

**EXPLANATORY DOCUMENT OF PROPOSAL
FOR AMENDMENT OF THE
IMPLEMENTATION FRAMEWORKS FOR THE
EUROPEAN BALANCING PLATFORMS
IN ACCORDANCE WITH ARTICLE 20(1) OF
COMMISSION REGULATION (EU) 2017/2195
OF 23 NOVEMBER 2017 ESTABLISHING A
GUIDELINE ON ELECTRICITY BALANCING**

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INTRODUCTION

The following request for amendment intends to bring clarity and consistency in the terminology used in the mFRR Implementation such as to avoid any interpretation by market participants. The proposal for amendment is mainly related to the mFRR product design. The proposal for amendments reflects the agreement of all TSOs and does not constitute a change of the original intended design as approved.

PROPOSED AMENDMENT

Technical Linking

Initial wording

- Current mFRR IF Art. 7(3)(a): "Technical linking between bids - BSPs are required to provide information on technical linking between bids submitted in consecutive quarter hours and within the same quarter hour"
- Current mFRR IF Art. 2 (1)(bb): " 'technical linking' means links between bids of a BSP in consecutive quarter hours or in the same quarter hour, needed to avoid the underlying asset performing unfeasible activations;"

Proposed wording

- Proposal for change for IF Art. 7(3)(a): "Technical linking and conditional linking - BSPs are allowed to provide information on technical linking between bids submitted in consecutive quarter hours, as well as conditional linking between bids in up to three consecutive quarter hours.
- Proposal for change for IF Art, 2 (1) (bb): " 'technical linking' means links between bids of a BSP in consecutive quarter hours, needed to avoid the underlying asset performing unfeasible activations;"
- Proposal for change: add (dd) to mFRR IF Art. 2 (1)(dd) "'conditional linking' means links between bids of a BSP in up to three consecutive quarter hours, needed to represent technical restrictions and cost structure of the underlying assets, due to the unavailability of information on the activation of bids from previous quarter hours at the balancing energy gate closure time"

Reason

The term "technical linking" is clarified as being two types of linking (between quarter hours): technical linking and conditional linking. Technical linking is a linking that is mainly used to avoid unfeasible activation of assets behind linked bids due to being activated in Direct Activation (spanning 2 quarter hours). Conditional linking is based on the same principle as for technical linking and offering flexibility to market parties in their bidding strategy, taking into account the other technical or economic constraints of their portfolio.

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Given that constraints in portfolio may differ, the linking (conditional or technical) may not be relevant only in consecutive quarter hours. Thus, links between the quarter hours can be made without the restriction of being consecutive.

Economic Linking

Initial wording

- Current mFRR IF Art. 7(3)(a): "Economic linking"
- Current mFRR IF Art. 2(1)(f): "'economic linking' means links between bids of a BSP with the purpose of economic optimization, allowing BSPs to offer more flexibility, to reflect efficiently their underlying cost structure in their offered bids, and to maximize the opportunity of being activated;"
- Current mFRR IF Art. 7(3)(a): "parent-child linking and exclusive group orders will be allowed"
- Current mFRR IF Art. 2(1)(t): "'parent-child linking' is a type of economic linking, where a bid (the child) can only be activated if another specific bid (the parent) is activated as well, not vice-versa;"
- Current mFRR IF Art. 2(1)(i): "'exclusive group order' is a type of economic linking, where only one bid can be accepted from the list of bids part of the exclusive group order;"

Proposed wording

- Proposal for change IF Art. 7(3)(a): "Complex bids"
- Proposal for change IF Art. 2(1)(f): "'complex bids" means complex bid structures of a BSP with the purpose of economic optimization, allowing BSPs to offer more flexibility, to reflect efficiently their underlying cost structure in their offered bids, and to maximize the opportunity of being activated;"
- Proposal for change IF Art. 7(3)(a) "multipart bids and exclusive groups will be allowed"
- Proposal for change IF Art. 2(1)(t): "'multipart bids' are a type of complex bids, consisting of a group of bids, where individual upward energy bids can only be activated according to increasing price, or individual downward energy bids can only be activated according to decreasing price;"
- Proposal for change IF Art. 2(1)(i): "'exclusive groups' are a type of complex bids, consisting of a group of bids, where only one bid can be activated from the list of bids part of the exclusive group;"

Reason

- The term "Economic Linking" is modified into "Complex bids" to avoid potential confusion with "Technical Linking" and "Conditional Linking". Linking refers to explicit link between quarter hours while Complex bids are bids of the same quarter hours which are grouped together and where the

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clearing of such bids are pre-defined. Two types of Complex bids are foreseen: Parent-Child Linking (Multipart bids) and Exclusive groups.

- The Parent-Child Linking is further clarified and renamed into “Multipart bids” to reflect the monotonous price constraint, if market participants uses this type of complex bid in their bidding strategy.

Sign convention

Initial wording

- Current mFRR IF Art. 5(a): The sign convention for mFRR demand is: negative value where the LFC area or bidding zone is in power surplus and indicates that negative mFRR balancing energy needs to be activated; and positive value where the LFC area or bidding zone is in power deficit and indicates that positive mFRR balancing energy needs to be activated;
- Current mFRR IF Art. 3(4)(b): a TSO can submit an elastic mFRR demand in a positive or a negative direction with the price it is willing to pay or receive for the activation of standard mFRR balancing energy product bid;
- Current mFRR IF Art. 11(2)(a): in case of positive mFRR demand, the upward common merit order list in accordance with Articles 10(8) and 10(9)(a) and the mFRR positive demands to be satisfied by the direct activation;
- Current mFRR IF Art. 11(2)(b): in case of negative mFRR demand, the downward common merit order list in accordance with Articles 10(8) and 10(9)(b) and the mFRR negative demands to be satisfied by the direct activation;

Proposed wording

- Proposal for change IF Art. 5(a): The sign convention for mFRR demand is always positive value. The direction of demand is expressed by the parameter „downward“ where the LFC area or bidding zone is in power surplus and indicates that negative mFRR balancing energy needs to be activated; and by the parameter „upward“ where the LFC area or bidding zone is in power deficit and indicates that positive mFRR balancing energy needs to be activated;
- Proposal for change IF Art. 3(4)(b): a TSO can submit an elastic mFRR demand in a upward or a downward direction with the price it is willing to pay or receive for the activation of standard mFRR balancing energy product bid;
- Proposal for change Art. 11(2)(a): in case of upward mFRR demand, the upward common merit order list in accordance with Articles 10(8) and 10(9)(a) and the upward mFRR demands to be satisfied by the direct activation;
- Proposal for change Art. 11(2)(b): in case of downward mFRR demand, the downward common merit order list in accordance with Articles 10(8) and 10(9)(b) and the downward mFRR demands to be satisfied by the direct activation;

Reason

Following the remark from ACER during the Stakeholder Workshop on 18th December 2020, the sign convention is defined more accurately. The TSO demand is signless. The direction of the demand is identified with “upward” or “downward” value.