

ACER consultation on activation purposes under EB GL

A Eurelectric response paper

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.

Activation purpose

Pursuant to Article 29(3)(a) of the EB Regulation, the methodology for classifying the activation purposes of balancing energy bids should “describe all possible purposes for the activation of balancing energy bids”. Furthermore, Article 29(4) of the EB Regulation requires that the TSOs activating balancing energy bids from the common merit order lists should define the activation purpose based on the aforementioned methodology.

The amended Proposal allows additional classification methodologies to be developed at national level for activations of balancing energy bids that are not included in the common merit order lists.

The Agency understands that the requirement of Article 29(3)(a) of the EB Regulation refers to “all possible purposes for the activation of balancing energy bids”, hence does not share the view that new purposes for the activation of balancing energy bids can be defined at national level. However, the Agency considers that the usage of the methodology for defining the activation purpose of a balancing energy bid is only obligatory for the bids of the common merit order lists, as specified in Article 29(4) of the EB Regulation.

The Agency seeks the opinion of stakeholders with respect to this topic.

Question 1: Please share your views concerning the scope of the methodology for classifying the activation purposes of balancing energy bids.

Generally, Eurelectric would again wish to point out that we are opposed to the principle of bids from the CMOL being used to resolve system constraints. Nevertheless, Eurelectric agrees with the Agency that the methodology shall encompass an exhaustive list of activation purposes for all bids included in the merit order list. Eurelectric also recognises that some TSOs initially wish to continue to activate bids outside the common merit order for specific national requirements. However, additional classification methodologies developed on a local national level for balancing energy bids that are activated outside of the common merit order should respect the same classification as that described under this proposal. Article 3.6 moves in that direction, but it remains ‘without prejudice’ to nationally defined rules and therefore leaves in question to what extent this article will meet its objective.

Eurelectric also believes that the timeline of the disclosure of the activation purpose information should be clarified in the Proposal. The activation purpose of a bid should ideally be disclosed simultaneously with the activation of the bid, particularly with specific product activations. In any case, for a well-functioning market, information on activation purposes should be provided in line with the Electricity Regulation and in timescales that should not be left to be determined under national terms and conditions.

Article 3 of the amended Proposal defines two activation purposes for balancing energy bids: balancing and system constraints, considering that these are all the possible activation purposes as required by Article 29(3)(a) of the EB Regulation. Article 3(4) of the amended Proposal includes a list with the classification criteria for defining the activation purpose of a balancing energy bid as “system constraint”.

The Agency understands that each of these classification criteria could be a separate activation purpose under the general category ‘system constraint’, hence leading to a new list of system constraint purposes. The Agency sees the transparency benefits such an approach might have, but is also concerned by the additional burden this might entail for the TSOs. Therefore, the Agency seeks the opinion of stakeholders to take an informed decision on this specific issue.

Question 2: Is the level of transparency provided in the amended Proposal with respect to the system constraint purpose sufficient?

Eurelectric would again wish to point out that we are opposed to the principle of bids from the CMOL being used to resolve system constraints, but we recognize that if they are to be used for this purpose then maximum transparency should be ensured.

Eurelectric welcomes the level of transparency proposed and we support the notion that TSOs should disclose information on the activation of bids for system constraint purposes as “sub-information”. This will help Market Parties to respond better to the needs of the system, with a greater understanding of how their services are being used for the operation of the grid.

Eurelectric believes that it is important that activations for “system constraints” are identified as they may not respect the pure merit order and their costs may be borne by mechanisms other than imbalance settlement, according to national terms and conditions. Any activation for system constraint purposes affects the balancing energy price, and thus imbalance price. All BRPs in the uncongested area would pay the balancing price which was affected by grid constraints on one specific border, not within the whole area. This leads to distorted signals for market participants and thus inefficient functioning of the market.

Concerning the potential burden this transparency might create on the TSO side, we fail to understand the difficulty that TSOs may encounter. The TSOs decide on actions to take in order to maintain system security and balance. They take actions (including activating energy bids) for specific purposes and should have assigned a reason for each action taken. Given the fact that this reason is known to the TSO, we do not see what would prevent the disclosure of this information.

Regarding the list of activation purposes for system constraints under Article 3(4), we support the attention to greater detail in this. The list includes non-frequency ancillary services and if these were to be included under balancing then the emergence of flexibility markets would be hampered. We further note that activation for the sake of “maintaining active power reserves” and “maintaining reactive power reserves” is unclear. There should be a distinction between the activation of bids from power reserves and the procurement of reserves per se. It is not clear how an activation could help maintain reserves. Reserves should be maintained by procurement, not activation. Eurelectric sees the need for clarity on this.

Question 3: If you would like to comment on other topics please indicate clearly the related Article, paragraph of the proposal and add a sufficient explanation.

Eurelectric note that Article 3(5) paragraphs b, c and d call for two optimisation runs be carried out to classify bid activation. We question how coherence is ensured with this and the fact that the mFRR and RR do not call for two optimization runs for separating the activation of energy bids for system constraints (aka interconnector controllability) and for balancing purposes (cfr ACER decision on the mFRR IF in January 2020)?

From the workshop organized on the 18/03/20 by ACER, we understood that:

- Balancing energy bids activated through the European balancing platforms will only be considered as activated for balancing purpose. We regret that, as we lose transparency on the evolution of CZC close to real time (plus the fact that congestion management will directly impact imbalance prices via the ISH proposal).
- Balancing energy bids activated outside of the European balancing platforms (hence activated locally by the connecting TSO) can get both purposes: balancing and system constraint. This means eventually that only Specific Products (the ones not shared on

the European Balancing platforms) will have the possibility to be given both purposes. We therefore request full transparency on the activation of those bids in terms of system constraints as we lose it for all bids activated on the European Balancing platforms which will affect the balancing energy and thus imbalance price.

Moreover, a clear distinction should be made between:

- Balancing energy bids that are set as unavailable to the European balancing platforms by the connecting TSOs for system constraints, hence not activated.
- Balancing energy bids that are activated for system constraint

The same level of transparency as described in the Art 3(4) of the amended proposal should be applied to those bids set as unavailable.

It is also unclear how the activation of specific or standard product bids for Deterministic Frequency Deviation management should be considered and classified in terms of activation purpose.

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



Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
EU Transparency Register number: [4271427696-87](https://ec.europa.eu/transparency/regexpert/?s=details&id=4271427696-87)