ENTSO-E Proposal for the RCC task facilitating the regional procurement of balancing capacity

A Eurelectric response paper

December 2022

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.

Dépôt légal: D/2022/12.105/51

WG Market Integration & Network Codes

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We refer to the Proposal for RCC task of regional sizing of reserve capacity in accordance with Article 37(5) of Regulation 6 (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity as the **Sizing proposal** below. We refer to the Proposal for RCC task of facilitating the regional procurement of balancing capacity in accordance with Article 37(5) of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity as the **Procurement proposal** below.

1. **Any views on the ENTSO-E Proposal for the RCC task facilitating the regional procurement of balancing capacity are welcomed**

Definition of subtasks

EURELECTRIC acknowledges the need for a regional coordination, hence an added value of the RCC, regarding the two proposed subtasks and welcomes the clarification brought by this proposal.

EURELECTRIC is in line with the two proposed subtasks. However, it is not clear why the assessment of non-contracted platform bids is in the procurement methodology rather than in the Sizing proposal. Indeed, it seems that synergies with the *Short-term assessment of availability of sharing amounts* could be found.

Assessment of non-contracted platform bids

SOGL already allows TSOs to account for expected non-contracted energy bids in their dimensioning. Is a harmonization/survey of how the TSOs use the expected platform (cross-border) bids until 2026? Perhaps rules should be determined before there is a proper coordination. In general, link between SOGL and its rules on reserves´ dimensioning could be better explained in the proposal.

The expected volume of available non-contracted bids calculated by the RCC will be the result of a probabilistic approach. This should be clarified in the proposal. Moreover, the timing of this calculation at the DA horizon should be stated in the proposal, even if it is only a range. Indeed, it is yet unclear whether the RCCs will be able to do the calculation before aFRR DA auctions (09:00 in some countries).

The explanatory document suggests that the TSOs will have to send their estimated volume of non-contracted bids they will send to the platform ("TSO A notifies the RCC that 50 MW of non-contracted platform bids are to be considered for the specified validity period" p.7), and whether they intend to use this volume to reduce their procured capacity or not. However, this is not what was said during the November 23rd workshop. If a TSO does not intend to update dynamically their need to procure reserve capacity, shall he notify the RCC about its free bids nonetheless?

The proposition stipulates that the RCCs take margins with regards to the estimated volume of non-contracted energy bids, before notifying it the TSOs. However, it does not mention an additional margin taken by TSOs before reducing their need to procure reserve capacity. It is true that it is out of the scope of the RCC tasks, but changes in the availability status of capacity or energy bids between DA and the balancing time frame should be accounted for to ensure the system security.
That being said, we strongly discourage the consideration of non-contracted platform bids for the fulfilment of a TSO's required reserve capacity from the dimensioning process. We

consider that relying on the potential availability of non-contracted platform bids is not compatible with secure system operation. This concept is inappropriate on a regional level already and even harder to maintain in combination with the potential availability of CZC. Such an approach should not be fostered by RCC support.

Transparency is crucial

The Article 4.7 of the proposal demands that, if a TSO does not take the RCC recommendation into account, it should inform the RCC as well as other TSOs. Market participants would also like some visibility on this matter, at least with a reporting TSO by TSO in the national Balancing reports. The Article 7.3 provides for a monitoring by the RCCs but fails to indicate to whom this monitoring will be addressed.

The same applies to Article 4.6 of the proposal, where TSOs may “adapt the final balancing capacity procurement volume” based on RCCs calculations. It should be ensured that this information is timely communicated to market parties, before the GOT of relevant BCC, so they may take it duly into account.

RCC involvement in harmonised CZCA process

The role of the RCC proposed in the articles 6.1 and 6.2 is crucial. Does it mean that no exchange of balancing capacity between TSOs, resulting from the harmonized CZCA Methodology, is to exist before 2026 (according to the foreseen timeline)? How will the existing balancing capacity cooperation (e.g. Alpaca and its foreseen extension in 2024) be treated in this regard?

The articles 6.1.d and 6.2.d state that RCCs shall be responsible for the publication of CZC allocated to the exchange of balancing capacity and the associated market value. Where does this choice come from? Wouldn’t it be simpler if the entity operating co-optimised allocation process or an inverted market-based allocation was responsible for the publication?

Last but not least, we understood from the last EBSG that the inverted market-based methodology content will not be further elaborated and be kept to the minimum possible showing a lack of interest of TSOs to use this methodology… Therefore, we do not see the point of maintaining it as a harmonize methodology and recommend to delete it to avoid any uncertainty. Likewise, since co-optimisation with unilateral linking present serious drawbacks and the development of multilateral linking seems to be technically challenging, we suggest discarding co-optimisation methodology for now. Co-optimisation with multilateral linking should be the long -term target as long as it does not have negative impacts such as reducing algorithm performance or reducing the variety of the energy products and bidding flexibility offered for the SDAC and further implementations on products and services already planned. We prefer to suggest focusing on the development of the market-based methodology while considering our concerns regarding TSOs forecasts (forecasting methodology should be consulted in details with Market Participants).

Timeline

It is interesting to have a planning with detailed steps. Eurelectric urge the TSOs to take into account existing implementation projects (not only regarding balancing, but also more general market integration) when designing specific timeline. Ongoing projects should have a clear priority, aim should be not to overburden market participants with several workstreams running in parallel. Also, we should firstly ensure all regions are on the same level when it comes to balancing energy procurement and only then further steps should be taken.

Additional comments

The Article 7.1 does not really fit under the title “Monitoring and reporting” as it refers to the data collected by the RCCs to execute their tasks. Why is it not inserted after the 3.5?

As the missions will be clarified along the way and the context may change until 2026, EURELECTRIC would appreciate to be regularly informed about the progress of the implementation of these new RCC tasks – via EBSG, MESC or other relevant channels.

2. Any other feedback

EURELECTRIC welcomes the possibility to present our views on the harmonized methodology. Also, the workshop organised on November 23rd was a welcome initiative and proved beneficial.

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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EU Transparency Register number: 4271427696-87