CBA is positive and (IN is technically feasible), IN CoBA should be extended to GB & IRL – to ensure each aFRR CoBA also implements IN
- Consider a maximum number of 5 CoBAs regions for designing efficient regional markets for aFRR/mFRR. The number will still be scrutinised by early implementation work and pre-comitology EC/ACER/ENTSO-E discussions.
- Implementation of the RIM for aFRR is conditional to a the LFC&R requirements. LFCR will oblige aFRR for in GB and Ireland/Ni based on CBA
- Rules and conditions for exchange of balancing services between CoBAs to be defined by all TSOs 18 months after EIF and approved by all NRAs

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**Thank you for  
your attention !**

## Back up slides

## Five main blocks to reach an Integrated Balancing Energy Market

