

# **Exemption to the obligation to allow transfer of mFFR balancing capacity for the Nordic LFC Block and the LFC Area of Western Denmark (DK1)**

in accordance with Article 34(1) of Commission Regulation (EU)  
2017/2195 of 23 November 2017 establishing a guideline on electricity  
balancing

**June 2022**

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## Whereas

- (1) This document provides an exemption from the requirement to allow balancing service providers to transfer their obligations to provide Frequency Restoration Reserve with manual activation (hereinafter referred to as “mFRR”) capacity pursuant to Article 34(1) of Commission Regulation (EU) 2017/2195 of 23 November establishing a guideline on electricity balancing (hereafter referred to as the “EB Regulation”) for the geographic area covering the load frequency control block of the Nordic synchronous area, and the load frequency control area of Western Denmark (DK1) (hereafter referred to as the “Nordic LFC Block + DK1”), as specified in accordance with Article 141(2) of Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as the “SO Regulation”). This document is hereinafter referred to as the “Exemption”.
- (2) This Exemption applies to the Transmission System Operators of the Nordic LFC Block and the LFC area of Western Denmark (DK1) (hereafter referred to as the “TSOs”) are considered the TSOs allowing balancing service providers to transfer their obligations to provide balancing capacity pursuant to Article 34(1) of the EB Regulation. Where the Nordic LFC Block + DK1 encompasses both Union and third country TSOs, all Union TSOs in that synchronous area shall endeavour to conclude with the third country TSOs an agreement setting the basis for their cooperation.
- (3) This Exemption takes into account the general principles and goals set out in the EB Regulation as well as the SO Regulation, Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the “CACM Regulation”) and Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity (hereafter referred to as the “Electricity Regulation”).
- (4) The TSOs are mutually willing to exchange mFRR capacity within the Nordic synchronous area and the LFC Area of DK1 and have developed common and harmonised rules and processes for the exchange and procurement of mFRR capacity. The exchange of mFRR capacity in the Nordic synchronous area and the LFC Area of DK1 is based on a TSO-TSO model taking into account the available cross-zonal capacity (hereinafter referred to as “CZC”) and the FRR dimensioning rules in accordance with Article 157 of the SO Regulation.
- (5) This Exemption is based on the possibility for TSOs to request an exemption from the requirements of Article 34 of the EB Regulation regarding the transfer of balancing service providers' obligations to provide balancing capacity across bidding zones borders within the same geographical area in which the procurement of mFRR capacity takes place. TSOs can request an exemption from the requirement to allow balancing service providers to transfer balancing capacity bids when the contracting period is strictly less than one week. The contracting period for the mFRR capacity market in the Nordic synchronous area and the LFC Area of DK1 shall only be one day, and this is expected to reduce the need for such flexibility among balancing service providers relative to a longer contracting period.
- (6) Article 5(5) of the EB Regulation requires that the expected impact of the Exemption on the objectives of the EB Regulation is described. The expected impact is presented below.
- (7) This Exemption contributes and does not hamper the achievement of the objectives of Article 3 of the EB Regulation. In particular, the Proposal serves the following objectives:
  - (a) This Exemption fosters effective competition, non-discrimination and transparency in balancing markets (Article 3(1)(a) of the EB Regulation). Specifically, it still allows the transfer of balancing capacity obligations within a bidding zone thereby, not harming operational security.

## Exemption on transfer of Balancing Capacity

The ability to transfer obligations within a bidding zone gives potential balancing service providers greater flexibility in managing the risks of being unable to deliver and may encourage greater participation in the market by balancing service providers with limited alternative options for managing this risk in their own portfolio. This greater participation should foster competition in the balancing capacity market. It should also ensure that there is no competitive advantage for balancing service providers having a portfolio across different bidding zones, which might be able to manage the risk of non-delivery far better by effectively transferring capacity obligations within their portfolio. Finally, by establishing a common structure for the exemption across the whole Nordic mFRR capacity market and structuring the exemption rules based on bidding zone borders, a level playing field for balancing capacity providers across the Nordic synchronous area is ensured.

- (b) The Proposal contributes to the objective of integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security (Article 3(1)(c) of the EB Regulation) because the method used to award mFRR capacity obligations, as defined in the methodology pursuant to Article 41(1) of the EB Regulation, ensures that sufficient CZC is reserved to allow for the manual activation of the awarded capacity. If the cross-zonal transfers were allowed the transfer of mFRR capacity obligations might result in a situation in which these obligations could not be fulfilled without violating operational security constraints.
- (c) This Exemption contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the European Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets (Article 3(1)(d) of the EB Regulation) because the method used to award mFRR capacity market obligations, as defined in the methodologies pursuant to Article 33(1) and Article 38(1) of the EB Regulation, accounts for the potential value of CZC to the day-ahead energy market. Allowing the cross-zonal transfers of mFRR capacity obligations would risk obliging TSOs to restrict or reverse the efficient use of CZC by the energy market in order to ensure operational security because balancing service providers exchanging mFRR capacity obligations do not face the cost of the changes in the actual allocation of CZC to this extra balancing capacity exchange needed to enable the transfer. Not allowing such transfers prevents such inefficient transfers from occurring.

**TITLE 1**  
**General provisions**

**Article 1**  
**Subject matter and scope**

1. This document establishes the exemption for the TSOs in the Nordic synchronous geographical area and the LFC Area of DK1 from the requirement to allow balancing service providers to transfer their obligations to provide mFRR capacity in accordance with Article 34(1) of the EB Regulation (the ‘Exemption’), while respecting the requirements of Article 32 of the EB Regulation.
2. The Exemption applies to all the bidding zone borders of the Nordic synchronous geographic area adjacent to the bidding zones in which TSOs of the Nordic LFC block + DK1 perform common procurement of mFRR capacity in accordance with Article 33(1) of the EB Regulation.

**Article 2**  
**Definitions and interpretation**

1. For the purposes of this Exemption, terms used in this document shall have the meaning of the definitions included in Article 2 of the EB Regulation, Article 3 of the SO Regulation and Article 2 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereafter referred to as “CACM Regulation”), the Electricity Regulation, Commission Regulation (EU) No 543/2013 of 14 June 2013 on the submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council (hereafter referred to as "Transparency Regulation") and Directive (EU) 2019/944.
2. In the Exemption, unless the context requires otherwise:
  - (a) the singular indicates the plural and vice versa;
  - (b) the table of contents and headings are inserted for convenience only and do not affect the interpretation of this exemption;
  - (c) any reference to cross-zonal capacities shall include also the reference to allocation constraints as applied in the respective capacity calculation methodology pursuant to Article 20 of the CACM Regulation or Article 10 of the FCA Regulation;
  - (d) any reference to legislation, regulations, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it then in force;
  - (e) any reference to an Article without an indication of the document shall mean a reference to this methodology.

**TITLE 2**  
**Exemption**

**Article 3**  
**Exemption to transfer mFRR capacity obligations between bidding zones**

1. A balancing service provider's obligation to provide mFRR capacity results from the selection of an mFRR capacity bid in the procurement of mFRR capacity pursuant to Article 33(1) of the EB Regulation.
2. A balancing service provider shall not be allowed to transfer the obligation pursuant to paragraph 1 across bidding zone borders.

**TITLE 3**  
**Final provisions**

**Article 4**  
**Publication and implementation of the Exemption**

1. The TSOs shall publish the Exemption without undue delay after a decision has been made by the Nordic NRAs in accordance with Article 5(3) of the EB Regulation.
2. The TSOs shall implement the Exemption as soon as the common and harmonised rules and processes for the exchange of mFRR capacity in accordance with Article 33(1) of the EB Regulation are implemented by the TSOs of the Nordic LFC Block + DK1.

**Article 5**  
**Language**

The reference language for this Exemption shall be English. For the avoidance of doubt, where TSOs need to translate the Exemption into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 7 of the EB Regulation and any version in another language, the relevant TSOs shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of this Exemption.