ENTSO-E consultation on MARI

A EURELECTRIC response paper

December 2017

EURELECTRIC is the voice of the electricity industry in Europe.

We speak for more than 3,500 companies in power generation, distribution, and supply.

We Stand For:

***Carbon-neutral electricity** by 2050*

We have committed to making Europe's electricity cleaner. To deliver, we need to make use of **all low-carbon technologies**: more renewables, but also clean coal and gas, and nuclear. Efficient electric technologies in **transport and buildings**, combined with the development of smart grids and a major push in **energy efficiency** play a key role in reducing fossil fuel consumption and making our electricity more sustainable.

***Competitive** electricity for our customers*

We support well-functioning, distortion-free **energy and carbon markets as** the best way to produce electricity and reduce emissions cost-efficiently. Integrated EU-wide electricity and gas markets are also crucial to offer our customers the **full benefits of liberalisation**: they ensure the best use of generation resources, improve **security of supply**, allow full EU-wide competition, and increase **customer choice**.

***Continent-wide** electricity through a coherent European approach*

Europe's energy and climate challenges can only be solved by **European – or even global – policies,** not incoherent national measures. Such policies should complement, not contradict each other: coherent and integrated approaches reduce costs. This will encourage **effective investment to** ensure a sustainable and reliable electricity supply for Europe's businesses and consumers.

EURELECTRIC. Electricity for Europe.

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WG Market Integration & Network Codes

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Response ID ANON-YKH2-BH18-H

Submitted to **MARI - mFRR Platform Design - First Consultation - Call for Input**
Submitted on **2017-12-20 15:53:03**

Introduction

A What is your name?

Name:
Ioannis Retsoulis

B What is your email address?

Email:
iretsoulis@eurelectric.org

C What is your organisation?

Organisation:
EURELECTRIC

D What is your mFRR capacity?

Please indicate a number in MW:

E What countries do you represent?

Please indicate the country you operate in. :

F What types of organization do you represent?

Association

If selected "Other", provide description of your organization:

Product and Process

1 How would a FAT of 12.5' impact the amount of MW you could offer for mFRR, as compared to the current FAT in the country you are operating in? Provide answer per each country you are operating in.

Please indicate in percentage when compared with the currently offered MW (e.g. 80% equals 20% less than today) for EACH COUNTRY you are operating in.:

2 What would be the lowest possible FAT that would not decrease the amount of MW you could offer for mFRR, as compared to the current FAT in the country you are operating in?

Indicate a number (format: mm:ss):

Please explain your preference:

3 What is your view on the consequences of a 5' duration (please refer to points 4 and 5 in the legend to Figure 1) period of the scheduled product?

Please refer to points 4 and 5 in the legend to Figure 1:

4 BSPs that have received a (capacity) payment for availability cannot withdraw their bids. Do you have a need for a maximum delivery time across several activations, in effect a limit on the number of reactivations?

Not Answered

If yes, please elaborate:

5 If allowed, do you intend to use a limitation on the maximum energy quantity within a certain period, e.g. to facilitate storage?

Not Answered

Please provide explanation:

6 Are there additional features that should be incorporated to enhance the flexibility of the standard product?

Please provide your view:

7 Do you have any additional comments to the characteristics and shape of the product?

Please provide you input:
EURELECTRIC has the perception that a FAT of 12,5 min seems to be chosen at TSO side. However, to our knowledge, there has been no communication on a decision and on the rationale behind such decision. We would welcome clarity on this and would remind that the FAT is a crucial parameter that should be decided with
We would also like to stress that according to us, the concern of TSOs is to make sure that the BSPs are delivery the right block of energy that they are supposed to deliver. Therefore, an alternative could be to design products with a rectangle instead of a trapezoidal shape.
Finally, we are concerned by the operational feasibility of the union of all processes and would welcome clarification from TSOs on this as soon as possible. Last but not least, EURELECTRIC still has doubts on the added-value of the co-existence of DA and SA products, given the complexity it introduces. We would therefore welcome further elaboration from TSOs on this.

8 What should be the gate opening time (how long in advance should BSPs be allowed to bid in for a given QH)?

Indicate a number of minutes before the BSPs' GCT:
A Gate Opening Time of at least 36 hours before real-time would is necessary, in order to correctly consider the results of the DAM in the bidding.

Please explain your preference:
A Gate Opening Time of at least 36 hours before real-time would is necessary, in order to correctly consider the results of the DAM in the bidding.

9 Which alternative for the sequence between the direct activation (DA) and scheduled activation (DA)process has your preference: DA before SA or DA after SA? In case DA is after SA, do you prefer the option deactivation in quarter hour (QH) 0 and QH 1 or deactivation in QH 1 only?

Not Answered

Please explain your preference:
At this stage, EURELECTRIC does not express a strong preference for one sequence. However we would like to share the following implications of the different options:
- Alternative 1: we think that it allows BSP to have an easier combination/recuperation of the same bids over different ISP because everything ends always at the same time. However it requires a further from real time BEGCT.
- Alternative 2: it makes it more difficult for BSPs to understand how to combine bids over several ISPs. However it allows a closer to real time BEGCT.
We would like to stress that both alternatives require to give the possibility to BSPs to use smart links.

10 Do the countries with replacement reserves consider a gate closure time for the balancing service providers of T-30’ for the direct activation (DA) before scheduled activation (SA) option, or T-25’ for the scheduled activation before direct activation option acceptable?

Please explain your preference:
The definition of BE GCT should take into consideration all markets where MARI will be implemented, including but not exclusively the countries with RR. The establishment of BE GCTs of MARI should therefore be done on a cross-project level, including TERRE but also PICASSO. This allows a correct assessment of the cross-project impacts when establishing BE GCTs of the different projects.

11 Do you consider a direct activation in QH-2 (as of T-22.5’) based on the common merit order list of QH 0 acceptable?

Not Answered

Please explain your preference:

12 Should there be a possibility to introduce ‚smart bids‘ and if so, which options to link bids should be foreseen?

Yes

Please provide your view:
EURELECTRIC would like to stress that BSP who want to propose upward and downward bids need to have the possibility to use smart bids. We also understand that the use of smart bids increases the complexity and that the right trade-off between complexity and liquidity needs to be found. Therefore, we would appreciate more feedback from TSOs on the impact on complexity of the use of smart bids.
Should there be only the possibility to use exclusive group orders, EURELECTRIC is requesting the possibility to declare minimum activation (see question 16).

13 Are technical links between bids in different quarter-hours necessary?

Yes

If yes, which should be implemented and why:
We agree with the analysis made on the technical links and their need, given that the Balancing Energy GCT of QH1 is before the last activation for QH0. In such a case and without technical links, BSPs would have to potentially refrain from bidding certain capacity in QH1 is this can still be activated in QH0. The technical bid described in the consultation document are understood to be technical mutually exclusive bids. More information is needed how technical linking would be implemented. The same asset will not always have same bid volume and bid price on adjacent QH and same asset can have multiple bid. Would BPS in this case deliver information which links should be linked?
Additionally, technical linked-bid orders may also be required, as the activation in QH0 may have cost implications for some bids for QH1, e.g. because of start-up

costs. Without such technical linked-bid orders, BSPs would have to include the start-up costs in each ISP, as they cannot be necessarily be certain that the capacity has already been activated for QH0.
Similarly to our concern expressed at previous question, while we understand the utility of this features, we would like to have more information on the impact on complexity.

14 If there should be a maximum size for indivisible bids, how large should the maximum be?

Please indicate a number in MW:

Please explain your preference:
If the maximum bid size is set at lower level, large units which do not support any intermediary set-point will not be offered, thus dramatically reducing the mFRR product availability. With unforeseeable rejected bids possible, large indivisible bids would be rejected in favor of subsequent smaller indivisible or divisible bids that result in an economically superior market outcome. It is then up to the BSP to balance the ability to offer a large indivisible block with the chance to be rejected. For the TSOs on the other hand, it should always result in an economically more efficient market outcome.

15 Do you foresee using indivisible bids?

Yes

Please explain your preference:
The option of indivisible bids should be possible in the MARI platform.

16 Do you need the possibility to declare minimum activation in divisible bids?

Yes

Please explain your preference:
We consider that the possibility to declare a minimum activation in divisible bids could be beneficial to liquidity. Possibility for minimum activation could reduce need to use indivisible bids.

17 What should the granularity of activated volume be for divisible bids (e.g. 0.1 MW or 1 MW)?

Indicate a number in MW (e. g. 0.1 MW):

Please explain your preference:

18 Do you foresee using a "resting time", i. e. a minimum time between activations?

Not Answered

Please explain your preference:

19 The granularity of bid volumes (divisible with 5 MW, 1 MW or 0.1 MW etc.) has not been discussed in this document. What would be a relevant granularity for expressing your bid volume?

Indicate a number in MW (e. g. 0.1 MW):

Please explain your preference:

20 Do you have any comments on the Rules for Balancing need?

Yes

If yes, please elaborate:
As expressed in our answer to the TERRE consultation, the output of the process to determine needs should solely be a certain volume to be procured. EURELECTRIC is thus opposed to allowing TSOs to use need elasticity, i.e.pricing the TSO needs. The TSOs should not be able to price volumes in a market that they themselves operate: should that be the case, they would become directly active in the market and that would be a breach to the unbundling principles from EU legislation. Moreover, they would have the ability to impose certain price caps to the market, which runs counter to both the EB GL and the Clean Energy Package.
In any case, EURELECTRIC calls for full transparency in the methodology applied by TSOs to determine the needs, and its outcomes.

Specification of Activation Optimization Function

21 Are all relevant inputs being addressed in the clearing algorithm design?

No

If not, could you please state the elements that you are missing?:
To ensure adequate transparency on the mFRR process, the cross-zonal capacity available (per border) should be published.

22 Are all relevant outputs being addressed in the clearing algorithm design?

No

If not, could you please state the elements that you are missing?:
To ensure adequate transparency of the MARI process, the following data should be published:
- The activated upward and downward volumes per bidding zone;
- The clearing prices (when appropriate, per biding zone);
- The requested volume per TSO;
- Bids filtered/unshared by the TSO
- The cross-zonal capacity used (per border);
- Reporting on the “interconnection controllability” mechanism.
The published data should allow for a traceable and transparent outcome of the algorithm.

23 Do you agree with the maximization of social welfare as the main objective of the Activation Optimization Function?

Yes

Please explain your view:
The social welfare must include the effects of the intraday market and aFRR exchange. A definition of social welfare only on mFRR exchange would lead to sub-optimal solutions.

24 Do you prefer to allow or to block the scheduled counter-activations?

block the scheduled counter-activations

Please explain your preference:
As expressed in our answer to the TERRE consultation, EURELECTRIC believes that the cases where a counter-activation would materialize should be limited. Indeed, it would only concern cases where trades between market participants would not have materialized in the ID markets.
Should this happen however, we believe that the role of TSOs is not to “correct” some possible missed trades of the Intraday markets and therefore, we are opposed to the idea of counter-activation if it is not related to balancing needs.

25 What are your views regarding unforeseeably rejected and accepted bids?

Please provide your view:
Unforeseeably rejected bids are acceptable for dealing with indivisible bids while minimizing overall energy procurement costs. If a bid is unforeseeably rejected, sufficient transparency should be guaranteed and the impacted BSPs should be informed. Unforeseeably accepted bids should not be considered; the clearing price should always be set by the highest activated bid.

26 Which of the two options would you prefer regarding the handling of HVDC constraints?

Not Answered

Please explain your preference:

27 If a set of optimal solutions exists, which lead however to different marginal prices, which of the two proposed approaches, Solution case 1.A or Solution case 2.B would you prefer?

Not Answered

Please explain your preference:

28 Do you agree with the suggested approach when a set of optimal solutions with equal marginal prices exists?

Yes

Please explain your view:

Settlement

29 Do you agree with the approach of the congestion rent definition?

Yes

Please explain your view:

30 Which other attributes/impacts of Cross-Border Marginal Pricing do you see?

Please provide your input:

31 Would you mitigate any negative attributes/impacts of Cross-Border Marginal Pricing?

Not Answered

If yes, how?:

32 Which of the TSO-TSO volume settlement options do you prefer?

Block settlement

Please provide reasons for your preference:
Volume option 1 as it attributes the energy delivered during ramping to the main ISP, minimizing the impact on other ISPs. The fact that balancing energy from DA bids is allocated partially to another ISP is a logical consequence of the TSO indicating that it requires the balancing energy not only during the next ISP, but even faster and earlier during the current ISP.

33 Do you prefer pricing option category A or B?

Category A

Please provide reasons for your preference:
The current preference of EURELECTRIC is the option A. This has been formulated on the basis of information obtained so far and supported by the following reasoning.
We prefer pricing option A as it considers that DA and SA products are sufficiently alike – and moreover are put on the same CMOL – to be remunerated according to a common marginal clearing price. This can be easily demonstrated by the fact that the SA product is in fact just one instance of a DA product that is activated at such a particular time in order that its activation will by synchronized to the ISP. All other attributes of the DA and SA products are the same. Option A also avoids to increase complexity and guarantees more transparency.

34 Do you agree with the proposed criteria, weights and scoring for the assessment of pricing options?

Not Answered

Please explain your view:
EURELECTRIC does not comment on the different options. But as a general principle, we believe the price of an ISP should not be influenced by the activation for another ISP.

35 Would you consider additional pricing options?

Not Answered

Please explain your preference:

36 Which of the pricing options do you prefer? Please choose up to 3 options.

A2, A3

Please explain your preference:
At the moment, EURELECTRIC has a preference for either A2 or A3.

37 Which of the pricing options would incentivize you the most to submit Direct Activatable bids? Please select one option.

Not Answered

Please explain your preference:

38 Do you consider the issue of ”Rejected Scheduled bids/demand” to be problematic?

No

Please explain your view:
EURELECTRIC does not consider it problematic if TSOs provide sufficient transparency to understand the market outcome, including the reason behind rejected SA bids. This would furthermore provide incentives towards BSPs to offer DA bids instead of SA bids.

39 Which of the three options regarding price indeterminacies would you prefer?

Mid-point

Please explain your preference:
Option A would be the logical choice as it aligns to the current practice in the day-ahead market coupling and the foreseen practice of TERRE.

Congestion Management

40 Do you have specific comments regarding the congestion management options presented here?

Yes

Please provide your input:
The only valid options to deal with congestion management are bid filtering and/or redisptaching, on the condition that these options remunerate for the opportunity loss or running cost incurred. If lack of transmission capacity within a zone is preventing the activation of an mFRR bid and this is solved through bid filtering, this is an opportunity loss for the BSP that should be compensated by the difference between the clearing price and the bid price. The BSP should not be exposed to the detrimental effects of internal congestion but rather the TSO should be fully exposed to the costs of congestion within a zone to have the correct incentive to efficiently solve it (be it bid filtering, redispatching or physical interventions). Therefore, mFRR bids that were not activated for internal congestion reasons should be reported and compensated for their opportunity loss.
Limiting ATC is not an acceptable option to deal with internal congestions as it pushes internal congestion to the borders and poses issues of transparency on internal congestions. ATC should only reflect the limitations on the available cross-zonal capacity.
Smaller or larger mFRR zones would imply a misalignment between the mFRR zones and the bidding zones, which are inefficient and will in any case not be allowed under the Clean Energy Package. In the case of mFRR clusters there are also implications for the fair cross-border competition between BSPs inside and outside of the cluster.
Finally, the inclusion of critical network elements implies a flow-based approach to the mFRR algorithm. We would request that TSOs give priority to the implementation of flow-based on the Intraday market before implementing it in any balancing market.

41 Do you think that additional congestion management options are missing?

Not Answered

If yes, please elaborate:

Harmonization

42 Following the list of elements provided in the Chapter Harmonization, could you indicate your top three harmonization priorities?

Please explain your preference:
We consider the elements provided under ‘Bid characteristics’, ‘settlement of TSO-BSP’ and ‘Settlement TSO-TSO’ as a ‘must’ for harmonization in the MARI platform. Also the Gate Closure Times, activation purposes and transparency are elements that should be considered a ‘must’ for harmonization.
Apart from the elements mentioned above, the harmonization priorities are prequalification requirements (including the accepted shape), back-up requirements (including energy availability requirements) and penalties. All of these elements have clear cost-implications for bidding on the MARI platform and should therefore be harmonized.
Additionally, the Gate Opening Times should not necessarily be harmonized, but a common minimum lead-time should be foreseen in all participating countries. Also other elements such as IT requirements, scheduling requirements and real-time measurement requirements should at least be sufficiently similar in order that there are no large discrepancies in costs for BSPs.
As a general principle, it is necessary to ensure a wider participation and a level playing field between BSPs in different countries. No additional stringent requirements should be set at local level, which would prevent BSPs from offering standard products or leading to unreasonable extra-costs.

43 In your opinion, which elements should be harmonized before the MARI project goes live?

Please explain your preference:
All elements mentioned in Q42 as ‘musts’ for harmonization in the MARI platform, as well as the top three of harmonization priorities should at least be harmonized before the MARI project goes live.

44 In your opinion, which elements should foster harmonization, but not necessarily before the MARI project goes live?

Please explain your preference:
All elements mentioned in Q42 as targets for alignment and not necessarily harmonization should be considered as eventual targets for harmonization.

45 Apart from the elements mentioned in the Chapter Harmonization, do you think other elements should be harmonized?

Yes

If yes, please elaborate:
A continued point of concern regarding the Electricity Balancing Guidelines Implementation Projects is the implementation at BSP side. The EBGL aims at harmonizing the balancing markets at European level, but this objective seems to stop at TSO-level. Once operational implementation at BSP-level is concerned, each country seems to act individually with its own bidding platform and secondary rules. For a company that is active across different markets in Europe, this is of particular concern as the EBGL implementation projects will require large adjustments to the operational processes and IT infrastructure. We therefore ask that TSOs also include the interface towards BSPs within the scope of the projects to ensure some level of harmonization and/or alignment in the practical implementation towards BSPs.

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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