

Mr Alberto Pototschnig
Director
ACER

Cc: Dr Klaus-Dieter Borchardt
Director
Internal Energy Market DG ENER
European Commission

Cc: Mr Laurent Schmitt
Secretary General
ENTSO-E

By email only

24 July 2019

Dear Alberto,

I am writing on behalf of all Regulatory Authorities with regard to the proposal on the methodologies for pricing balancing energy and cross-zonal capacity used for the exchange of balancing energy or operating the imbalance netting process (hereafter: PP), pursuant to Article 30(1) and Article 30(3) of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereafter: EB GL), submitted by all Transmission System Operators (hereafter: TSOs).

The date at which the last Regulatory Authority received the proposals on PP is 11 February 2019, while the legal deadline was 18 December 2018 (i.e. one year after entry into force of Commission Regulation (EU) 2017/2195).

Article 5(6) of Commission Regulation (EU) 2017/2195 requires all Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and issue a decision within six months following receipt of submissions to the last Regulatory Authority. A decision would, therefore, be required by each Regulatory Authority by 11 August 2019.

On 16 July 2019 all Regulatory Authorities agreed to request the Agency to adopt a decision on the PP pursuant to Article 5(7) of the EB GL because Regulatory Authorities could not reach an agreement for the following reasons:

Regulatory Authorities observe that TSOs introduce the term 'balancing energy pricing period' (hereafter: BEPP). The length of the BEPP is defined for each product. Regulatory Authorities are divided on this topic against the requirements of article 30(1) and chapter 2 of title V of the EBGL.

All Regulatory Authorities note, from articles 5(2) and 6(2) of the PP, that scheduled activation mFRR standard product bids are remunerated differently than directly activated mFRR standard product bids that are selected to deliver afterwards but before the next ISP. Regulatory Authorities disagree on whether a different remuneration of mFRR products based on activation type, gives correct incentives.

Regulatory Authorities are of different opinions on what the general principles of marginal pricing is and on whether or not it is correctly applied in the PP.

Regulatory Authorities disagree whether the balancing energy price should equal the prices calculated by the algorithm including additional system constraints, or those calculated without those system constraints as proposed by the TSOs in the PP.

Regulatory Authorities are divided on whether the definition of uncongested area should be adapted in order to reflect congestions following from the modelling of system constraints and network losses in the AOF.

Besides the above topics of disagreement, Regulatory Authorities agree that the proposal needs to be amended in order to ensure a consistent use of terminology, to specify the determination of cross-border marginal prices for balancing energy in case of price indeterminacy, and to take into account other specific remarks that are provided in the annexed referral paper.

While adopting its decision, all Regulatory Authorities expect that the Agency will give utmost consideration to all Regulatory Authorities' views on PP as provided in the related non-paper. All Regulatory Authorities are ready to assist the Agency to develop and adopt its decision.

Yours sincerely,

Clara Poletti
ERF Chair

A handwritten signature in blue ink that reads "Clara Poletti". The signature is written in a cursive style with a distinct loop at the end of the name.