Union Française de l'Électricité

December 20th, 2017

UFE answer to PICASSO consultation

4.1.4: Standard product design

1/ Do you agree with the choice of parameters for the standard product (FAT, validity period, divisibility, minimum and maximum bid size)?

Yes

2/ Do you agree with the TSOs conclusion of not harmonising the ramping approach and FAT approach?

Yes

3/ Do you support the incentive to react faster?

No, we agree with the possibility to allow faster reactions, as long as such bids are not prioritised in the merit order and the bid selection, which should be based only on energy price. Specific incentives for BSPs to react faster are not needed.

4/Do you agree with the assumption of a linear impact on offered aFRR volumes of thermal units?

Yes

5/Do you agree with the assumption of no impact on offered aFRR volumes of nonthermal units for FAT in the range of 5 and 15 min?

Yes

6/ Do you agree with the assumption that power output changes (due to a FAT change) and their effect on relative efficiency have negligible impacts on bidding price changes?

No UFE answer

7/What is your current minimum FAT (required for providing aFRR)?

400 seconds. In addition, French aFRR providing units also have to deliver aFRR within 133/2s, a few times a year in emergency situations.

This additional requirement imposed on French aFRR providers has to be removed once a standard aFRR product will be defined in order to ensure the level playing field for BSPs located in different areas.

Questions 8 and 9:

No UFE answer

10: Which is your preferred validity period?

Other: the validity period should be consistent with the ISP and the aFRR BEGCT

11: Which minimum bid size do you prefer?

Other: the minimum bid size should be a trade-off between liquidity and the complexity of managing the platform. The possibility to set it at 0.1MW should be investigated, but in any case, it should not be higher than 1MW.

12: *Which granularity do you prefer?*

Other: the granularity should be a trade-off between liquidity and the complexity of managing the platform. The possibility to set it at 0.1MW should be investigated, but in any case, it should not be higher than 1MW.

4.2.5: Bidding Process

1/ *Do you intend to offer non-contracted bids?*

UFE comment: it is indeed important to allow the submission of non-contracted bids, as foreseen by the EBGL, to reinforce competition on the aFRR platform.

2/ *What would be your preferred aFRR BEGCT (<= 1hour before realtime)?*

No UFE answer

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3/ *Considering interrelation with other balancing products, what would be your preferred sequence of BEGCTs for the different balancing energy products (aFRR, mFRR, RR)?*

Like pricing issues (see our answer to section 4.4.6), UFE considers the sequence of BEGCTs should be consulted and addressed on a higher level, above the individual implementation projects, so as to allow all aspects to be considered and consistent choices across all projects to be made.

4/ *How long would you need after the moment when the results of one balancing process are known to acknowledge these results and possibly re-offer the flexibility related to your non-selected bids of the preceding process in the next process?*

UFE considers the time needed would not exceed 15min, and could potentially be reduced to a duration between 5 and 10 min.

5/ *Can you based on the relevance of the market and technical considerations for BEGCT determination prioritize (higher number gives higher priority)?*

UFE consider technical feasibility, fallbacks and management of congestion are all equally important and remain the responsibility of TSOs.

Furthermore, the BEGCT should indeed not be before the XZID GCT, as this is generally not allowed by the EBGL.

6/ *In case BEGCT of aFRR and mFRR coincides, which market would you rather choose?*

No UFE answer

7/ *Do BSPs agree the BEGOT should not necessarily be harmonised?*

Yes. UFE considers there should be a common 'floor' for the BEGOT of at least 36 hours, with the possibility for individual TSOs to define a BEGOT further from real-time compared to the common 'floor'. However, it may not be necessary to fully harmonise the BEGOT. The BEGOT should provide BSPs with the ability to submit bids for a sufficiently long period – e.g. minimum of a 36 hour period – to make an initial bulk offer for any capacity remaining after the Day-ahead market clearing. Afterwards, such bulk bids can be updated in function of subsequent market outcomes until the BEGCT.

8/ *Do BSPs intend to offer for multiple bid validity periods at the same time – if the BEGOT allows for this?*

Yes, it is important to allow such submissions.

4.3.3: Pricing and Settlement

1/ *Do stakeholders support the design choice for cross-border marginal pricing in combination with proportional cost sharing?*

Yes. Consistency with DA and ID market design should be ensured.

2/ Considering the effects of XB MP on imbalance pricing outlined in subchapter 4.3.1.3, can you order the effects, starting with the most relevant for you? Apart from the outlined effects, do you see additional ones that should be taken into account?

Above all, the marginal price definition has to be consistent among the different markets and timeframes. Market coupling aims at increasing social welfare while ensuring access to the most efficient resources. Natural corollary is the definition of a unique marginal price for that product among the whole uncongested area: cross-border marginal pricing is the correct approach reflecting the real time value for the energy of that product. This will intrinsically lead to a price rise in zones exporting that product and a price decrease in zones importing that product. Most zones should be alternatively exporting or importing, it seems a theoretical case to imagine a structurally exporting zone. Setting two prices in exporting zones (one resulting only from the coverage of local need and another one also resulting from the price of destination area(s)) would lead to distortion among BSPs, resulting in an incentive to bid at expected export price.

For BRPs incentivised to balance the system, the relevant information to assess the balancing position of its control area is the imbalance price. A cross-border marginal price can indeed create secondary effects where in case of no congestion the imbalance price does not reflect solely the imbalance situation of the control area. However, as correctly indicated in the consultation document, any overreaction by the BRPs to the imbalance settlement price will result in corrections – like the occurrence of congestion and divergence in imbalance price – that will discourage excessive adverse behaviour. For both TSOs and BRPs, the use of a cross-border marginal will present new market dynamics that will require a learning curve and some time to adapt. TSOs can above all help BRPs to better assess the balance of the control area compared to the uncongested by providing further transparency and information on the system state like the Net Regulating Volume.

3/ Do stakeholders see potential issues for incentives on BRPs functioning under crossborder marginal pricing?

No. Under cross-border marginal pricing it is to be expected that the imbalance price will not solely reflect the balancing situation of the control area but rather of the uncongested area. However, as long as the area is indeed uncongested, this should not present an issue and would rather be automatically taken into account through the netting mechanism. Overreaction by BRPs to imbalances outside of the control area would eventually result in the occurrence of congestion and decoupling of the imbalance price. With time, BRPs will gain experience with these new market dynamics, provided they are given sufficient information and the balancing market framework is sufficiently stable to gain the necessary, relevant experience. Furthermore, this alleged negative effect will be mitigated by the definition of imbalance price, which has to reveal the price from all the different processes (RR, mFRR, aFRR) activated by the TSO and depicting the LFC area's imbalance. Given the potential impacts of this pricing method on BRPs (even stronger with a quarter hour BEPP), full transparency is required from TSOs on the calculation of cross-border marginal price for each standard product and imbalance settlement.

4.4.6: Balancing Energy Pricing Period (BEPP)

General comment by UFE on this section:

BEPP should be consistent with the design of imbalance settlement and with the pricing of other balancing products. All those dimensions should be considered together, as mandated by the EBGL.

Consequently, UFE does not answer the questions of this section focusing only on aFRR.

In general, UFE considers that the overall scheme should encompass:
i) imbalance settlement prices that give reliable signals to market participants – so that BRPs can take the right operational decisions;
ii) balancing energy pricing greater or equal to the costs incurred by activated BSPs

As of the examples presented in the consultation, UFE highlights that if BRPs succeed indeed in balancing the system collectively, quarter hours with both upwards and downwards activations may be frequent. QH BEPP should then be presented with both upward (max) and downward (min) activation prices

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4.5.2: TSO-BSP Volume Determination

1/ Is it a priority for you to harmonize the volume determination?

No. We do not consider it necessary to harmonize the volume determination in a context where the TSO-BSP signal is not harmonized. We also do not consider it crucial that the TSO-BSP signal is harmonized as it has limited impact on the level playing field.

Nevertheless, it is at least necessary to ensure overall consistency between TSO-BSP remuneration for energy, control of effective delivery and subsequent charges for deviation, BRP imbalance adjustment.

4.6.2: Other harmonisation topics

1/What issues should in your opinion get priority for harmonization?

In priority order:

- Monitoring
- Penalty

  Monitoring and penalty arrangements are key elements to ensure a level playing field for BSPs.
- Energy availability requirements

  The energy availability requirements should also be harmonized to the largest extent possible, as they impact the costs of assets with a limited energy availability to offer aFRR and as such different requirements across countries would result in skewed cost structures and unfair competition.

- Prequalification
- Unit-based versus portfolio-based bids

  As portfolio based bids have more scope for optimization, forcing BSPs to continue to submit unit-based bids in a market where also portfolio-based bids can be submitted is detrimental for the level playing field.

5.3.1: TSO-TSO exchange function description including FRCE adjustment

1/ In a sense FRCE adjustment process objective is to determine the real aFRR exchange (linked to real aFRR delivery by BSPs) between TSOs, generally do you support its usage for TSO-TSO volume determination to be possibly used for publication and/or settlement?

Yes

2/ Are the principles of the optimization function satisfactory?

No opinion

3/ Do you agree with the intended position of TSOs not to allow activation in opposite direction?

UFE would like the question to be clarified, as we see two possible interpretations. In case of a change in the system status, we think the activation in the opposite direction shall at least be possible within an ISP to reflect possible inversions of system imbalance.

Moreover, it should also be allowed within a control cycle if initiated by a balancing need. It is not because aFRR is the last balancing product that the algorithm could not be allowed to correct intraday dispatch as far as it increases social welfare. Counter-activations for balancing needs should thus be allowed.

However, if counter-activations only refer to clearing bids between market participants, we think these are market transactions which should be preferably performed on day-ahead and intraday markets.

4/ Do you identify any negative impacts to the potential access to the full CMOL for one TSO?

No

5.4: Congestion Management

1/ Do you agree with the outlined objectives of the PICASSO platform congestion management?

Yes. UFE agrees with the intention of PICASSO TSOs to use the remaining cross-zonal capacities after intraday for exchange of balancing energy. It should be noted that using aFRR resources for congestion management could prevent them from

being available for balancing purposes. Congestion management measures should therefore also be triggered earlier (DA, ID).

We would also like to clarify that limiting the ATC as proposed by the PICASSO project on page 56 should only be done to reflect the actual ATC on the zonal border and not to solve internal congestions. Internal congestions should be handled by marking bids as unavailable and providing correct compensation if such unavailable bids would otherwise have been activated.

2/ Apart from the outlined objectives, do you see additional objectives which should be taken into account?

The lack of transmission capacity within a zone should not be visible to market participants, who consider it to be a 'copper plate'. If there is a lack of transmission capacity within a zone, preventing the activation of an aFRR bid, it is up to TSOs to solve it in a way that does not put the financial burden on the affected market participant. Internal congestion that prevents the activation of a balancing bid implies an opportunity loss for the BSP and should be compensated by the TSO according to the difference between the clearing price and the bid price. It is the TSO that should be fully exposed to the costs of congestion within a zone to have the correct incentive to efficiently solve it (be it redispatching or physical interventions). Any argument that such requirements would increase costs towards consumers ignores the fact that such costs do not disappear when they are transposed from TSO towards market participants. The occurrence of internal congestions creates market inefficiencies that have to be recuperated somehow. This discussions is therefore not one of cost creation but of cost allocation. As already mentioned above, as TSOs are responsible for dealing with internal congestions, they should be exposed to the full costs of them. A logical implication of this is that aFRR bids that were not activated due to internal congestion should be reported and they should be compensated for their opportunity loss.

3/ Regarding the prioritized access to CZC for processes, do you have a preference for sequential prioritization (XBID > RR > mFRR > aFRR/IN), or do you see the necessity to prioritize certain balancing processes?

No opinion.

XBID occurring before balancing, it allows Balancing Responsible Parties to self-balance their perimeter, reducing the exposure of BRPs to imbalances and reduces the need for TSOs to perform balancing actions.

However, the prioritization of access to Cross-zonal Capacity is a pan-Balancing discussion that should be addressed on a level above the individual implementation projects. This to ensure that the full implications for all balancing products are fully understood and taken into account.

4/ Does the available cross-zonal capacity has an impact on your bidding behaviour (e.g. pricing, liquidity, etc)?

No UFE answer

5.6.6: CBA

1/ Is there any other expectation or suggestion from your side regarding the CBA?

We are sceptical about the execution of the CBA. Given the large difference in market design (Pay-as-Cleared, Merit Order List, free bids, …) and open design questions (amount of available cross-zonal capacity), the outcome of the CBA will be highly questionable. The CBA seems unable to answer any relevant questions on design choices but rather focused on the implementation of a European platform itself

This been said, the CBA should rather be used in order to test and compare, when relevant, the options proposed in this consultation. In particular, an impact assessment of the two options for BEPP should be part of the CBA.

In any case, the CBA should be made public.

5.7.2: Transparency and publication of information

1/ Regarding article 12 fulfillment, do stakeholders foresee any confidentiality issues or possible competitive advantage or disadvantage linked to the data to be published?

As far as bids are anonymized, we do not foresee any confidentiality issue. To help BRP in balancing their perimeter, these data should be published as soon as possible: the deadline of 30 min after the end of the ISP seems too late.

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6.2: Intermediate version of the platform

1/ In general, do you support the implementation or extension of intermediate versions of the aFRR platform?

No opinion. Additional information should be made available for BSPs to help them understand the consequences of an intermediate platform. However, if the intermediate version is implemented, the only parameters to be harmonised should be the ones that can be harmonised already on the target. So as to avoid costly developments which would be useful only for a limited time, UFE considers that the parameters that cannot be harmonised already on the target should be left non-harmonised until the go live of the final platform. Moreover, if such parameters would be significantly detrimental to the level playing field in the intermediate platform, the choice for joining such platform should be reconsidered.

Furthermore, UFE considers that the FAT should in any case not be harmonised before the final version of the platform (ie not in any intermediate version), as FAT harmonisation will require, after the decision, a significant adaptation time. It should therefore be carefully considered if products with different FATs can be exchanged on one platform.

2/Do you agree with the listed minimum harmonization requirements intended for intermediate versions?

No. We do not support the implementation or extension of intermediate versions of the aFRR platform that would impose to harmonize the FAT earlier than the deadline foreseen by the Electricity Balancing Guideline, whatever the target value is.

3/ Do you see a beneficial interest compared to operational and implementation changes you could bear to implement an intermediate version of the aFRR platform?

Additional information should be made available for BSPs to help them understand the consequences of an intermediate platform.

4/In practice, a realistic example should be possible to extend the Austrian-German initiative to France and Belgium around 2020. Would you support such extension?

Similar answer to question 1.

5/ Do you support a report on the gained experience of the intermediate platform project once a year?

The pace of reporting should be aligned to the implementation schedule of the target platform in order that the gained experienced can be leveraged into the planning and design of the target platform. It is therefore not yet possible to say what pace would be appropriate, but a fixed, yearly schedule seems inappropriate for the purpose. At least, a report or presentation every quarter seems more appropriate.

7: AOB

1/ In general, do you have any remark or point you consider as missing in the consultation document and you would like to raise to PICASSO?

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. The EBGL implementation projects will require large adjustments to the operational processes and IT infrastructure. We therefore request 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. At least, the required time for definition at national level of the rules applying to BSPs shall be taken into account in the design timeline.