



Legislative progress in the harmonisation of ancillary services markets in Europe

EUROPEAN GRID SERVICE MARKETS

Lucerne, 5 July 2018

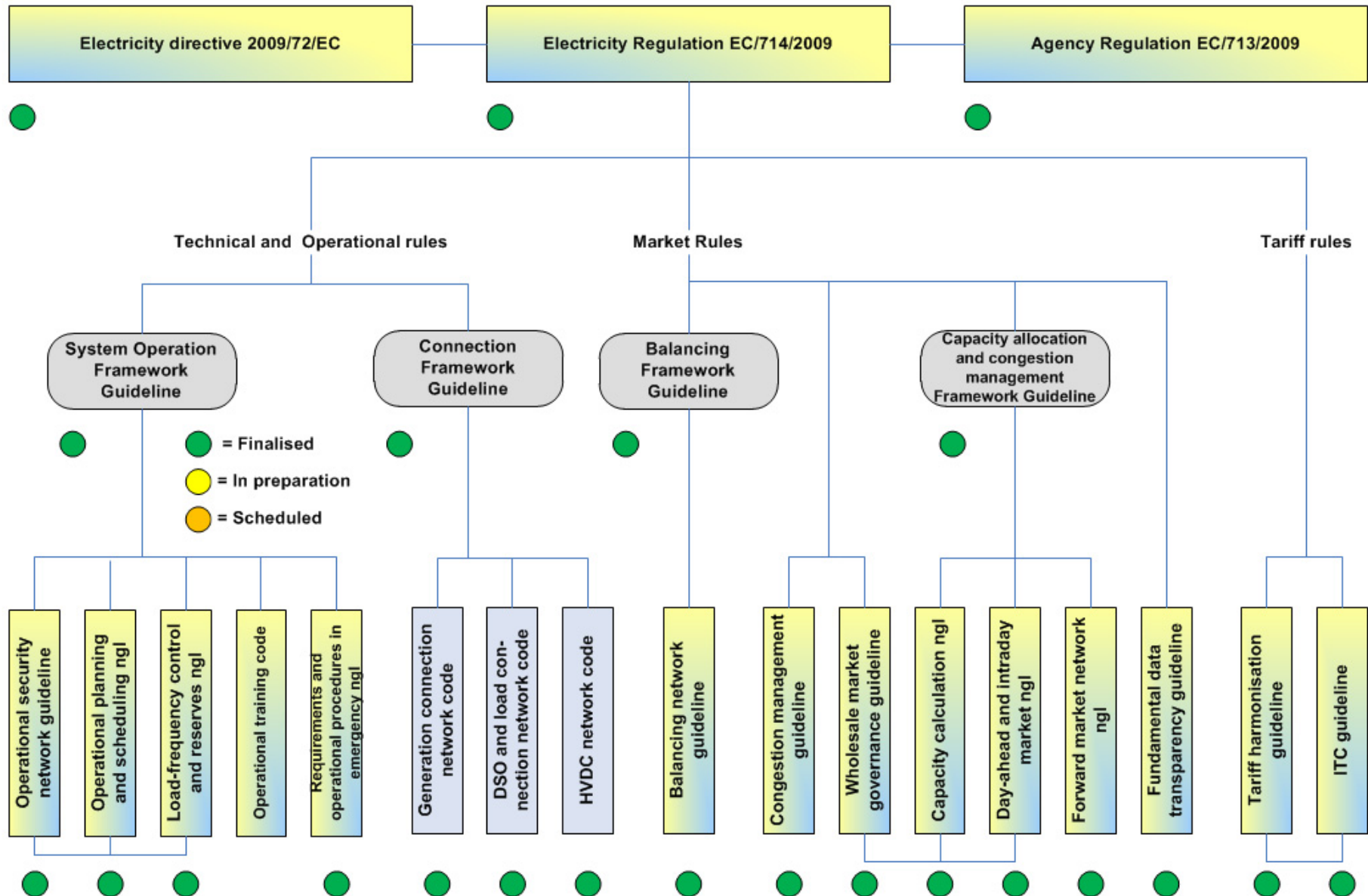
Matti Supponen

DG ENER unit B2: Wholesale markets

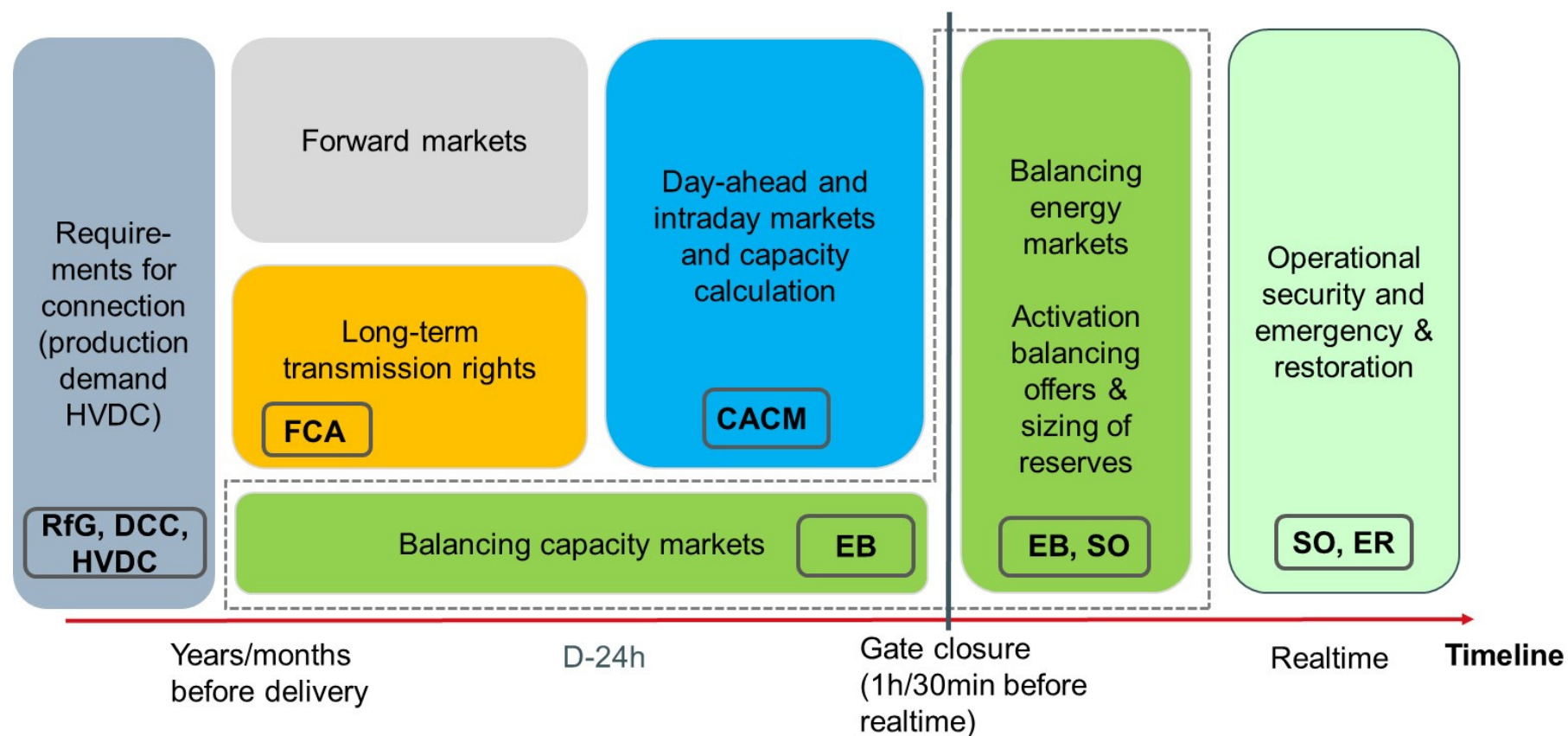
Content

- **Implementation of the Balancing guideline**
- **Ancillary services in the Clean Energy Package**

European Electricity Rules

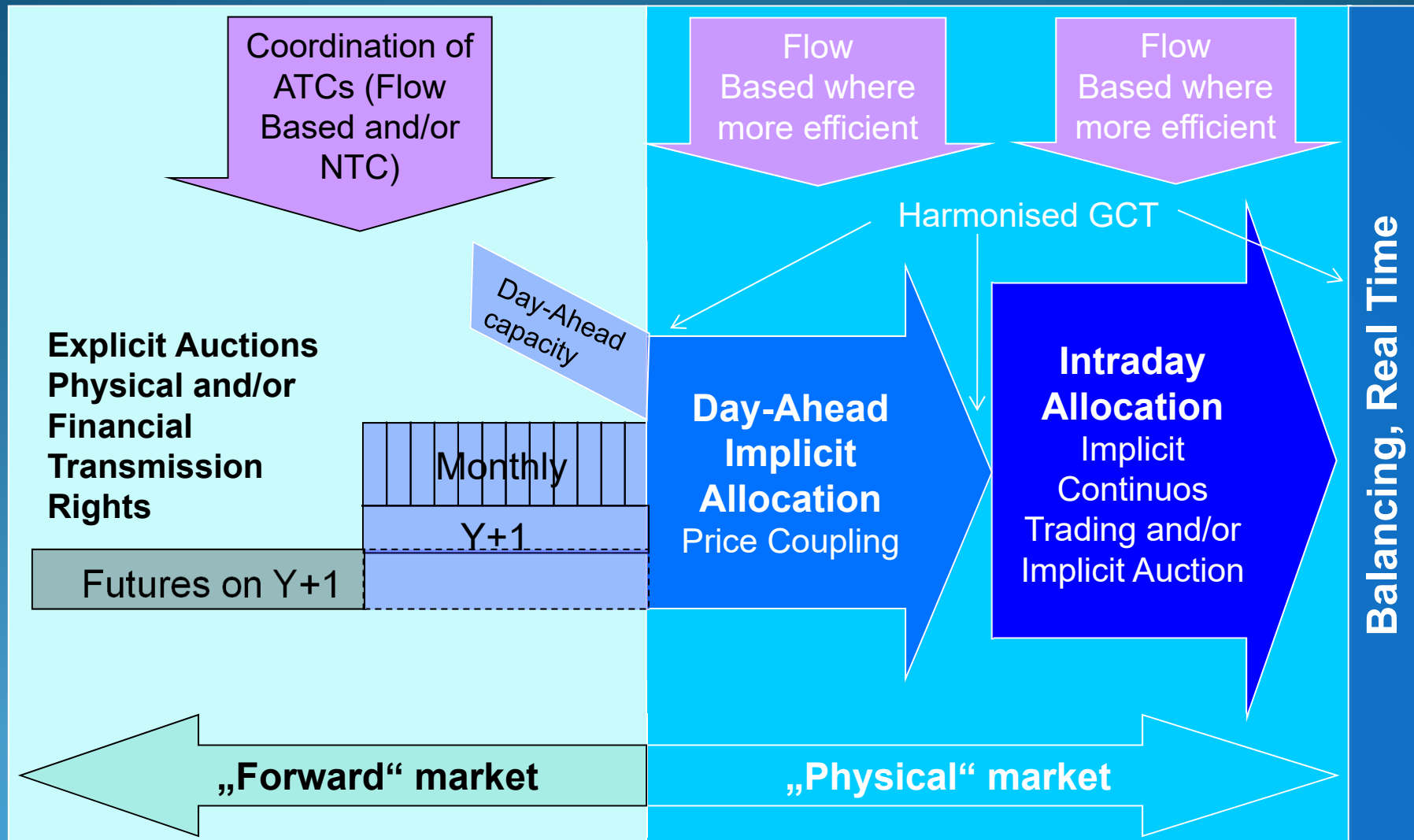


Network codes

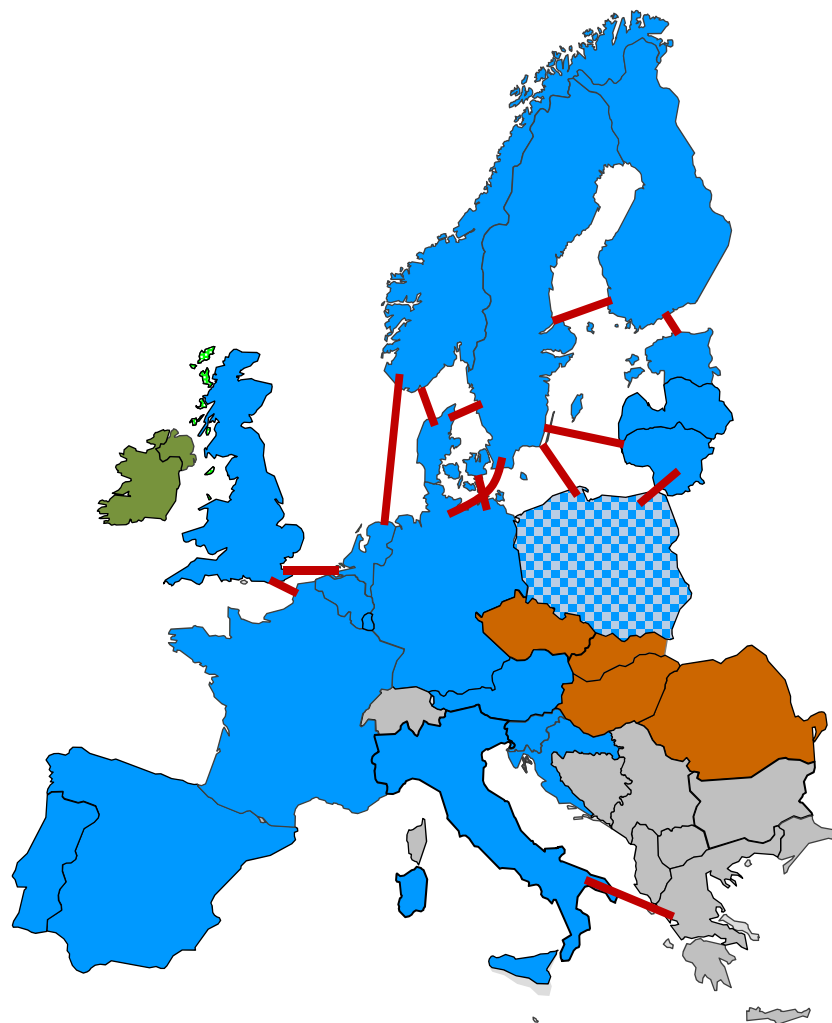






Source: ENTSO-E

Target Model



Day-ahead market coupling status in July 2018



REGIONAL DAY AHEAD IMPLICIT AUCTIONS		
	Market Coupling of Regions (MRC)	FR – DE – NL – BE – LUX flow-based coupled, others NTC-based
	Poland	Poland coupled with MRC through SwePol- and LitPol -link
	Ireland and Northern Ireland	All Island market, single price zone
	Czech – Slovak – Hungary-Romania	4M Market coupling, NTC-based

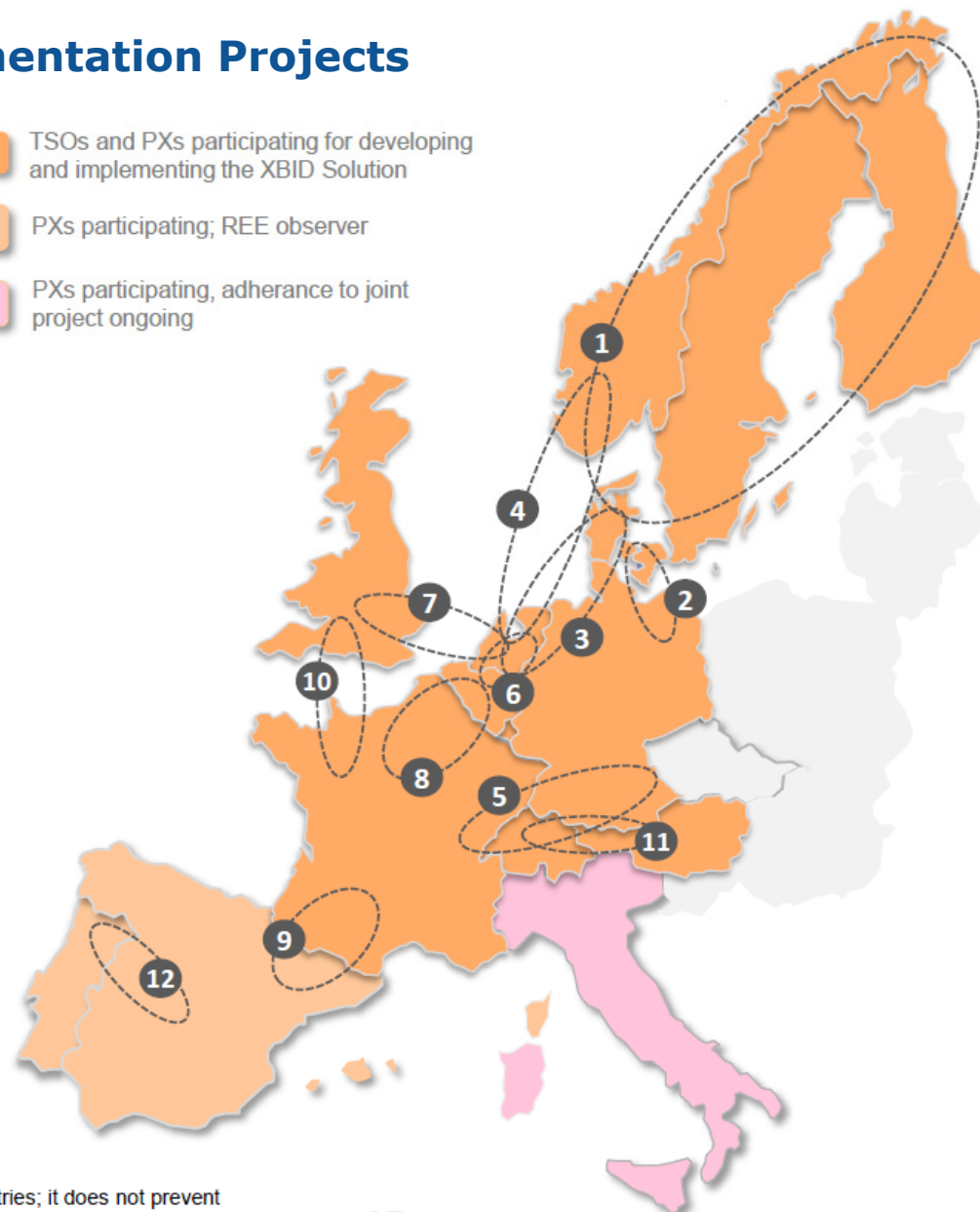
Source: APX, updated by Matti Supponen

Cross-border intraday trade = **XBID**

Overview LIPs = Local Implementation Projects

	Draft LIP	Tentative Participants ¹
1	Nordic	Fingrid, EnDK, SvK, Statnett, NPS
2	DK2/DE (Kontek)	EnDK, 50Hz, NPS, EPEX
3	DK1/DE, DE/NL	EnDK, TenneT NL& DE, Amprion, EPEX, APX/Belpex, NPS
4	NorNed	Statnett, TenneT NL, APX/Belpex, NPS
5	FR/DE, CH/DE, CH/FR, DE/AT	Amprion, TransnetBW, APG, RTE, Swissgrid, EPEX, NPS
6	NL/BE	Elia, TenneT NL, APX/Belpex
7	BritNed	TenneT BV, National Grid, Chosen PX
8	FR/BE	RTE, Elia, APX/Belpex, EPEX
9	FR/ES	RTE, REE, EPEX, OMIE
10	IFA	RTE and National Grid Interconnectors
11	AT/CH	APG, Swissgrid, EPEX
12	ES/PT	REE, REN, OMIE

- TSOs and PXs participating for developing and implementing the XBID Solution
- PXs participating; REE observer
- PXs participating, adherence to joint project ongoing



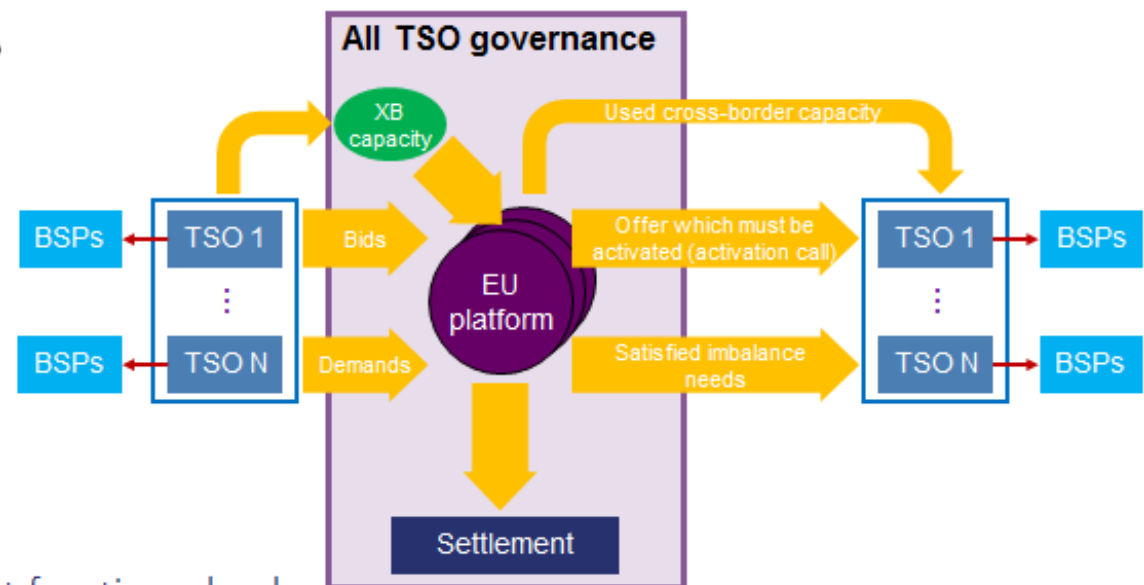
¹ The list is based on the present status of PXs active in the concerned countries; it does not prevent any other PX joining as soon as they are selected as NEMO in one of the countries.

The end of Coordinated Balancing Areas:

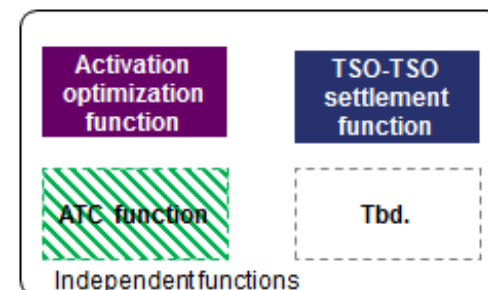
European Platform for Implementation of Balancing Energy Markets

- European platform coordinates balancing energy activation requests of TSOs.
- As TSO-TSO model is applied, activation requests and communication with national BSPs remains local.
- Approach comparable to the Market Coupling Operator (MCO) function applied for day-ahead markets in GL CACM.
- European platform comprises independent functions closely interacting with different (local) IT systems.

» Platform describes business processes on European level supported by different functions potentially performed by different IT systems.



European processes



Balancing Guideline

- Establishment of European-wide balancing platforms for the exchange of balancing energy
- Harmonization of balancing products and settlement rules
- Minimum rules for the procurement and exchange of balancing capacity ('pilot projects')



Providing effective competition, non-discrimination and transparency in **European-wide** balancing **energy** markets

Challenges and benefits to reserve capacity

- High level rules for the procurement of balancing capacity:
 - Market-based for at least the frequency restoration reserves and replacement reserves;
 - Short-term basis to the extent possible and where economically efficient;
 - Separation between upward and downward balancing products (possibility for an exemption under regulatory approval).
- "Pilot Projects" to reserve transmission capacity for exchanging balancing capacity or sharing of reserves

"Pilot projects"

Methodologies	Value of cross-zonal capacity	Limitations	Geographical scope	Timing for development
Co-optimised allocation process	Actual market value in D-1	N/A	European-wide	2 years after entry into force of the Balancing Guideline
Market-based allocation process	Actual or forecasted market value < W-1	10% of available capacity of previous year but with exceptions (e.g. D-2 or DC)	Capacity Calculation Region	
Allocation process based on economic efficiency analysis	Forecasted market value > W-1	5% of available capacity of previous year (10% for new interconnectors) but with exceptions (e.g. DC)	Capacity Calculation Region	

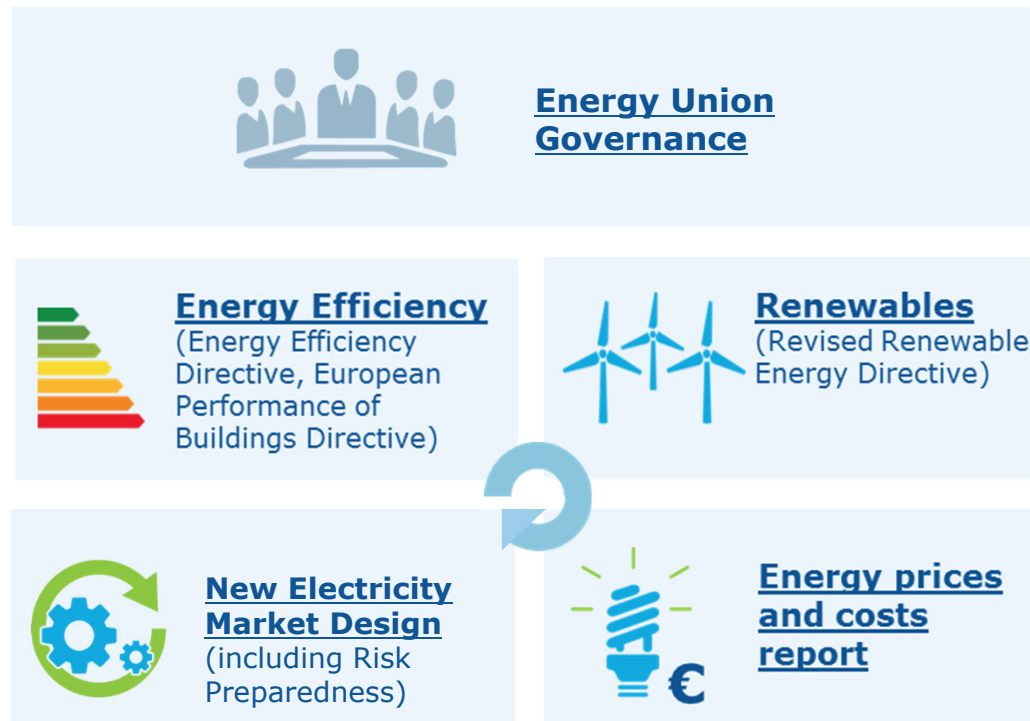
- By 5 years after entry into force of the Balancing Guideline, all TSOs shall make a proposal to harmonise the methodology for the allocation process of cross-zonal capacity for balancing per timeframe
- Application by two or more TSOs subject to regulatory approval and stakeholders' consultation

ELEMENTS OF THE PACKAGE

A SET OF COHERENT MEASURES

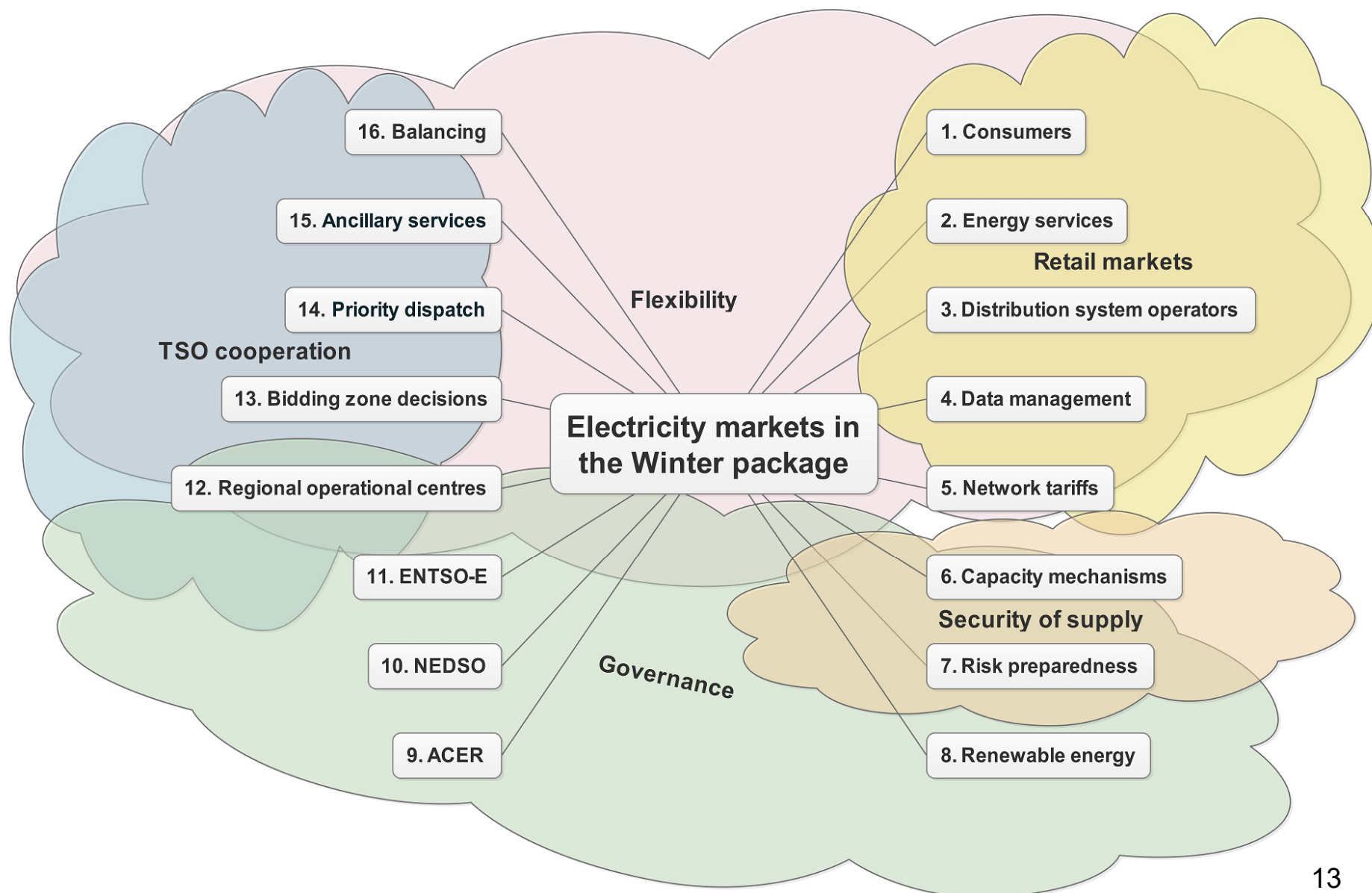
"In essence the new package is about tapping our green growth potential across the board"

Commissioner Miguel Arias Cañete (2016)



Electricity markets in the Winter package

MS/DG ENER/B2/28.2.2017



EC's Clean Energy Package: recast Electricity Regulation

- Daily and separate procurement of upward and downward balancing capacity (incl. frequency containment reserves)
- Regional sizing of reserve capacity requirements (ROCs)
- Regional support for the procurement and the exchange of balancing capacity (from 'pilot projects' to ROCs)



Providing effective competition, non-discrimination and transparency in **regional** balancing **capacity** markets

EC's Clean Energy Package: recast Electricity Directive

- Market-based procurement of ancillary services except for non-frequency ancillary services – voltage, reactive power, inertia and black start – if justified by cost-benefit analysis
- TSO ownership unbundling for assets providing ancillary services except for assets providing non-frequency ancillary services and for storage facilities under following conditions:
 - No market interest following open tendering procedure;
 - Necessity for secure operation of the system and not used to sell electricity to the market;
 - Regulatory assessment.



Next Steps

- Trilateral discussion with the Council of the EU and the European Parliament
 - started in June 2018
 - Aim to finish by the end of 2018

	COM proposal	Prop. GA
Balancing	Transparent, non-discrim., market-based procurement, <u>no asset ownership allowed</u>	Transparent, non-discrim., market-based procurement
Non-frequency AS	As BAL, but asset ownership if necessary for SO, tendering and NRA approval	As BAL, <u>but no market-based proc. if CBA and NRA approval or if FINC</u>
Storage	Ownership only if necessary for SO, tendering and NRA approval	As COM, but ownership is.. <ul style="list-style-type: none"> - allowed if FINC and NRA approval - allowed if FID by 2023

Conclusions

- **Balancing guideline is the regulatory basis for the pan-European balancing markets**
- **Common balancing platforms is the way to move ahead**
- **Clean Energy Package proposes:**
 - **Some marginal improvements to balancing markets**
 - **Market based ancillary services to the extent possible**
 - **Rules for storage ownership**



Thank you for your

Attention!

Energy