



Union Française de l'Électricité

March 2020

UFE's opinion on the proposal for a methodology for a co-optimized allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves

UFE welcomes the opportunity to comment on the co-optimized allocation of cross-zonal capacity for the exchange of balancing capacity, which is key for the European integration of balancing markets.

Q1.1: Please share your view concerning the proposed implementation process.

While preferring among the three approaches of cross-zonal capacity allocation provided by EBGL the market-based nature of the co-optimization approach, UFE welcomes, among the proposal's features, the requirement of an impact assessment of co-optimization on the Single Day-Ahead Coupling algorithm before any implementation decision is made.

UFE would however welcome a clearer governance in case negative conclusions were to be drawn from the assessment. UFE notably stresses that such a negative outcome should not stop indefinitely the process but rather be reconsidered a later stage. It should not, in any case, lead to any limitations such as reductions in the variety of energy products or bidding flexibility offered for the SDAC to accommodate the algorithmic complexity of co-optimization.

Q1.2: Please share your view concerning the proposed implementation timeline of 12+12 months for submitting new requirements for the SDAC algorithm.

Given the need for a thorough impact assessment, UFE does not consider the proposed timeline to be sufficiently long to do so, especially when considering the needed stakeholder involvement in the drafting of the assessment.



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Q3: If you would like to comment on other topics please indicate clearly the related Article, paragraph of the proposal and add a sufficient explanation.

Aside from an eventual negative impact on the SDAC functioning, UFE considers that the impact assessment constitutes the occasion to question others key points of attention for the implementation of the co-optimization process.

Notably, the possibility of linking bids on both SDAC energy and balancing capacity markets should – in UFE's view – be considered – with regards to its consequences on the algorithm – in order to avoid inefficiencies (for instance, the choosing by markets players between bidding energy or balancing capacity, while the same asset can be active in both markets). Such a possibility would reinforce one of the main added values of co-optimization, which is to avoid the need for market participants to anticipate energy prices when pricing their capacity bids.

In order to reap the full benefits of co-optimization, UFE underlines the need for the lifting of any unjustified or undefined limitation of the maximum allocated cross-zonal capacity for the exchange of balancing capacity or the sharing of reserves.

UFE finally stresses the need to ensure the adequacy between the co-optimization process featured in the proposal with the Flow-Based calculation used in some CCRs. Flow-based indeed relies on energy flows and not capacity bids that might potentially not be activated.