

ENTSOE consultation on methodology for a harmonized CZCA process in accordance with Art. 38(3) of EB G

A Eurelectric response paper

August 2022

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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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General comments

Eurelectric welcomes the possibility to present our views on the harmonized methodology. However, we regret that the public consultation takes place during the summer months, even though the methodology needs to be submitted only in December 2022. Prolonging the public consultation would provide more time for a thorough analysis. We hope ENTSO-E will at least organize a public workshop on the matter in September / October 2022, or a bilateral meeting.

Firstly, we want to point out the difference that makes when we reserve Day - Ahead Cross-Zonal Capacity (DA CZC) for Balancing Capacity (BC) instead of Day Ahead Market (DAM). The two products compete for the same CZC but differ in their nature, the allocation of DA CZC to DAM implies dispatch of energy and optimization of energy flows among borders while the allocation of DA CZC to BCM does not imply directly dispatch of energy as such capacity may not be activated.

Historically, with regards to the three methodologies, Eurelectric was of the opinion that only co-optimisation could be of consideration (i.e. a process of simultaneously bidding and clearing in both the balancing capacity market (“BCM”) and day-ahead market (“DAM”) – final target of a 1 step co-optimisation process fully allowing advanced multilateral linking of bids) **on the condition of it being implemented under the principle of multi-lateral linking of BCM and DAM bids.**

However, the implementation impact assessment (IIA) did not provide answers to our doubts on the feasibility of co-optimization implementation (as the report was not published yet), and we would like to repeat our key concerns related to the potential negative impacts of co-optimization.

The Single Day-Ahead Coupling (SDAC) algorithm is already at its limit in terms of capability and NEMOs are already studying possible mitigation measures to secure robust and reliable operations, as mentioned in the last Market Coupling Steering Committee. The reduction of the “Market Time Unit” to 15min will put further stress on the performances of the algorithm. On the back of this, we are against any limitations such as the reduction in the variety of the energy products and bidding flexibility offered for the SDAC to accommodate the algorithmic complexity of co-optimisation; furthermore, we also clearly do reject any negative impact on the further evolution of new products and services for the SDAC. We also clearly object any prolongation of time needed for calculation or results publication.

From the recent discussions it seems that due to huge burden on the coupling algorithms, the full implementation of co-optimisation (i.e., applying multilateral linking across BDM and DAM markets) is close to impossible and therefore TSOs have abandoned this option.

We would welcome such conclusion, as in the past, Eurelectric reiterated its fear on unnecessary technical implementation of the timeframes if there is no TSO expressing the willingness to apply one of them. Moreover, this would lead to additional costs to be paid by system users while bringing no benefits.

We understand that there is a legal obligation to suggest one harmonized methodology (per timeframe) stemming from the EB GL. However, as **economic efficiency method was discarded due to the CEP (which we welcome), we wonder why this should not be possible for co-optimisation as well.**

Regarding the co-optimisation timeframe, we acknowledge the fact that cross-product linking has been included in the set of requirements sent to the NEMOs in June 2022 and in

the current proposal. While the chosen solution is not the one creating the highest social economic welfare, we are of the opinion that the multilateral/unilateral linking is the second best with major drawbacks over co-optimisation through multilateral linking between all Standard Balancing Capacity Products (SBCP) and SDAC bids. Multilateral linking amongst the SBCP is a must, notably to optimize the procurement of FRR. Then a unilateral linking between SBCP that were not selected and SDAC products has the advantage to mimic the current process where Market Participants (MP) re-optimize the SDAC bids when the clearing of all Balancing Capacity is performed in a sequential way.

Because of serious drawbacks of the proposal for co-optimisation with unilateral linking as now decided by ENTSOE, we suggest again that the proposal is abandoned and not pursued any further. If ENTSOE, however, decides to maintain a methodology for co-optimisation then we request the **development of a bidding guide** to assess the impact of such a linking on MP's operations, considering different type of assets.

Anyway, till the real implementation of co-optimisation is clarified, we still provide some comments on the methodology. We however suggest focusing on the development of the market-based harmonized methodology, since the implementation of co-optimization is not clear at all.

In relation to the market-based (MB) methodology, EURELECTRIC wants to share its concerns and opposition when it comes to TSOs forecasting market prices and volumes being for the BC or the DA market, as outlined in the proposal. We have multiples concerns:

- The determination of the share of CZC to be allocated for the exchange of balancing capacity or sharing of reserve should remain based on actual market data for the concerned delivery period, as foreseen in EBGL Article 39(5) (a & b). Indeed, TSOs can by no means pretend to have a more reliable estimation of the CZC market value, at a given point in time, than market parties themselves, and any discretionary interference of TSOs in market processes should be avoided.
- A detailed implementation of the forecasting methodology should be created and consulted. The pieces of information in the methodology for a harmonized CZCA are not enough detailed to ensure a right forecast done by TSOs. These proposals should be examined:
 - A truly market-based solution should incorporate, in the process of forecasting the CZC market value for energy exchange, at least the price indices that are available on forward markets for the considered delivery period
 - Any simplistic approach, e.g., considering that “the same day in the previous week/month/year” is a relevant reference, should be excluded
 - A thorough statistical analysis based on historical data should be performed to identify the explanatory variables which best account for the observed price differentials. Besides, TSOs should find a way to include in their forecast price impacting features that can hardly be captured in historical data, such as grid element or production unit outages.

Furthermore, concerning the forecasting methods that are applied under the MB and inverted market-based (IMB) timeframes, in general they are lacking clarity on how they will be performed. With the current description, it is not possible for MPs to reproduce any of the forecasts. This, however, is an important input when building the BC and DAM bids for the MB and IMB timeframes, respectively.

Also, while TSOs are in the middle of the data exchanges for BC market as being buyer of the service, this is not the case for DAM where NEMOs are at the center of the process. We

fail to understand how the data exchange and interaction will take place between NEMOs on one side and RCCs and TSOs on the other side. This is an additional challenge that is likely to impact the forecast quality imbedded in the MB timeframe.

Regarding the implementation of the methodologies / start of the balancing capacity cooperation (BCC), we believe three months as suggested by Article 5 is too short. There are many processes on the Balancing Service Providers (BSPs) side that will need to be amended. The minimum implementation period needed by BRP/BSP should be at least one year from the moment precise conditions for respective balancing capacity cooperation are known. This is a minimum, as some implementations could lead to even more drastic changes at MPs' side that would require a longer adaptation period. This should in any case be decided together with the MPs.

On the application of the timeframe within a BCC, Eurelectric assumes there won't be more than one balancing capacity cooperation for one standard balancing capacity product procured by respective TSOs. Otherwise, there would be more timeframes competing for the same cross-border capacity with the day-ahead market, which would be detrimental to welfare and to the overall market functioning. **This condition needs to be clarified in the current proposal.**

Also, we fail to understand the real advantages of the Inverted Market-based timeframe for the cross-border balancing capacity market. We are of the opinion that inverting the processes of balancing capacity and energy procurement is not efficient given the subordination of BC market over the energy market.

Also, the economic behavior of Balance Responsible Parties (BRPs)/BSPs will not be as readable as the uncertainty about the volume and the prices is forcing them to take huge assumptions that come at a cost. The cost of uncertainty is translated into risk premiums, which are eventually paid by the end consumer. Therefore, we are not convinced of the added value of the IMB timeframe in terms of social economic welfare.

As an example of the complexity behind the IMB timeframe from a MP perspective, let's consider an asset owner that is willing to be active on both BC and DA market via its BRP and BSP roles. The MP will bid all its capacity in the DAM and rebid its flexibility in the BC market, while potentially having to enter into ID transactions to be able to provide the Balancing service to TSOs. In the role of the BRP, the MP will take a view on what will be bid on the BC market, by derating its bid on the DAM and by adding a risk premium to cover the risk of not being selected in the BCM.

In general, regarding links between bids, cross-product links are defined and enable to connect bids between the balancing capacity market and the day-ahead market but, there is no reference about the possibility to have links between the same products (except in the co-optimization process where links in direction are feasible cf. Art 6.2.a). Links in time (between successive Market Time Unit), exclusive links and links between upward and downward bids are essentials to adequately reflect the constraints of market participants' assets. This harmonized methodology does not mention the possibility to have this kind of links. The methodology for a list of standard products for balancing capacity for frequency reserves and replacement reserves (EBGL art 25) does not mention it either. We fail to understand where such links are supposed to be describe if it is not in this harmonized methodology for all TSOs and harmonized processes.

Feedback on design decisions as presented at EBSG on 12 May 2022

Please see below general feedback on design options, as we did not have the chance to react on them during the EBSG from 12 May 2022.

1. Only timeframes co-optimisation, inverted market-based and market-based shall be included in the harmonized methodology.

Eurelectric: As explained above, 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. Therefore, we prefer to suggest focusing on the development of the market-based methodology while considering concerns expressed above, which will hopefully enable real harmonization. We also agree with ENTSOE that daily balancing capacity tender is the target model and therefore the economic efficiency timeframe can be considered as outdated.

2. Market-based allocation concentrates only on D-1 timeframe. Timeframe is defined by the gate closure time (GCT) of balancing capacity, not the cross-zonal capacity allocation optimization function (CZCAOF).

Eurelectric: Same remark as for decision 1 hereabove.

3. Capacity calculation according to EB Regulation 38(5) for timeframes co-optimisation, inverted market-based and market-based

Eurelectric: Same remark as for decision 1 hereabove.

4. One CZCAOF for both co-optimisation and inverted market-based allocation

Eurelectric: If co-optimisation (CO) and inverted market based will be implemented: The split of CZC for the exchange or sharing of BC and for the exchange of energy is taking place at the same time for the timeframes CO and IMB. Therefore, it seems logical to make use of the same CZCAOF as only the inputs change (forecasted BC bids for IMB rather than actual ones for CO). However, we fail to understand why the same CZCAOF, as a software, cannot be used for the MB timeframe as well. Running the CZCAOF at another time (<SDAC GCT) should not be a reason to develop a dedicated CZCAOF. Also, in a 2-step approach for CO, the CZCAOF is done outside of the SDAC.

5. One single GCT for BSPs per timeframe, for all applications engaging with SBPC an allocating CZC per timeframe (products for local procurement are excluded). With 3 timeframes, we have 3 different cross-border GCTs)

Eurelectric: As stated above, in general, the whole concept of harmonization of applications should be clarified. There should always be one GCT and one timeframe used for one SBPC. Therefore a situation should not come up in which TSO procures aFRR both using market-based method and co-optimisation. If this were the case, this would be extremely complicated for both market participants and for the system, not to mention issues with transparency.

We understand that each timeframe (CO, MB, IMB) requires different GCT for BSP (submission of BC bids) per construction. For MB, this is at some point before 12am DA, for CO at 12am DA and for IMB after the clearing of DA but before the GOT of ID.

The harmonization of GCT for applications of the MB timeframe is covered in the next section.

6. One single GCT for BSPs for all products per timeframe, meaning equal GCT for different BC products per timeframe. Only valid for all applications engaging with SBPC an allocating CZC per timeframe (products for local procurement are excluded).

Eurelectric: We agree that should more than one SBPC be exchanged / shared in a BCC applying a specific timeframe, there should be only one GCT for BSPs (e.g. for aFRR and mFRR products, both using market-based methodology). However, this is possible only if cross-product linking is possible.

7. The market value of balancing capacity is always according to total welfare (seller & buyer surplus and congestion income/rent) for all timeframes

Eurelectric: We agree with this approach.

8. Price of CZC for balancing capacity (for congestion income) is in general based on balancing capacity market spread for all timeframes of (co-optimisation, inverted market-based and market-based)

Eurelectric: We would welcome explicit mention of the cases where the price of CZC for balancing capacity is not based on the balancing capacity market spread.

9. "Notification" article is as defined in current approved CZCA methodologies

Eurelectric: Previous answers to be checked.

Feedback on explicit questions following the WS organized on 5 July

1. Do you see the need for one unique BSP-TSO gate closure time (GCT) for all different applications of the market-based process, even if there is no interdependency?

Eurelectric has always been striving for harmonization of rules and features to facilitate the EU integration of electricity markets. Therefore, as explained earlier, the target model should ensure GCT are the same over all possible applications. This is of course a prerequisite when there is interdependency (FB allocation of CZC) but also when there is no interdependency as it will contribute to create a lean and homogenous landscape for the procurement of balancing capacity across the EU. Therefore, we would welcome a target GCT as part of this methodology.

2. Views on the timing overlap and interaction of the FCR co-operation and the BSP-TSO GCT of the market-based process

FCR GCT is 8AM. FCR results are to be communicated before 8.30AM so that bidding for later balancing capacity tenders can consider those. mFRR/RR GCT for daily procurement is 10AM in many countries with the results publication at 10.30AM. This

leaves BRPs 1.30h to prepare and submit DAM energy bids. Eurelectric is of the opinion that (1) this 1.30h period has to be maintained and (2) a minimum of 30min remains between the publication of the previous balancing capacity tender (using this methodology or not) and the GCT of the next balancing capacity tender (using this methodology or not).

3. Views on the proposed cross-product unilateral linking design between balancing capacity bids towards day-ahead bids for the co-optimised process

See our earlier responses. When considering Co-optimization, Eurelectric has always supported the multilateral approach as this is the linking scheme that brings the most value and leads to the highest social economic welfare. The analysis in the IIA tried to show the inherent complexity of this linking option, notably for Euphemia. Therefore co-optimisation as considered in the methodology proposed here should probably not be implemented.

The multilateral linking between BC bids and the unilateral linking between the BC bids and the DAM bids seems to us as only the second-best approach. Multilateral linking BC bids is important, notably for reserve substitution. Unilateral linking between BC and DAM bids is, for MPs, a prerequisite for implementing co-opt as it will allow BSPs and BRPs to not choose ex-ante on which market they will offer their flexibility.

4. Views on the pricing regime for balancing capacity (marginal pricing vs. pay-as-bid) for the market-based process

In general, check the legal framework for pricing balancing capacity. We prefer marginal pricing option. Why would that be different for MB than for CO or IMB? Also the calculation of the economic surplus might be challenging if a pay-as-bid mechanism is in place for the BC market (BSP surplus notably being inexistent).

Check ACER decision on CORE art 41(1) where the Pay-as-Bid / Pay-as-Clear (PaB / PaC) has been covered.

Also ENTSOE mentioned that pay-as-cleared mechanism was applied to CO and IMB as those timeframes were using to a certain extend EUPHEMIA which applies for the DAM the PaC principle. We would find particularly unharmonized to use PaC for CO and IMB timeframes while using another pricing mechanism for MB.

Specific comments on the methodology document

In general, the terms (market) timeframes, (set of) application are not clear and not always coherently used. This brings complexity in the reading of the documents. TITLE 2, TITLE 3 and TITLE 4 are not enough harmonized, some clarifications are missing depending on the articles and we see a lot of repetition. Overall, TITLE 4 seems to be the more complete and clearer.

Also, the use of acronyms is not continual and add more complexity to understand the methodology.

Title 1- General Provisions

Article 1: it shall be clarified that one TSO may use always only one methodology for procuring one SBCP. I.e. within one BCC, there should not be two methodologies (timeframes) used for the procurement of let's say aFRR.

Article 2.2.e: under CO and MB, why does the CZCAOF determine firm values for BC prices and volumes? What if the CPOF leads to different results? What would be considered as the contracted prices and firm volume?

Art 2.2.h/i/j applies to MB and IMB: forecast errors 1/2/3 are not clear at all. Practical examples would help here.

Art 2.2.k : reference day data used is the XZ value for DAM and not the DAM bids themselves. Not fully correct, as a set of DAM bids could lead to different value of XZ capacity. Also, 'TSO BC demand' definition is missing.

Art 2.2.l – is unclear, does that mean elastic demand? Better definition / explanation is needed. Eurelectric is opposed to the possibility to include elastic demand.

Art 4: Cases of fallback procedures are not exhaustive enough in this article 4 (same applies to articles 13 and 19). If a fallback procedure were not applied when a TSO BC demand for a SBCP per bidding zone exceeds the available amount of locally submitted bids in the bidding zone, could this lead to a distortion of other balancing capacity markets, regarding cross-product links? For example, in case of missing mFRR bids, what are the impacts on aFRR already procured volumes, regarding the exclusive potentials' links between these two products?

Some examples or use cases would have been welcome in the explanatory document.

Art 4.2: Validity period is defined in EBGL as "the period when the balancing energy bid offered by the balancing service provider can be activated, where all the characteristics of the product are respected. The validity period is defined by a start time and an end time » but not defined for balancing capacities. We don't see connection between validity period and DA MTU in this context. Maybe optimization resolution (cf art 22.6)?

Art 4.3: what pricing mechanism for MB (PaC specifically mentioned for CO and IMB)

Art 4.4: We suggest a clarification of the wording for max price SBCP and DA, using wording from CACM regulation:

(4) Wording clarification proposed: The maximum ~~clearing price of each bid~~ of SBCP in both directions shall be equal to the maximum day-ahead ~~clearing price-market bid-price~~ for SDAC, both following Article 41(1) of Commission Regulation (EU) 2015/1222 of 24 July 2015. The pricing scheme shall be the same for each TSO of the application using an allocation process as defined in this methodology.

Art 4.5: single GCT principle is not clear – see also our comments above

Art 4.11 If this linking is applied, then we see even more importance in using one timeframe (and method) for procuring all SBCP by respective TSOs. Also, if co-optimisation is implemented, multilateral linking of bids for SBCP and for the DA market is a must.

Art 4.12 First sentence not clear

Art 4.13 Fallback solution in case of not sufficient SPBD to fill TSO BC demand – not described here.

Art. 5 As explained above, 3 months notification period is extremely short. To be able to react on change of market reality, at least 12 months period is needed.

Title 2 – Methodology for the co-optimised allocation process

Articles 6, 12 and 18 should be quite similar or even gather in one single article. The precision in the article 18.2.l is missing in article 6 for example. Same for articles 17 and 10.

Art 6.1.C: We welcome the fact that the notification period to announce the selected standard balancing capacity bids has been reduced to 15min max after the publication of SDAC results instead of one hour.

Art 6.2.A: Please explicit all the links (links in time, exclusive links, links in direction) and that the multilateral linking amongst SBCP is in the scope. The last sentence excludes the unforeseeably rejected blocks of the BCM to be part of the DAM. These should be an exception and explicit here.

Art 6.2.D (iv): Do you mean elasticity on TSO BC demand or substitution of BC? Please explain the reason why this has been added compared to previous ACER decision.

Art 6.2.D (ix) Which text/article defines the TSO's maximum volume of BC?

Art 6.2.k: We understand that CPOF is determining firm and final selected BC bids. This is not the role of the CZCAOF.

Art 6.2.l and m: What is the difference between the 2 proposals? Refer to the answers for MB and IMB.

Art 6.2.o: What would cause that? Same answers as MB and IMB. We understand this is the consequence of having the CPOF outside of CZCAOF.

Art 8.2: impact on FB borders that are not applying a timeframe. Some BZ will see a decrease of CZC at their borders while not benefitting from welfare gain linked to the exchange of BC. While overall welfare will be optimized, welfare of BCC's BZ will also increase but probably at the cost of non BCC's BZ. As the participation to a BCC is voluntary, one should ensure that non BCC BZ are not disadvantaged.

Art 9.3: We don't agree, BC procurement cost minimization should not be the optimization objective. Total Social Economic Welfare should, via the CZCAOF. We have always wondered why the CPOF was needed as the analysis of BC bids for CZC splitting was already done in the CZCAOF. Also, applying this could decrease overall market efficiency, as there would be less transparency on the real amount of balancing capacity needed.

Art 10.6: we do not fully understand this paragraph. Does this mean that due to netting, overall level of CZ capacity allocated to sharing or exchange of reserves will be increased (possibly trespassing the 10 % limit)? Or will this capacity be allocated to DA market? This needs to be clarified.

Title 3 – Methodology for the inverted market-based allocation process

In general, timings as suggested (and commented on) below are too vague – timing after the DA GCT and before SIDC GCT give no impression over rules, which will be applied and

thus present no harmonization. Also, how will the capacity for ID market be calculated & allocated if the results are not known until let's say 14:00? (as the ID GOT is 15:00 D-1)?

Art 11.1: Should this article be in part of article 4? Why only in the inverted market-based allocation process and not in the market based too?

Please clarify the governance and responsibilities of forecasted market value calculation. Is each TSO responsible of the forecasted market value calculation of its bidding zone or one TSO does it for multiple zones? (Forecasting Entity is quoted in the explanatory document, but not defined or used again in the methodology). Governance and responsibilities should require a dedicated paragraph.

Art 12.1.a: why such a timing constraint?

Art 12.1.d: The timing to bid BC is unclear, as the GCT for SIDC is one hour before delivery. Knowing that BRPs need enough time to organize ID bids considering results of the IMB.

Art 12.1.e and Art 12.1.f: Please clarify the definitions of “unused” and “not needed” CZC reserved for BC. We consider that the unused/not needed CZC reserved for BC must be released for the ID market rather than the BAL markets as it was done at the cost of CZC for SDAC. SIDC is the next logical step.

Art 12.1.g: what timing for non -central dispatch model?

Art 12.1.h: a more specific deadline for notification should be added (e.g. 30 min or 1h before the gate closure time of the SIDC).

Art 12.2: Mix between steps, inputs or outputs. One paragraph per topic would be better.

Art 12.2.a: single TSO applying IMB? + Exact role of RCC is not clear.

Art 12.2.d(i): There is a need to clarify the principle of applied reference day of the BCM + possible forecast adjustment either in this document or to be included to BCC linked document (which will also need to be subjected to consultation).

Art 12.2.j: Where shall *“the determined cross-border balancing capacity market prices per bidding zone and the respective allocated cross-zonal capacity volumes for the exchange of balancing capacity or sharing of reserves of each balancing capacity product in each direction per bidding zone border”* be sent to?

Art 12: There is no reference to the CPOFs in the inverted market-based steps. It would make sense to add it after the CZCA process.

Art 13: Cases of fallback procedures are not exhaustive enough in this article (same comment as in Article 4).

Art. 13.1.a – EBGL does not mention default maximum volume (we understand that this volume would be used to limit the whole available capacity for the DA auction and only if not used efficiently in the IMB procurement, allocated to the ID market). Therefore we question the whole efficiency of the IMB method, as well as compliance with the EBGL.

Art 13.1.b: if no limitation, then potential big impact on FB orders while forecasted bids are used.

Art 13.1.c: We understand that this is an open door for punctual higher percentage of CZC for BCM. This is not in line with the EBGL, 10 % should be the absolute maximum. We request amending this paragraph so that it reflects EU legislation.!

Art 13.1.d: This is in contradiction to EBGL. If such case would happen, there is obviously an adequacy issue on that TSOs side – and it should be tackled by the respective TSO. In this case, all the market participants would bear the burden of decrease capacities for DA market due to inadequacy of one single TSO (as in the FB calculation, this would inevitably affect other borders as well). Moreover, what does *for at least one month* mean (e.g. one occurrence/MTU per day during one month)?

Art. 13.2 What does cumulative allocation mean? Better explanation is needed here.

Art 13.4: what does *available transmission constraint extraction* mean? Why would that be needed?

Art 15: 2 stages forecast approach (RCC for forecast error 3 + TSOs)

In general for IMB (Art 15) and MB (Art 20):

- forecast error 1 (applied ref day vs default day) should be further explained. It seems this is a point left open in the drafting process accommodating different views.
- Added value of FE2
- Applied reference day can by any day determined by TSO ?
- 15.9 refer to previous working day – what about weekends?
- 15.10 should describe what will happen in case the error is higher than chosen threshold (5 %) for longer period – that the change of a methodology, while consulting market participants – is needed.
- “Forecast adjustment” should be much more detailed. Are price indices (available on forward markets for the considered delivery period) considered in the process?

Art 16.1.b : output instead of input ?

Art 16.2 : seems to be in contradiction with art 13.1.c and fall back principles + art 15.2 says that actual TSOs’ BC demand has to be used for the estimation of forecasted market value.

Art 17.6 : and consistent with the contracting period

Art 17.8 : definition of low/high quality product ?

Art 17.9: We would replicate the possibility to link SBCEP for all methodologies, we believe this is an important feature allowing maximum efficiency of the procurement.

Title 4 - Methodology for the market-based allocation process

Please clarify the governance and responsibilities related to the forecasted market value calculation.

Is each TSO responsible of the forecasted market value calculation of its bidding zone or one TSO does it for multiple zones? (*Forecasting Entity* is quoted in the explanatory document, but not define or used again in the methodology). Governance and responsibilities should require a dedicated paragraph.

Art 18.1.a: Same as for IMB, what timing for non - central dispatch model?

Art 18.1.e: probable typo, self-reference, we assume there should be a reference to 18.1.d. In general art 18.1 lacks clarity and seems to not list all consecutive timings of the MB timeframe – sequence of actions is unclear.

Art 18.2.a: in general, same as for IMB, reference to one single TSO applying MB – this makes no sense as there will be no cross-zonal capacity allocated. Exact role of RCC is not clear.

Art 18.2.g(v) in general, reference to TSO volume sensitive BC demand (for reserve substitution?) – this needs to be clarified, does this mean elastic demand?

Art 18.2.g(ix) Clarify the principle of applied reference day of the DAM + possible forecast adjustment? Based on which principles may the forecast be adjusted?

We understand linking of bids across products is possible with use of market-based methodology, could this be clarified?

Art 18.2.o : Where shall “*the determined cross-border balancing capacity market prices per bidding zone and the respective allocated cross-zonal capacity volumes for the exchange of balancing capacity or sharing of reserves of each balancing capacity product in each direction per bidding zone border*” be sent to ?

Art 18.4: because of the existence of CZCAOF and CPOF as separate function that can lead to different results in terms allocated CZC for BC (1) and CZC effectively used by BC (2) + incorrect wording: TSO cannot increase its demand during calculation, but algorithm could consider that the contracted volume is higher than the TSO's demand

Art 18.4.c : definition of lower/higher quality product ?

Art 19: Cases of fallback procedures are not exhaustive enough in this article (same comment as in articles 4 and 13).

Art 19.b: like IMB, no limitation for BZB within LFC or BZB within a TSO is foreseen – we are wondering which effect this could have on other borders in the FB approach?

Art 19.c / d: Like IMB, we strongly oppose possible increase of 10% max up to 20%. This is in direct contradiction to the EBGL and deteriorates functioning of liquid DAM. See our comments on IMB for more details.

Art. 19.2 – see our response on equivalent IMB article, it's not clear what cumulative allocation of all balancing products means, in any case maximum limit on XZ capacity both for MB and IMB should not trespass 10 %.

Art 19.4: Like IMB, it's not clear (and explained) what *av. Transmission constraint extraction* means.

Art 20 : The text is equivalent to IMB method, therefore see our comments on that part.

Process of choice of reference days and making adjustments is not explained at all. If it will be developed in the future, then this methodology must clearly state this and say that it will be thoroughly consulted with stakeholders.

It's unclear what compose the order book for DA market? E.g. what about block bids?

Art. 20.9 – choice of previous working day as a default reference day may provide faulty results, there is a huge difference between Thursday & Fridays, also, what about weekend days?

Art 21.4.a: Our comments are equivalent to those on IMB, see relevant part. Transparency is needed here.

Art. 21.5: more explanation on a tolerance band and TSO elastic demand is needed – or at least ex post transparency on aimed volume to be procured and the real procured volume.

Art 22.4: does that mean that all order books for DAM of all TSOs within a FB CCR must be used? What will be the role of TSOs not part of the BCC but part of the CCR?

Art 22.6: and consistent with the contracting period

Title 5 – Provision on cross-zonal capacity

Art 23: Cross-zonal Capacity must be firm. What about the firmness of the balancing capacities procured when exchange of balancing capacity reserves applies? What are the obligations of the TSO which procure the balancing capacities toward the other TSO in case of unplanned interconnection outage, for example? Do all TSOs have a reconstitute frequency ancillary services process in real time?

Art 23.5: We assume these costs could be born also by more than one TSO?

Art 24.3 The marginal clearing prices of the CZCAOF in inverted market based are based on forecasted SBCP market, where does the actual clearing prices come from ?

Title 6 Final provisions

Art. 26.1

Publication of information should be aligned with article 12.2.b of EBGL regarding balancing energy bids and as it is done by NEMOs concerning the DAM, this includes particularly all prices and volumes of balancing capacity anonymized bids. Furthermore, information regarding adjustments of cross-zonal capacities requested by TSO should be published together with a justification for the request (cf Art 4 of aFRR IF).

Art 12.3.e of EBGL refers to balancing energy bids not balancing capacities.

We assume bids should be anonymized almost always. Also – publication of accepted offers is crucial (for the whole market, not only to the successful bidders), to provide transparent framework allowing efficient bidding behavior.

This information should be published on the transparency ENTSOE website to centralize all data in one place.

Art 26.2.d: what is meant by market value? Check art 39 EB GL

Art 26.3.b: We expect CZC to be released for further timeframe to be directly published (as it is anyway used for the subsequent BAL markets).

Art 26.3.c: how are the estimated realized costs and benefits calculated?

Art. 26.4 – this methodology should be published after its approval, both by NRAs and TSOs, not only 3 months before its application (if we do not understand this correctly, it should be clarified, also with regard to Article 28 assuming it will be published without delay).

Art. 26.5 – one month before application is too short. We cannot assess whether this will induce any changes on market participants' side. However, we suggest to keep the general timeline of publishing all requirements and intention to use the methodology at least 12 months before application.

Art 26.8: not clear who should submit the report to the NRAs. Why making the distinction for IMB? It seems this article should be reorganized to make a clearer distinction between MB and IMB

Art 26.9: We would add here that this may happen only in exceptional circumstances, subject to approval of regulatory authorities (or competition authorities).

Article 27

We understand that a decision has been taken to implement market-based methodology, as concrete steps (requiring already some amount of investment) are foreseen by this Article. This could be clarified in the whole document – as mentioned in our earlier comments.

We are wondering whether it is feasible to submit 9 methodologies (all undergoing a public consultation) within 12 months. This is up to TSOs, but in order to properly engage all stakeholders, maybe an 18 months period would be more feasible.

Deadlines in paragraph 2 should be then amended accordingly.

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