
**ENTSO-E proposal for the Regional Coordination Centres’
task “Facilitating the regional procurement of balancing
capacity” in accordance with Article 37(1)(k) of the Regulation
(EU) 2019/943 of the European Parliament and of the Council
of 5 June 2019 on the internal market for electricity**

For consultation

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DISCLAIMER

This document is released on behalf of the ENTSO-E only for the purposes of the public consultation on the proposal for the Regional Coordination Centres’ task “Facilitating the regional procurement of balancing capacity” in accordance with Article 37(1)(k) of the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity. This version of the Proposal does not, in any case, represent a firm, binding or definitive TSOs’ position on the content.

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ENTSO-E, taking into account the following:

Whereas

- (1) The Regulation (EU) 2019/943 on the internal market for electricity adopted by the European Parliament and the Council of 5 June 2019 on the internal market for electricity¹ sets the basis for an efficient achievement of the objectives of the Energy Union and in particular the climate and energy framework for 2030 through establishing a modern design for the European Union's (EU) electricity market, adapted to the new realities of the market. The Regulation (EU) 2019/943 was developed and adopted as part of the EU Clean Energy Package for All.
- (2) Article 35 of the Regulation (EU) 2019/943 establishes the Regional Coordination Centres (RCCs) while Article 37(1) lists the tasks and roles of those centres. According to Article 37(1)(k) RCCs shall facilitate the regional procurement of balancing capacity, while point 8 of Annex I of the Regulation provides further details:

"8.1 Regional coordination centres shall support the transmission system operators in the system operation region in determining the amount of balancing capacity that needs to be procured. The determination of the amount of balancing capacity shall:

 - (a) be performed at the day-ahead or intraday timeframe, or both;
 - (b) take into account possible substitutions between different types of reserve capacity with the aim to minimise the costs of procurement;
 - (c) take into account the volumes of required reserve capacity that are expected to be provided by balancing energy bids, which are not submitted based on a contract for balancing capacity.

¹ European Union (2019), Regulation (EU) 2019/943 on the internal market for electricity adopted by the European Union and of the Council of 5 June 2019 (hereinafter "Regulation (EU) 2019/943"), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32019R0943>.

8.2 Regional coordination centres shall support the transmission system operators of the system operation region in procuring the required amount of balancing capacity determined in accordance with point 8.1. The procurement of balancing capacity shall:

- (a) be performed at the day-ahead or intraday timeframe, or both;
 - (b) take into account possible substitutions between different types of reserve capacity with the aim to minimise the costs of procurement.”
- (3) Further, Article 6(8) of the Regulation (EU) 2019/943 provides that “[t]he procurement of balancing capacity shall be performed by the transmission system operator and may be facilitated at a regional level”. ENTSO-E considers that this facilitation shall be carried out by the RCC to those TSOs of the respective system operation region (SOR) which are taking into account non-contracted platform bids and/or are allocating cross zonal capacity for the exchange of balancing capacity or sharing of reserves with neighbouring TSOs following Article 38(3) EB Regulation.
- (4) This document is a Proposal developed by the European Network of Transmission System Operators for Electricity (“ENTSO-E”) and representatives of the RCCs in accordance with the Regulation (EU) 2019/943 and in particular Article 37(1)(k) and (5) on the methodology describing the obligation of the RCCs to facilitate the regional procurement of balancing capacity. This Proposal provides a coordinated description of the considered RCC task and aims at clarifying general aspects of the RCC task ‘facilitating the regional procurement of balancing capacity’. The Proposal fully respects TSOs’ legal obligations and local approaches to define and procure the necessary amount of balancing capacity.
- (5) The proposed assignment of facilitating tasks to the RCC focuses on providing an added value to the relevant TSOs’ tasks. The proposed facilitation of the TSOs’ procurement of balancing capacity on regional level by the RCC in performing its task of ‘facilitating the regional procurement of balancing capacity’ is consistent with the existing and applicable European and National legal framework. In particular:
- a. Article 32(1) of the Commission Regulation (EU) 2017/2195 establishing a guideline on electricity balancing (hereinafter “EB RegulationRegulation”)² states that all TSOs of an Load Frequency Control (LFC) block shall perform an analysis on optimal provision of reserve capacity aiming at minimisation of costs associated with the provision of reserve capacity. Accordingly, each TSO shall also take into account the volume of non-contracted balancing energy bids which are expected to be available both, within their control area and within the European platforms taking into account the available cross-zonal capacity, when assessing the optimal provision of reserve capacity.
 - b. Article 167 and Annex VII of the Commission Regulation (EU) 2017/1485 establishing a guideline on electricity transmission system operation (hereinafter “SO RegulationRegulation”)³ require TSOs to remain at least 50% of their total combined reserve capacity on Frequency Restoration Reserves (FRR) located in their LFC Block (known as core shares within Continental Europe (CE)) and Article 169 and Annex VIII SO Regulation Regulation requires Replacement Reserve (RR) TSOs to remain at least 50% of their total combined reserve capacity on RR capacity located in their LFC Block.

² Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereinafter “EB Regulation”), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02017R2195-20210315>.

³ Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereinafter “SO Regulation”), available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.220.01.0001.01.ENG&toc=OJ:L:2017:220:TOC.

- (6) The proposed RCC tasks under 'facilitation of the regional procurement of balancing capacity' will facilitate the regional procurement of balancing capacity as referred to under Point 8 of Annex I of the Regulation (EU) 2019/943 performed by TSOs and, if relevant data is accurately processed, it will usefully inform the relevant TSOs and facilitate their decisions.
- (7) From an economic efficiency point of view, the proposed RCC task 'facilitation of the regional procurement of balancing capacity' facilitates TSOs to minimise their costs related to the procurement of balancing capacity as TSOs with expensive local balancing resources are able to substitute these with cheaper balancing resources available cross-border via taking into account non-contracted platform bids or allocating cross zonal capacity for the exchange of balancing capacity or sharing of reserves with neighbouring TSOs following Article 38(3) EB Regulation. ENTSO-E considers, that substitution of different balancing capacity products cannot occur at procurement level, as TSOs thereby have to cover their FRR and RR amounts dimensioned following Articles 157(2) and 160(3) of SO Regulation. A SO Regulation compliant dimensioning of FRR also includes to determine the ratio for allocating the FRR needs to aFRR and mFRR. Therefore, ENTSO-E considers that TSOs cannot deviate from the dimensioned amounts per reserve product when following the provisions of Article 32(1) EB Regulation.
- (8) This Proposal fulfils the principles regarding the operation of electricity markets listed in Article 3 of the Regulation (EU) 2019/943. In particular:
 - a. the proposed facilitation of the regional procurement of balancing capacity as referred to under Point 8 of Annex I of the Regulation (EU) 2019/943 supports the cooperation of TSOs by analysing relevant data for cross-border balancing capacity procurement; and
 - b. it provides for and fosters regional cooperation between TSOs, because the proposed RCC task of facilitation of 'facilitation of the regional procurement of balancing capacity' supports an effective and efficient cooperation of TSOs on regional level.

The other principles regarding the operation of electricity markets listed in Article 3 of the Regulation (EU) 2019/943 remain unaffected by this Proposal.

- (9) Pursuant Article 35(2) of the Regulation (EU) 2019/943, RCCs shall enter into operation by 1 July 2022, which means that the proposals for all the tasks listed in Article 37(1) of the Regulation shall be submitted to and approved by ACER before this date according to the approval procedure described in Article 27 of the Regulation.

SUBMITS THE FOLLOWING PROPOSAL TO ACER:

Article 1

Subject matter and scope

1. This is a proposal for the RCC task 'facilitating the regional procurement of balancing capacity' according to Article 37(1)(k) of the Regulation (EU) 2019/943. Therefore, this Proposal is developed in accordance with Articles 37(1)(k), 37(5) and point 8 of Annex I of the Regulation (EU) 2019/943 as ENTSO for Electricity considers the referred RCC task as not already covered by the relevant network codes or guidelines.
2. The proposed RCC task 'facilitating the regional procurement of balancing capacity' is understood as the facilitation of balancing capacity procurement at regional level according to Article 6(8) of the Regulation (EU) 2019/943.
3. The proposed RCC task for 'facilitating the regional procurement of balancing capacity' is without prejudice to the procurement of balancing capacity performed by TSOs according to Article 6(8) of the Regulation (EU) 2019/943.

Article 2 Definitions and interpretation

1. For the purposes of this Proposal, the terms used shall have the meaning given to them in Article 2 of the Regulation (EU) 2019/943, Article 2 EB Regulation Regulation and Article 3 SO Regulation. The following additional definitions shall also apply:
 - a. 'Facilitation of procurement of balancing capacity at regional level':

The role of RCCs defined by the extent of roles in Article 4 and 5 of this Proposal and can be summarised as assessing regional aspects of the optimal provision of reserve capacity under Article 32(1) EB Regulation Regulation and management of cross-zonal capacity for the allocation of cross-zonal capacity pursuant to Chapter 2 of Title IV EB Regulation.
 - b. 'non-contracted platform bids':

Standard balancing energy bids which are expected to be available within the European platforms for the exchange of balancing energy following EB Regulation (hereinafter "European balancing platforms") to a TSO and non-contracted by the TSO considering them for its optimal provision of balancing capacity. Therefore, only standard balancing energy bids submitted to the European balancing platforms exceeding the local reserve capacity needs per participating TSO of each European balancing platform per type of reserves and direction and per validity period of the balancing capacity bids of the relevant balancing capacity market shall be considered.
 - c. 'Reserve capacity'

In the sense of this proposal is the amount of FRR or RR that needs to be available to a TSO after consideration of sharing of reserves.
2. In this methodology, unless the context requires otherwise
 - a. the singular also includes 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 methodology;
 - c. any reference to legislation, regulation, directive, order, instrument, code or
 - d. any other enactment shall include any modification, extension or re-enactment of it then in force; and
 - e. any reference to an Article without an indication of the document shall mean a reference to this methodology.
3. In addition, the following abbreviations shall apply:

ACER	Agency for the Cooperation of Energy Regulators
ENTSO-E	European Network of Transmission System Operators for Electricity
RCC	Regional Coordination Centre
RR	Replacement Reserves
FRR	Frequency Restoration Reserves
aFRR	Frequency restoration reserves with automatic activation
mFRR	Frequency restoration reserves with manual activation
LFC	Load Frequency Control
TSO	Transmission System Operator
CACM	Capacity Allocation & Congestion Management
SOR	System Operation Region
MCO	Market Coupling Operator
GCT	Gate Closure Time
CZCAOF	cross zonal capacity allocation optimisation function

CE Continental Europe

Article 3

General principles

1. The RCCs' facilitating role shall only apply to tasks related to TSO-TSO interactions which are applied on the level of the TSO-TSO model and only apply where TSOs allocate cross zonal capacity for the exchange of balancing capacity or sharing of reserves with neighbouring TSOs following Article 38(3) EB Regulation for the optimal provision of reserve capacity according to Article 32(1) EB Regulation. Additionally, this RCCs' facilitation shall be provided to TSOs that take into account non-contracted platform bids for the optimal provision of reserve capacity according to Article 32(1) EB Regulation.
2. The RCC task of 'facilitating the regional procurement of balancing capacity' according to Article 37(1)(k) of the Regulation (EU) 2019/943 is split into two subtasks according to point 8 of Annex I of the Regulation (EU) 2019/943, both related to the regional relations of the TSOs' task of 'procurement of balancing capacity' according to Article 6(8) of the Regulation (EU) 2019/943:
 - a. Determining the amount of balancing capacity that needs to be procured; and
 - b. Supporting the regional procurement of required amount of balancing capacity.
3. The RCC tasks defined in this Proposal shall take place in full respect of other methodologies and procedures approved.

Article 4

Facilitation of determination of the amount of balancing capacity that needs to be procured

1. If a TSO of a System Operation Region (SOR) considers non-contracted platform bids for the optimal provision of reserve capacity according to Article 32(1)(c) EB Regulation, the RCC shall facilitate this TSO in determining their amount of balancing capacity that needs to be procured per LFC block. Therefore, the RCC shall check, as described in paragraph 3, the availability of non-contracted platform bids considered by TSOs at least on a day-ahead basis.
2. To perform the task assigned to the RCC under paragraph 1, a TSO shall notify the RCC about the considered amount of non-contracted platform bids it is accounting for per product and direction with regard to the considered non-contracted platform bids and the respective validity period of the relevant balancing capacity market.
3. To perform the task assigned to the RCC under paragraph 1, the RCC shall analyse, if the relevant TSO accounting for non-contracted platform bids can rely on the considered amount of non-contracted platform bids for its local provision of reserve capacity. Therefore, the RCC shall:
 - a. Check the availability of sufficient cross-zonal capacity compared to the underlying assumptions of the individual TSO about the availability of cross-zonal-capacity. If the RCC determines within the day-ahead capacity calculation process in accordance with Article 20ff. of the Commission Regulation (EU) 2015/1222 establishing a guideline on capacity allocation and congestion management (hereinafter "CACM GL")⁴ that there is insufficient cross-zonal capacity available compared to the TSO's individual assumptions of the availability of cross-zonal-capacity underlying

⁴ Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereinafter "CACM GL"), available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:02015R1222-20210315>.

- the consideration of non-contracted platform bids by the relevant TSO, the RCC shall notify the relevant TSO accordingly. This notification shall include a recommendation to the respective TSO to adapt its local provision of balancing capacity accordingly.
- b. Notify the respective TSO about a limited availability of considered non-contracted platform bids, if the amount determined under Article 6(1) is below the sum of all amounts of non-contracted platform bids considered by relevant TSOs. The RCC shall additionally recommend the necessary reduction per relevant TSO by a proportionate reduction of the volume of considered non-contracted platform bids. This notification shall include a recommendation to the respective TSO to adapt its local provision of balancing capacity accordingly.
4. The notification and recommendation by the RCC following paragraph (3) of this Article must be available at latest before the relevant local balancing capacity gate-closure time. Each respective TSO shall consider the recommendation provided by the RCC and may follow it by an adaption of its optimal provision of reserve capacity by reducing the considered amount of non-contracted platform bids. The RCC and relevant TSOs shall design the task within their working arrangements compatible with the timing of TSO's individual processes related to the procurement of balancing capacity.
5. If the respective TSO decides to deviate from the RCC's recommendation for its local provision of reserve capacity, it shall submit a justification for its decision to RCCs and to the other TSOs of the SOR without undue delay according to Article 42(3) of the Regulation (EU) 2019/943. Additionally, the respective TSO shall submit the final amount of balancing capacity that needs to be procured per type of reserves back to the RCC.
6. A TSO having received a recommendation to adapt its local provision of balancing capacity may request a review of the recommendation issued by the RCC according to Article 42(4) of the Regulation (EU) 2019/943. Following the review of the recommendation, the RCC shall confirm or modify its initial recommendation.

Article 5

Supporting the procurement of required amount of balancing capacity

1. The RCC shall facilitate TSOs of different LFC blocks within a SOR who jointly apply a methodology to allocate cross-zonal capacity to the balancing timeframe pursuant to Chapter 2 of Title IV EB Regulation ("CZCA Methodology") for the exchange of balancing capacity or the sharing of reserves. Therefore, the RCC shall take over an intermediary role between two or more TSOs and the entity performing the cross-zonal capacity allocation optimisation function of the respective CZCA Methodology, with regards to the management of cross-zonal capacity.
2. For the TSOs concerned under paragraph 1, which apply a co-optimised allocation process or an inverted market-based allocation process, the RCC shall:
- Collect from TSOs cross-zonal capacity limitations for the co-optimised or inverted market-based allocation, for each bidding zone border for which the co-optimised or inverted market-based allocation is applied.
 - Send the limitations under (a) to the market coupling operator (MCO) by the gate-closure time (GCT) of the day ahead market. If sharing of reserves is applied, additional limitations to sharing of reserves, validated by TSOs, shall be included.
 - Collect from the MCO the following information:
 - Volume of cross-zonal capacity allocated to the exchange of balancing capacity or sharing of reserves, per bidding zone border and per product;

- ii. Market value of cross zonal capacity allocated to the exchange of balancing capacity or sharing of reserves, per bidding zone border.
 - d. Send the data received under (c) to the Transparency Platform, according to Article 12(3)(h) EB Regulation.
 - e. Send the data received under (c)(i) to the European platforms pursuant to Articles 19(5), 20(6), 21(6) and 22(5) EB Regulation.
 - f. Consider the volume of cross-zonal capacity allocated to the exchange of balancing capacity or sharing of reserves as an already allocated capacity for the purpose of the capacity calculation in the intraday timeframe, unless said capacity is released by the relevant TSOs according to Article 38(8) EB Regulation.
3. For the TSOs concerned under paragraph 1, which apply a market-based allocation of cross-zonal capacity, the RCC shall:
 - a. Collect from TSOs cross-zonal capacity limitations for the market-based allocation, for each bidding zone border for which market-based allocation is applied.
 - b. Send the limitations under (a) to the market-based cross zonal capacity allocation optimisation function (CZCAOF). If sharing of reserves is applied, additional limitations to sharing of reserves, validated by TSOs, shall be included.
 - c. Collect from the market-based CZCAOF the following information:
 - i. Volume of cross-zonal capacity allocated to the exchange of balancing capacity or sharing of reserves, per bidding zone border and per product;
 - ii. Market value of cross zonal capacity allocated to the exchange of balancing capacity or sharing of reserves, per bidding zone border.
 - d. Send the data received under (c) to the Transparency Platform, according to Article 12(3)(h) EB Regulation.
 - e. Send the data received under (c)(i) to the European platforms pursuant to Articles 19(5), 20(6), 21(6) and 22(5) EB Regulation.
 - f. Consider the volume of cross-zonal capacity allocated to the exchange of balancing capacity or sharing of reserves as an already allocated capacity for the purpose of the capacity calculation in the intraday timeframe, unless said capacity is released by the relevant TSOs according to Article 38(8) EB Regulation.

Article 6

Monitoring and reporting

1. The RCC shall daily monitor the amount of non-contracted platform bids per type of reserves and direction and per validity period of the balancing capacity bids of the relevant balancing capacity market. Therefore, the RCC shall:
 - a. determine the volume of non-contracted platform bids. This results from summing up the quantities of all bids in the respective merit order list submitted by participating TSOs to a European balancing platform and subtracting the finally determined reserve capacity for each type of reserves and direction per relevant TSO, respecting non-divisible and complex and linked bids sufficiently; and
 - b. determine the amount of non-contracted platform bids by a certain reliability level derived

from the probability density function based on the values determined under (a) of the last 60 days and giving double weighing to the values from the last 10 days.

- c. Appropriate reliability levels and procedures are to be specified in the working arrangements between RCCs and relevant TSOs. Local bank holidays may be given special treatment.
2. The RCC shall take into account their recommendations issued and actions taken following their task 'facilitating the regional procurement of balancing capacity' in their continuous monitoring process according to Article 46(1) of the Regulation (EU) 2019/943. Therefore, the RCC shall review the situations where a TSO decided to deviate from a recommendation made by the RCC and propose possible improvements of the RCC task 'facilitating the regional procurement of balancing capacity' to the relevant TSOs, if considered necessary.

Article 7

Implementation of this Proposal

1. By 48 months after the approval of this Proposal in accordance with the procedure set out in Article 27 of the Regulation (EU) 2019/943, RCCs shall implement and make operational the process to facilitate TSOs in the regional procurement of balancing capacity by supporting those TSOs of the relevant SOR taking into account non-contracted platform bids for their optimal provision of reserve capacity in determining the amount of balancing capacity that needs to be procured as defined in Article 4 of this Proposal. Accordingly, these TSOs must provide the necessary data and set up procedures for processing the RCC's recommendation.
2. By 48 months after the approval of this Proposal in accordance with the procedure set out in Article 27 of the Regulation (EU) 2019/943, RCCs shall implement and make operational the process to facilitate those TSOs of the relevant SOR which are allocating cross zonal capacity for the exchange of balancing capacity or sharing of reserves with neighbouring TSOs following Article 38(3) EB Regulation as defined in Article 5 of this Proposal. Accordingly, these TSOs must provide the necessary data and set up procedures for processing the RCC's recommendation.

Article 8

Language

1. The reference language for this Proposal shall be English.
2. For the avoidance of doubt, where TSOs or RCCs need to translate this proposal into their national language(s), in the event of inconsistencies between the English version published by ACER and any version in another language, the relevant TSOs or RCCs shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of the Proposal.