

UFE Response to ENTSOE survey on the change of the number of clearings for the exchange of balancing energy from Replacement Reserves in accordance with Article 19 of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

Option preference:

As a preamble to its response to the survey, UFE points out that the market design reform currently under discussion, and in particular the current debate on whether to shorten the intraday gate closing time, could potentially put an end to the RR product and to the RR platform in a near future.

4. Considering three options presented in the explanatory document, which option is your preferred one? Please explain, in detail, your selection.

UFE's preferential option is the #3. Together with option #1 and #2, the implementation of option #3 makes it possible to increase the number of clearings for the exchange of balancing energy from Replacement Reserves (RR). This is thus a prerequisite for reducing the cross-border scheduling step as well as the time span of Market Time Unit (MTU) and the Imbalance Settlement Period (ISP) to 15min.

From an UFE perspective, **option #3**, where the delivery period up to 30min is allowed, is **less restrictive on the number of bids that can be offered on energy on RR platform**. In contrast, option #1 and #2 will imply a reduction of liquidity by eliminating the possibility of 30-min offers (with the possibility to link 15-min offers over 2 quarterly hours period).

Additionally, **the process described in option #3**, as well as in option #2, **allows Balance Responsible Parties (BSPs) to offer RR energy for clearing on gate G+1 embedding the activation results of the previous clearing on gate G**. In option #1, conditionals linking are essentials. However, during the design of RR products, this kind of links had never been discussed. Since TERRE is the first platform, the current state of BSP optimization tools may not be able to manage conditional links over two delivery periods, and IT developments are required.

Therefore, shortening the timings of the RR process as proposed in options #2 and #3 will be a much more reliable and efficient solution from an UFE point of view.

UFE notes, however, that, compare to option #3, option #2 maintains a unique delivery period of 15 minutes for all balancing service providers (BSPs) and a homogeneous and simpler clearing process. **The fixing methodology of clearing prices will thus need to be detailed and submitted to consultation if option #3 is chosen.**

Impact on liquidity:

5. Is there an impact on your RR bids with the changes proposed in the final option? Please elaborate in detail.

Yes.

Option #3 maximizes the liquidity that BSPs could offer on RR platform. The 30-min delivery period allowed in option #3 makes it possible to offer RR energy from large physical assets and broadens the offering options that hinge on physical constraints of these assets.

Indeed, if the maximum bid size is set too low, large and physical units will not be offered, thus dramatically reducing the liquidity of RR standard products.

6. Do you consider conditional linking necessary for option #1? Please elaborate why.

If option #1 is chosen, UFE considers that it is necessary to give BSPs the possibility to make conditional offers between subsequent ISPs, as this is necessary to integrate constraints on the minimum duration of the delivery period.

If such links are excluded from option #1, UFE considers it would be impossible for BSPs to build RR offers for the clearing G+1 without the activation results of the clearing G, owing to the technical constraints of the physical assets along with the current state of the optimization tool. Indeed, physical assets must respect some technical constraint like minimum duration, ramping etc.: if the previous estate of the power plant is unknown, the generation schedules and the offers may not be feasible, thus leading to increase the imbalance of TSOs.

7. Will your availability to provide RR be affected with the reduction of the delivery period? If so, please indicate to what extent for: Option #1 and #2 (reduction of maximum delivery period from 60 to 15 minutes)

Yes, **UFE considers that reducing the maximum delivery period from 60 to 15 min would**

drastically restrict BSP's ability to provide RR. Only very few physical assets would be able to propose energy activation for such a short delivery period.

Moreover, the 15-min delivery period is already a feature of mFRR product. **Such shortening of delivery periods for RR products would probably lessen the BSP's interest in participating in the RR reserves exchange** and thus mitigate the efficiency of this balancing service.

- 8. Will your availability to provide RR be affected with the reduction of the delivery period? If so, please indicate to what extent for: Option #3 (reduction of maximum delivery period from 60 to 30 minutes)**

Yes, reducing the maximum delivery period from 60 to 30 min will reduce the pool of physical assets that would be able to propose energy activation of RR reserves, but to a much lesser extent in comparison to the 15 min delivery period.

Flexibility on timings:

- 9. Currently there are 5 minutes between ID GCT and TERRE GCT, would it be possible to shorten this timing (please provide an answer in minutes)?**

Yes. From UFE's perspective, the time span between ID GCT and TERRE GCT could be shortened up to 2min with low impact on its RR offers submission process.

- 10. Currently there are 5 minutes between TERRE results and MARI GCT, would it be possible to shorten this timing (please provide an answer in minutes)?**

- 11. Do you have any other comments or proposals on the RRIF or on the RR process in general?**

UFE welcomes the opportunity to answer this public survey on TSOs' proposal for the change of the number of clearings for the exchange of balancing energy from Replacement, and thanks TSOs for providing visibility throughout the dedicated workshop.

The involvement and the continuous information of stakeholders, both at European and local level, during the design and development phases, operation monitoring and governance of the balancing energy exchange platforms is vital to ensure their smooth implementation and to guarantee that the proposed mechanisms can represent an efficient solution.

UFE fully supports the cross-border exchange of RR, as an integral part of the target model for the integration and harmonization of balancing markets at European level. It is essential not to set

unnecessary or burdensome constraints that would hamper liquidity and efficiency.

Furthermore, **UFE** notices and **welcomes the TSO efforts made to shorten the overall TSO/RR-platform clearing process presented in options #2 and #3.**

Additionally, UFE wishes to make the following comments on the changes of the RRIF or on the RR process in general :

- A harmonization between the implementation frameworks of RR, mfRR and afRR is necessary regarding transparency and reporting. Indeed, in the mfRRIF and afRRIF, article 13 is dedicated to this topic with more requested data than in the article 12 of EBGL (e.g., amount of balancing energy requested by TSOs, the availability of cross-zonal capacity for the exchange on the platforms) and reporting. These elements should be requested regarding RR too. Market players within **UFE then consider that, to ensure adequate transparency of the RR process, the following data should be published:**
 - The activated upward and downward volumes for each bidding zone;
 - The clearing prices (when appropriate, for each bidding zone);
 - The need expressed by each TSO (including flexibility and the elastic curve) and the level of satisfied/unsatisfied need;
 - The cross-zonal capacity available and used (for each border)
 - Reporting on the “interconnection controllability” mechanism.
- **Moreover**, it can be noted that **the fixing methodology of clearing prices will need to be detailed and submitted to consultation if option #3 is chosen**, in order to ensure that option #3 does not deteriorate competition between BSPs, with the risk of a sub-optimal clearing solution. Some questions must also be addressed, in special:
 - Will the clearing price need to be differentiated according to the delivery period (15 or 30min) of the offers or will it be homogeneous for all offers?
 - How will a 30min delivery period bid will be selected/filtered by the algorithm if its price is in the money during one quarter and out during the other one ?
- **Finally**, UFE notices that the RRIF does not tackle the issue of unavailable/unshared bids. Introducing the possibility for TSOs to flag some bids as unavailable for activation by the platform could introduce a discrimination between BSPs, since the BSP whose offers have been blocked could suffer, in some cases, a loss of opportunity despite being located in the same bidding zone as similar BSPs whose bids are not filtered. Therefore, market players within **UFE believe that allowing TSOs to discard standard bids should be conditioned to a fair compensation for the loss of opportunity to the impacted BSPs.** For example, an upward offer with a price lower than the marginal price but flagged as unavailable should receive compensation equal to the difference between the marginal price and the offered price. It is also important that full transparency is made on TSOs' criteria for bids filtering.