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Eurelectric response to ENTSO-E's consultation on the implementation framework for aFRR

A Eurelectric response paper

July 2018

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.

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WG Market Integration & Network Codes

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1. What is your name?

2. What is your email address?

3. What is your organisation?

Eurelectric

4. What types of organization do you represent?

- **<u>Association</u>**
- Generation
- Power Consumers
- Power Supply
- Storage
- Aggregator
- Others

5. Country / countries that you represent

8. Please add here your feedback related to the introductory Article 1 and Article 2: ''Subject matter and scope" and "Definitions and interpretation"

Eurelectric considers the maximization of social welfare as an objective of the exchange of automatic Frequency Restoration Reserves or the aFRR-platform too broad given the limited scope of the aFRR-platform itself. The maximization of social welfare should be the outcome of the overall market functioning, of which the aFRR-platform is a partial component. If any consideration is to be given to the maximization of social welfare, and the contribution of the aFRR process to social welfare, this should be done in a holistic consideration including other balancing platforms and other market timeframes, in particular the intraday timeframe.

9. Please add here your feedback on Article 3: "High-level design of the aFRR-Platform"

We understand the platform is to select the cheapest bids from the CMOL, i.e. selection based on price and bidding zone only. Is this understanding correct or can TSOs include other criteria to prioritize bids in the activation algorithm?

We also consider that sharing activation bids should not motivate TSOs to downscale the volume of balancing reserves to be contracted. From this perspective, in addition to a reporting of the activated volumes, we would welcome a periodical reporting of aFRR activations above the volumes contracted as aFRR reserves in the corresponding area.

10. Please add here your feedback on Article 4: “The roadmap and timeline for the implementation of the aFRR-Platform”

The deadlines for steps 3.b and 3.c, respectively, are missing.

11. Please add here your feedback on Article 5: “Functions of the aFRR-Platform”

Eurelectric advocates that a single FAT value should be defined, corresponding to the most efficient trade-off between lower requirements of aFRR reserves thanks to shorter FAT, and higher cost of these reserves since units with longer FAT will not be able to compete.

Eurelectric acknowledges that TSOs have performed a techno-economic study to analyse the impacts of harmonization towards either 5 minutes or 7.5 minutes. However, we regret that the study focuses on a limited area covering only a small number of the control areas subject to the aFRR platform implementation.

Also, Eurelectric regrets that ENTSO-E has not considered necessary to disclose the technical and economical assessment. Without public and transparent demonstration that 5 min FAT would be more efficient than 7.5 min FAT at regional scale, Eurelectric cannot agree to the stated conclusion that a 5 minute FAT is the optimal outcome, in particular considering the impact that this constraint would have on the liquidity of the aFRR platform.

Furthermore, regardless of the solution applied before 2025, it could be insightful to reconsider the opportunity of further evolutions based on the experience after the go live of the platform.

12. Please add here your feedback on Article 6: “Definition of the standard aFRR balancing energy product”

Eurelectric maintains that from a market perspective, FAT and penalties should be harmonized to grant a level playing field. However, the harmonisation of the activation mode (i.e. set point Vs FAT) is not essential for the initial implementation of the aFRR platform. Nevertheless, we acknowledge that to maintain different approaches might have detrimental consequences for frequency deviations or lead to penalty discrepancies across countries. Eurelectric suggests that such dynamics could be further assessed based on observations after the go-live of the aFRR platform, and addressed through further evolutions of the aFRRIF, if need be.

The aFRRIF should specify that when a TSO can change the availability of the bids, before or after the TSO GCT (4.2.1), the connecting TSO should communicate to individual BSPs in real time any change in status of their bids sent by the BSPs.

Concerning bid validity period, Eurelectric supports the target of 15 minutes in line with the target of a 15 minute ISP as stated in the EBGL. However, it should be possible for individual countries to maintain an exemption from the 15 minute bid validity period in line also with the possibility of derogation from the 15 minute ISP pursuant to Article 53 of GLEB.

13. Please add here your feedback on Article 7: “Balancing energy gate closure time for the standard aFRR balancing energy product bids”

In general, we are of the opinion that the procurement of balancing energy must interfere as little as possible with other, short-term market segments.

Eurelectric considers that the BEGCT should be set closer to delivery than 25 minutes ahead of the ISP. This would make it possible:

- for BSPs operating units with a limited stock to gather more accurate information until their decision on bids;
- for BSPs, in control areas where bids can be released by the local TSO after BEGCT according to EBGL Art 29.10, to re-offer these bids in other balancing platforms (including aFRR) and intraday.

The aFRRIF proposal fails to justify why the period foreseen for local TSOs to check consistency and feasibility of mFRR or RR bids before the respective TSOGCT would not be sufficient to perform the same checks for aFRR bids. Eurelectric also notes that the impact of schedule changes for specific units could be pre-assessed ahead of the aFRR BEGCT. This would make it possible to accelerate the process of bid filtering.

If it were possible to shorten the period necessary for consistency checks and bid filtering, then the aFRR BEGCT could easily be moved closer to the ISP (e.g. 20 or 15 min ahead), hence improving efficiency.

Besides, Eurelectric considers that the aFRRIF should specify a balancing energy gate opening time or some requirements in this regard. We understand that this may not need to be fully harmonised among all control areas, but consider that the aFRRIF should at least guarantee that BSPs will have sufficient time to prepare and submit their bids. In particular, it could be relevant to foresee that the BEGOT should not be later than 12.00 DA.

14. Please add here your feedback on Article 8: "TSO energy bid submission gate closure time for aFRR balancing energy product bids"

The aFRRIF foresees a range for the TSOGCT, before which TSOs may select a value after the validation by NRAs. Eurelectric considers that the aFRRIF should specify a single value for TSOGCT that is subject to consultation of stakeholders and approved as such.

15. Please add here your feedback on Article 9: "Common merit order lists to be organised by the activation optimisation function"

No comment.

16. Please add here your feedback on Article 10: "Description of the optimisation algorithm"

Eurelectric considers necessary to specify in the binding document the definition of "activation cost" in the optimization function: we understand this as referring solely to the bid price as submitted to the platform, and not taking into account expectations of future prices as cleared during another activation cycle or past prices that were cleared during a previous activation cycle. Is this understanding correct?

In our understanding, the TSOs' individual aFRR demand calculation cycles should be consistent with the control cycle of the aFRR platform. A range of 1 to 10 seconds could lead to disturbances, e.g. counter-activations or overreactions, which could be a critical issue. To avoid this, the aFRRIF should detail the requirements for individual TSOs' calculation cycles.

The optimisation algorithm should be made open-source, including future developments.

We would consider it relevant that the main lines of the fall-back procedure are included in the Implementation Framework.

17. Please add here your feedback on Article 11: "Proposal of entities"

No comment.

18. Please add here your feedback on Article 12 and Article 13: "Governance" and "Decision making"

We recommend that the expert group includes stakeholders other than TSOs as observers. This would facilitate discussions on updates of the aFRRIF, and foster transparency on the related decisions.

Furthermore, Eurelectric believes more appropriate that the decision making process foresees a formal approval by NRAs in case of a decision related to a change of the aFRRIF.

19. Please add here your feedback on Article 14: "Categorisation of costs and detailed principles for sharing the common costs"

No comment.

20. Please add here your feedback on Article 15: "Framework for harmonisation of terms and conditions related to aFRR-platform"

Eurelectric supports the formalised framework that structurally involves stakeholders.

The aFRRIF should also make it possible to address harmonization opportunities detected between cycles, in particular after the first months of operation.

21. Please add here your feedback on Article 16 and Article 17: "Publication and implementation of the aFRRIF" and "Language"

No comment.

22. Please add here general comments on the proposal

Miss a section of Publication of information pursuant article 12 of EBGL. At least, it should be specified if the responsibility of the publication of that information falls on the participating TSO or in the aFRR-Platform.

Miss Fall-Back procedures pursuant article 28 of EBGL. At least it should be specified if the implementation of a Fall-back procedure is a responsibility of each participating TSO.

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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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