

**APPROVAL BY
CONCERNED REGULATORY AUTHORITIES**

OF

**ALL CONTINENTAL EUROPEAN TSOs' PROPOSAL
FOR COMMON SETTLEMENT RULES FOR INTENDED
EXCHANGES OF ENERGY AS A RESULT OF THE
FREQUENCY CONTAINMENT PROCESS AND RAMPING
PERIOD IN ACCORDANCE WITH THE ARTICLE 50(3) 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 50 (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 TSOs intentionally exchanging energy within a synchronous area shall develop a proposal for common settlement rules applicable to all intended exchanges of energy, as a result of one or both: i) the frequency containment process pursuant to Article 142 of Regulation (EU) 2017/1485; ii) the ramping period pursuant to Article 136 of Regulation (EU) 2017/1485.

The final proposal shall be subject to the approval of all concerned Regulatory Authorities (hereafter: concerned RAs).

The all Continental European TSOs' proposal for a methodology for common settlement rules applicable to energy exchanges resulting from frequency containment process and/or ramping period, in accordance with Article 50(3) of the EBGL (hereafter: the CCFR Proposal), was received by the last concerned RA on 5 July 2019.

All concerned RAs reached an agreement on 4 December 2019, to request an amendment to the CCFR Proposal. The amended CCFR 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 CCFR 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 CCFR Proposal can be found in Articles 3 and 50 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;

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

- (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;*
- (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 50 Intended exchanges of energy

[...]

3. By eighteen months after the entry into force of this Regulation, all TSOs intentionally exchanging energy within a synchronous area shall develop a proposal for common settlement rules applicable to intended exchanges of energy, as a result of one or both:

- (a) the frequency containment process pursuant to Article 142 of Regulation (EU) 2017/1485;*

(b) the ramping period pursuant to Article 136 of Regulation (EU) 2017/1485.

8. All TSOs shall establish a coordinated mechanism for adjustments to settlements between all TSOs.

[...]

II. All Continental European TSOs' CCFR Proposal

The CCFR Proposal was not consulted by all Continental Europe 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 CCFR Proposal, dated 15 March 2020, was received by the last Regulatory Authority on 15 April 2020.

The amended CCFR Proposal covers the rules for the common settlement for all intended exchanges of energy within Synchronous Area Continental Europe, resulting from the frequency containment process and the ramping period. It includes the methodology for calculating volumes of intended 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 CCFR 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. However, in Article 4(2)(b) of the amended CCFR Proposal, the concerned RAs identified one minor typo, related to a reference to “the CCU settlement function”, which is one function of the Continental European TSOs' proposal for unintended exchanges of energy, instead of the “CCFR settlement function”. It was agreed that this typo does not affect the consistency of the amended CCFR Proposal, nor the process of the proposed common settlement between all Continental European TSOs, as Continental European TSOs clarify in their explanatory note that the settlement function for both intended (CCFR) and unintended (CCU) exchanges of energy will be handled by the same entity. Nonetheless, the concerned RAs invite all Continental European TSOs to correct this error as soon as an amendment to the methodology will be submitted in the future.

IV. Conclusion

All concerned RAs have assessed, consulted and closely cooperated and coordinated to reach the agreement that the amended CCFR Proposal according to Article 50(3) of the EBGL can be approved.

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