

**APPROVAL BY
CONCERNED REGULATORY AUTHORITIES**

OF

**ALL CONTINENTAL EUROPEAN TSOs' PROPOSAL
FOR COMMON SETTLEMENT RULES FOR ALL
UNINTENDED EXCHANGES OF ENERGY IN
ACCORDANCE WITH THE ARTICLE 51(1) OF
COMMISSION REGULATION (EU) 2017/2195 OF 23
NOVEMBER 2017 ESTABLISHING A GUIDELINE ON
ELECTRICITY BALANCING**

27 May 2020

I. Introduction and legal context

Article 51 (3) of the Commission Regulation (EU) 2017/2195 (hereafter: EBGL)¹ requires that by 18 months after the entry into force of the EBGL, all SOs intentionally exchanging energy within a synchronous area shall develop a proposal for common settlement rules applicable to all unintended exchanges of energy.

The all Continental European TSOs' proposal for a methodology for common settlement rules applicable to all unintended energy exchanges (hereafter: the CCU Proposal), was received by the last concerned RA on 7 July 2019. All concerned RAs reached an agreement on 4 December 2019, to request an amendment to the Proposal. The amended CCU Proposal was received by the last RA on 15 April 2020.

Article 6(1) of the EBGL requires relevant Regulatory Authorities to make a decision within two months following receipt of submissions of the last relevant Regulatory Authority concerned. A decision is therefore required by all concerned RAs by 15 June 2020.

This agreement of all concerned RAs shall provide evidence that a decision on the CCU Proposal does not need to be adopted by ACER pursuant to Article 6(2) of the EBGL.

The all concerned RAs' joint approval was coordinated through the Electricity Balancing TF (hereafter: EB TF) of ACER and agreed on 27 May 2020.

The legal provisions that lie at the basis of the CCU Proposal and this all concerned RAs' agreement on the RfA can be found in Articles 3 and 51 of the EBGL:

Article 3 Objectives and regulatory aspects

1. *This Regulation aims at:*

- (a) fostering effective competition, non-discrimination and transparency in balancing markets;*
- (b) enhancing efficiency of balancing as well as efficiency of European and national balancing markets;*
- (c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*

¹ Commission regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing, referred to as the "EBGL"

(d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;

(e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity;

(f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;

(g) facilitating the participation of renewable energy sources and support the achievement of the European Union target for the penetration of renewable generation.

2. When applying this Regulation, Member States, relevant regulatory authorities, and system operators shall:

(a) apply the principles of proportionality and non-discrimination;

(b) ensure transparency;

(c) apply the principle of optimisation between the highest overall efficiency and lowest total costs for all parties involved;

(d) ensure that TSOs make use of market-based mechanisms, as far as possible, in order to ensure network security and stability;

(e) ensure that the development of the forward, day-ahead and intraday markets is not compromised;

(f) respect the responsibility assigned to the relevant TSO in order to ensure system security, including as required by national legislation;

(g) consult with relevant DSOs and take account of potential impacts on their system;

(h) take into consideration agreed European standards and technical specifications.

Article 51 Unintended exchanges of energy

1. By eighteen months after the entry into force of this Regulation, all TSOs of a synchronous area shall develop a proposal for common settlement rules applicable to all unintended exchanges of energy. The proposal shall include the following requirements:

(a) the price for unintended exchanges of energy withdrawn from the synchronous area shall reflect the prices for activated upward balancing energy for frequency restoration process or reserve replacement process for this synchronous area;

(b) the price for unintended exchanges of energy injected into the synchronous area shall reflect the prices for activated downward balancing energy for frequency restoration process or reserve replacement process for this synchronous area.

2. *By eighteen months after the entry into force of this Regulation, all asynchronously connected TSOs shall develop a proposal for common settlement rules applicable to all unintended exchanges of energy between asynchronously connected TSOs.*
3. *The proposals of common settlement rules of unintended exchanges of energy between TSOs shall ensure a fair and equal distribution of costs and benefits between them.*
4. *All TSOs shall establish a coordinated mechanism for adjustments to settlements between them.*

II. All Continental European TSOs' Proposal

The CCU Proposal was not consulted by all TSOs, since it is not explicitly provided by Article 10 of the EBGL.

All concerned RAs closely observed, analysed and continuously provided feedback and guidance to all TSOs during various meetings.

The amended CCU Proposal, dated 15 March 2020, was received by the last Regulatory Authority on 15 April 2020.

The CCU Proposal covers the rules for the common settlement for all unintended exchanges of energy within Synchronous Area Continental Europe. The CCU Proposal includes the methodology for calculating volumes of unintended exchanges and relevant prices, as well as the high-level process for the common settlement between TSOs.

III. Concerned RAs Assessment

The concerned RAs have assessed the amended CCU Proposal against the requirements of EBGL and the provisions of the previous request for amendment. They believe that TSOs have fulfilled all the requests for changes and in particular the indication of a stronger commitment to evolve the methodology towards the usage of balancing energy prices. This will be done after the first reviewal mechanism. Moreover, the TSOs have fulfilled all the other changes to improve the clarity of the text and to correct the wrong reference in art. 7.

IV. Conclusion

All concerned RAs have assessed, consulted and closely cooperated and coordinated to reach the agreement that the amended CCU Proposal according to Article 51(1) of the EBGL can be approved.

All concerned RAs must make their decision on the basis of this agreement by 15 June 2020.