Public consultation document for the design of the TERRE (Trans European Replacement Reserves Exchange)

Executive summary RR Harmonized Balancing Area

29th of September 2017

Executive Summary

TERRE (Trans European Replacement Reserve Exchange) is the implementation project validated by ENTSO-E for cross-border Replacement Reserve (RR) exchanges. This Executive Summary, as part of the Approval Package submitted to NRAs for the formal support, aims to summarize the topics on which the TSOs will 1) maintain their position 2) improve position with NRAs' guidance and 3) continue to explore the possibility of further aligning with stakeholders feedback on this consultation.

Please note that the TSOs consider the current 2017 TERRE Consultation phase is not in conflict with the results of the 2016 Consultation phase and must be considered as complementary.

The document "TERRE CP-TSOs position" also includes the proposed TSOs position regarding the Common NRA Opinion expressed in the Common Opinion Paper.

1 Topics on which the TSOs will maintain their positions

1.1 RR product

Following the different feedback from the stakeholders, **the TSOs will maintain the proposed characteristics of the product.**

The main reasons behind this are that on the one hand the huge number of profiles of RR balancing products allowed by the "Accepted shape" characteristics will offer a high liquidity for the RR market and the process which increase the security of the supply in the "RR region". On the other hand, the incentivized shape characteristics will allow the TSOs, "crossed" by a larger volume of energy, to ensure consistency between the physical schedule of the exchange at the borders and local activations.

Indeed, the incentivized shape of the TERRE basic product is representative of the XB exchange of a scheduled trapeze, i.e. it can be activated for a fixed quarter hour(s) at hh:00-hh:15, hh:15-hh:30, hh:30-hh:45 and/or hh:45-hh:60 or a multiple of a fixed quarter hour.

The RR standard product FAT is 30 minutes.

The future local products have been identified by the TSOs and are presented in CP. The presented differences are due to local rules which are not to be harmonized.

As foreseen in the last version of the GL EB, each TSO applying a central dispatching model shall convert as far as possible the integrated scheduling process (ISP) bids into stand-

ard products taking into account operational security. A Specific case for TERNA has also been outlined in the CP.

1.2 TSO-BSP settlement:

As presented in the consultation paper, the TSOs aim to implement harmonized principles for TSO-BSP settlement rules. While the incentives are the same, the exact procedure for applying the incentive can follow different schemes depending on the operational philosophy and the structural relationship of the BSP-BRP, among others.
The stakeholders have highlighted the interest to foster more harmonization in the settlement aspects. The TSOs acknowledge these comments but are also convinced that the level of harmonization presented is, at this stage, a good compromise that takes into account the need to apply common rules with no discrimination across countries and the operational and structural characteristics of the electric systems involved.
There are other harmonised settlement aspects which the stakeholders would like to achieve. The TSOs agree with this proposals and it will be considered in a larger scope than RR process.
Thus, the **TSOs will maintain their proposal included in the consultation paper, which is based on harmonized rules and incentives for the TSO-BSP settlement**.

1.3 LIBRA optimization platform:

TSOs will maintain the proposed description of the TERRE platform while considering market participants' comments:

- **BSPs from non-TERRE countries:** for BSPs that are from TERRE countries, TSOs are currently discussing with other TSOs in order to include them.
- **Local involvement of stakeholders:** TSOs are establishing the different local implementation projects and will reinforce their engagement.
- **Concerns on ID timeframe**, XBID is the dedicated project and TERRE is integrating in its design the ID market constraints (as the CZIDGCT…). However, the governance of these projects are completely Independent.

1.4 TSO-TSO process, XB scheduling step and number of clearing:

It was suggested that TSOs should aim to reduce the "common" XB Scheduling step by the implementation date for mFRR. Of course, the TSOs will integrate in their strategy the stakeholder's position and will make best efforts to achieve this goal before the expected target.

We would like to highlight that the definition the XB scheduling step is directly linked to the management of the network and operation of the system. Its evolution should be considered in a larger scope than just the balancing market.

Once the XB common scheduling step is decreased, some TSOs will increase the number of daily TERRE processes depending on the resolutions of the DA and ID European market.

For example, FR and CH are targeting the increase of the daily clearings by this date.

1.5 Elasticity of the need:

TSOs intend to maintain their position on elasticity, as they don't think TSO would abuse of their position. TSO are not market players but are responsible for balancing the system in an efficient way, which is why they are building European balancing platforms. In the LIBRA platform, cheaper bids from different parts of TERRE TSOs zones are activated which constitutes an optimization in space. However, this optimization can't be done in time, as it would mean taking uncertainties and complexities of each TSO balancing system into account though time, which is way far too complex. **Having the opportunity to put a price on the need helps the TSO to optimize the system on an economical scale across time.** Such opportunity is implicitly given to TSO operators today when they balance the system. Thus price is an explicit parameter of the balancing strategy as some implicit constraints of generation units become explicit ones with standard products. If this opportunity is not given to TSOs, they may only submit the inelastic part of the need corresponding to the certain imbalance, which means potentially a very low volume. The rest could only be satisfied locally, and opportunities of being activated for BSPs decreased.

The TSOs will coordinate the transparency level with the NRAs on the elasticity principle.

2 The TSOs will improve their position with NRAs cooperation

2.1 Monitoring the local stakeholders involvement

During the implementation of LIBRA platform and all the steps of submission and validation the RR Implementation Framework required by the GL EB, the TSOs will continue to involve the stakeholders at both a European and national level.

The results of this local involvement will be reported to the NRAs under an agreed framework.

2.2 Monitoring of the results

As well as the // RUN testing phase included in the implementation phase of LIBRA platform, **TSOs suggest to agree with the NRAs a period of 6 months after the Go-live for monitoring**:

- The Counter Activations
- The potential market distortion by the application of the settlement models A, B and C
- Physical feasibility computation

The methodologies, criteria and parameters which will be used to make this monitoring will be established by the TSOs and NRAs. The Stakeholders will be in-

volved for aligning the positions of all parties wishing to achieve an efficient RR balancing market.

2.3 Transparency

TSOs have presented in this consultation a list of common publication items as a first interpretation of the guidelines on electricity balancing. We don't plan to go deeper into the details of data modalities for now, as transparency is a topic that should be covered for all balancing platforms and with NRAs (with regards to the Opinion paper of the first TERRE consultation). Market participants' feedback is very useful for the dedicated transparency working group at ENTSO-E, working on transparency on balancing for all timeframes and with regards to the other regulations. Particular attention will be made on local/global coherence, fair level playing field (especially regarding timings), and new elements that market participants deem necessary.

2.4 Governance structure and costs sharing rules

The Governance structure and the Voting power rules for TERRE will evolve to comply with the GL EB requirement.

RR Implementation Framework will include all the harmonised governance rules for the RR Platform.

Also, the definition of the "historical costs", as all costs incurred to implement the RR platform, established.

The cost sharing rules will be aligned with the GL EB requirements. RR Implementation Framework will include a clear position of the costs sharing rule applied for the RR platform.

3 BEGCT and TSO-TSO GCT

TSOs understand that the proposed definition of the BEGCT is not in line with stakeholders constraints.

The TSOs are currently studying the impact of any modification of BEGCT definition on their local system and balancing strategies/ network security and investigating the technical solutions.

The TSO-TSO GCT and the duration of the tendering process (as defined in the Consultation Paper) will be impacted also by any modification of the BEGCT.

A dedicated framework for discussions and communication with the NRAs and Stakeholders on the RR BEGCT will be set up when these ongoing studies will end.

4 Possible evolution

In light of the future implementation of other Balancing Platforms in Europe, the TERRE TSOs would like to offer the experience gained in the design and implementation of RR harmonized market and LIBRA platform. In this sense, the TERRE results updated with the Stakeholder opinions could be used in a platform for the exchange of scheduled mFRR product. **This would make the investment in the LIBRA platform more efficient, and could serve as a basis for the future European platform for scheduled products.**