

**REQUEST FOR AMENDMENT (RfA) BY
CONCERNED REGULATORY AUTHORITIES**

ON

**ALL ASYNCHRONOUSLY CONNECTED TSOs'
PROPOSAL FOR COMMON SETTLEMENT RULES FOR
INTENDED EXCHANGES OF ENERGY BETWEEN
SYNCHRONOUS AREAS AS A RESULT OF THE
FREQUENCY CONTAINMENT PROCESS AND OF
RAMPING RESTRICTIONS IN ACCORDANCE WITH THE
ARTICLE 50(4) OF COMMISSION REGULATION (EU)
2017/2195 OF 23 NOVEMBER 2017 ESTABLISHING A
GUIDELINE ON ELECTRICITY BALANCING**

4 December 2019

I. Introduction and legal context

Article 50(4) of the Commission Regulation (EU) 2017/2195 (hereafter: EBGL)¹ requires that by 18 months after the entry into force of the EBGL, all asynchronously connected TSOs (hereafter: concerned TSOs) intentionally exchanging energy between synchronous areas shall develop a proposal for common settlement rules applicable to all intended exchanges of energy, as a result of one or both: i) the frequency containment process for active power output on synchronous area level pursuant to articles 172 and 173 of Regulation (EU) 2017/1485; ii) ramping restrictions for active power output on synchronous area level pursuant to article 137 of Regulation (EU) 2017/1485.

The final proposal shall be subject to the approval of all concerned Regulatory Authorities (hereafter: concerned RAs).

In the process of drafting and submitting the proposal according to article 50(4), the TSOs have adopted a definition of “asynchronously connected TSOs” that affects the geographical scope of the submission to the RAs. In this framework the asynchronously connected TSOs are all those TSOs that host at least one HVDC interconnector connecting two synchronous areas, namely: *50Hertz, BritNed, Eirgrid, ElecLink, Elering, Elia, Energinet, Fingrid, Litgrid, Moyle, National Grid ESO, NGIL, PSE, RTE, SONI, Statnett, Svenska kraftnät, TenneT DE and TenneT NL*. According to this definition, only the corresponding RAs have received the proposal, establishing the set of concerned RAs.

By submitting this common RfA, all concerned RAs agree to accept the definition of asynchronously connected TSOs and its impact on the submission and decision process.

The all concerned TSOs’ proposal for a methodology for common settlement rules applicable to energy exchanges resulting from frequency containment process and/or ramping restrictions, in accordance with Article 50(4) of the EBGL (hereafter: the Proposal), was received by the last concerned RA on 10 July 2019. Article 5(6) of the EBGL requires relevant Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make decisions within six months following receipt of submissions of the last relevant Regulatory Authority concerned. A decision is therefore required by all concerned RAs by 10 January 2020.

¹ Commission regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing, referred to as the “EBGL”

This agreement of all concerned RAs shall provide evidence that a decision on the Proposal does not need to be adopted by ACER pursuant to Article 5(7) of the EBGL. However, at the same time the Proposal is not approvable by concerned RAs. Therefore, this agreement is intended to constitute the basis on which concerned RAs will each subsequently request an amendment to the Proposal.

The concerned RAs' joint RfA was coordinated through the Electricity Balancing TF (hereafter: EB TF) of ACER and agreed on 4 December 2019. Amending the Proposal according to the RfA should make it approvable for all concerned RAs.

The legal provisions that lie at the basis of the Proposal and this all concerned RAs' agreement on the RfA can be found in Articles 3 and 50 of the EBGL:

Article 3 Objectives and regulatory aspects

1. This Regulation aims at:

- (a) fostering effective competition, non-discrimination and transparency in balancing markets;*
- (b) enhancing efficiency of balancing as well as efficiency of European and national balancing markets;*
- (c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- (d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- (e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity;*
- (f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- (g) facilitating the participation of renewable energy sources and support the achievement of the European Union target for the penetration of renewable generation.*

2. When applying this Regulation, Member States, relevant regulatory authorities, and system operators shall:

- (a) apply the principles of proportionality and non-discrimination;*
- (b) ensure transparency;*

- (c) apply the principle of optimisation between the highest overall efficiency and lowest total costs for all parties involved;*
- (d) ensure that TSOs make use of market-based mechanisms, as far as possible, in order to ensure network security and stability;*
- (e) ensure that the development of the forward, day-ahead and intraday markets is not compromised;*
- (f) respect the responsibility assigned to the relevant TSO in order to ensure system security, including as required by national legislation;*
- (g) consult with relevant DSOs and take account of potential impacts on their system;*
- h) take into consideration agreed European standards and technical specifications.*

Article 50 Intended exchanges of energy

[...]

4. By eighteen months after the entry into force of this Regulation, all asynchronously connected TSOs intentionally exchanging energy between synchronous areas shall develop a proposal for common settlement rules applicable to intended exchanges of energy, as a result of one or both:

- (a) frequency containment process for active power output on synchronous area level pursuant to Articles 172 and 173 of Regulation (EU) 2017/1485;*
- (b) ramping restrictions for active power output on synchronous area level pursuant to Article 137 of Regulation (EU) 2017/1485.*

8. All TSOs shall establish a coordinated mechanism for adjustments to settlements between all TSOs.

[...]

II. All Asynchronously Connected TSOs' Proposal

The Proposal was not consulted by TSOs, since it is not explicitly provided by Article 10 of the EBGL. All concerned RAs closely observed, analysed and continuously provided feedback and guidance to all TSOs during various meetings.

The final version of the Proposal, dated 18 June 2018, was received by the last Regulatory Authority on 10 July 2019, together with an updated explanatory document giving background information and rationale for the Proposal.

The Proposal covers the rules for the common settlement for intended exchanges of energy between Synchronous Areas, resulting from the frequency containment process and the ramping restrictions. The Proposal includes the methodology for calculating volumes of intended exchanges and relevant prices, as well as the high-level process for the common settlement between TSOs.

III. Concerned RAs Assessment

All concerned RAs request all concerned TSOs to amend the Proposal and to take into account the following RAs' assessment.

1. Request for changes to the Proposal

All concerned RAs do not consider the Proposal compliant with EBGL Article 50(4) because it does not specify the common settlement rules applicable to the intended exchanges of energy as a result of ramping restrictions pursuant to Article 137(3) of SOGL, as required by EBGL Article 50(4). Therefore, the concerned TSOs are requested to amend the Proposal to include the volume determination and the relevant pricing principles applicable to the intended exchanges of energy as a result of ramping restrictions according to Article 137(3) of SOGL. This does not preclude the possibility to settle these volumes in accordance with Chapter 4 of Title V of the EBGL.

IV. Conclusion

All concerned RAs have assessed, consulted and closely cooperated and coordinated to reach the agreement that the Proposal according to Article 50(4) of the EBGL cannot be approved.

According to Article 6(1) of the EBGL, all concerned RAs hereby request an amendment to the Proposal. The amended proposal shall take into account the all concerned RAs' assessment stated above and shall be submitted by all concerned TSOs no later than two months after receiving the last RA's RfA in accordance with Article 6(1) of the EBGL.

All concerned RAs must make their decision to request an amendment to the proposal on the basis of this agreement by 10 January 2020.