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Position Paper

Public Consultation on the implementation framework for a European platform for the exchange of balancing energy from aFRR

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1. Introduction

The German Association of Energy and Water Industries (BDEW) represents ca. 1,900 members of the electricity, gas and water industry.

In the energy sector, BDEW represents companies active in generation, trading, transmission, distribution and retail.

BDEW welcomes the opportunity to comment on ACER's proposals on the design of the platform for automatic active frequency restauration reserve (mFRR) and appreciates the efforts undertaken for the PICASSO project.

As the German TSOs organized within BDEW are, among others, responsible for the drafting of the original proposal the following BDEW comments have been developed without the German TSOs.

2. Questions

TOP 1 Consistency between AOF and local activation of bids

In the aFRR IF proposal, the aFRR demand sent as an input to the Activation Optimisation Function ('AOF') is the frequency restoration control error ('FRCE') of each TSO and the output of the AOF is the corrected FRCE for each TSO in the form of the total volume of requested activation of balancing energy from standard aFRR balancing energy products. This output is then fed as input to each TSO's local load-frequency controller, which has specific dynamic settings that essentially impose a time delay between the time the instantaneous corrected FRCE is received from the AOF and the time when the signal for activation of aFRR bids is sent to BSPs. This is called control demand model and it is the model the TSOs use in the context of the International Grid Control Cooperation ('IGCC') project for the imbalance netting.

The Agency understands that in this approach there will be systematic and persistent differences between the bids selected by the AOF and the bids activated by TSOs locally. This is because of the time delay as described above and because each local load-frequency controller operates on aFRR bids with different full activation times ('FAT'). Therefore, although the TSOs claim that the deviations should be small, the Agency understands that the differences between the volumes of the bids selected by the AOF and the volumes of the bids activated by TSOs locally can be significant.

Article 31(7) of the EB Regulation requires the AOF to "select balancing energy bids and request the activation of selected balancing energy bids from the connecting TSOs where the balancing service provider, associated with the selected balancing energy bid, is connected", while according to Article 31(8) of the EB Regulation "[t]he activated balancing service providers shall be responsible for delivering the requested volume until the end of the delivery period." Furthermore, pursuant to Article 29(6) of the EB Regulation "[e]ach connecting TSO shall ensure the activation of the balancing energy bid selected by the activation optimisation function." Based on the abovementioned provisions, the Agency considers that the proposed

model is in general not compliant with the EB Regulation, because it does not ensure a one-to-one relationship between bid activations determined by the AOF and bid activations instructed by each TSO to their BSPs locally.

TSOs also analysed another solution where the input to the AOF is not the FRCE from each TSO but rather the signal for activation of aFRR balancing energy, which is the output of the local load frequency controller. Then, the output of the AOF function would be the volume of selected aFRR bids, which are sent to TSOs and then directly to BSPs without delays or modifications. This is what is called a control request model. This approach would ensure consistency between the activated volume of bids as determined by the AOF and the requests for activated volumes sent by TSOs to BSPs. However, TSOs concluded that the implementation of such solution would be too risky for operational security. Therefore, the Agency understands that TSOs are currently not in a position to implement a solution that would ensure full consistency between selected and activated aFRR bids.

1. Do you agree with the Agency's approach to monitor and minimise systematic deviations between bids selected by the AOF and bids activated by the TSOs or do you consider that this approach is too strict or too loose?

BDEW cannot see an obvious non-compliance of the control-demand model with EBGL requirements. Properly set up, the time delay involved when communicating the corrected demand from the AOF to connected TSOs and passing this on to the BSPs should be neglectable. Setting up a monitoring to ensure that the deviations are restricted to technically unavoidable volumes, is the right measure to apply. When evaluating and deciding upon the monitoring, this should be done following the proportionality principle, as with other implementation decisions. Even if the consistency between selection and activation of bids is not 100 percent in time and volume, the principles of the EBGL are still fulfilled, and among other features the control-demand model has proven its operational stability.

When monitoring deviations, it should be considered that most of the deviations between the (control-demand) AOF-selection and local TSO-BSP activations originate from locally applying a ramped set-point scheme. This effect should be clearly isolated or even examined separately and, if exceptional, taken as a clue for encouraging TSOs currently applying a set-point activation locally to move to a FAT product activation scheme.

2. What would you consider necessary to be reported on an annual basis, as indicator(s), with respect to deviations between selected and activated bids? What would you consider as acceptable level of deviations?

BDEW refrains from defining an explicit quantitative threshold. Moreover, the monitoring should focus on the origins of deviations and make sure that deviations between AOF selection and local activations are restricted to a technical minimum.

TOP 2: Full activation time

The full activation time ('FAT'), although being an important characteristic of the standard product, is not proposed to be harmonised from the beginning of the operation of the aFRR platform. The aFRR IF proposal specifies that a harmonised FAT of 5 minutes will be introduced by 17 December 2025, which is 8 years after the entry into force of the EB Regulation and 4 years after the deadline for implementation of the aFRR platform.

The Agency understands that the harmonisation of aFRR FAT is a challenging task for TSOs and BSPs, since it currently varies over a wide range from 2 to 15 minutes across Europe. However, taking into consideration that harmonisation of FAT also brings further benefits (i.e. full level playing field for BSPs, better remuneration for flexibility, opening for new technologies such as DSR or storage), and the fact that the proposed date for harmonisation is almost 6 years after the finalisation of the aFRR IF, the Agency sees a benefit in shortening this period by at least one year.

3. Would you support the harmonisation of FAT by 17 December 2024? What solutions would you suggest for mitigating the concerns on the level playing field until the full harmonisation?

BDEW fully supports the choice for a FAT of 5 minutes. In order to procure a truly standard aFRR product over the PICASSO platform, fundamental product parameters like the FAT should unanimously be set to the final value of 5 minutes from the start. In the view of BDEW no intermediate step with a FAT of 7.5 minutes should be implemented. This would cause a renewed implementation effort and thus leads to unnecessary costs for the market participants. Furthermore, allowing a FAT of 7.5 minutes with some TSOs and requesting a FAT of 5 minutes with others is contradicting the idea of a level playing-field. If the concerns for sufficient liquidity prevail in a few countries, the TSO could ask for a derogation, as foreseen in the EBGL. Within MARI a common FAT of 12.5 minutes that will pose a change in many countries is also deemed possible. In the explanatory document it is stated that introducing a merit-order activation with allowing 7.5 minute FAT might jeopardise system security. According to the suggested timeline this is acceptable for an intermediate period of 4 years.

TOP 3: Declaration of bids as unavailable and their modification by TSOs

Article 9 of the aFRR IF proposal suggests that TSOs will have the possibility to modify bids in accordance with Article 29(9) of the EB Regulation or declare bids as unavailable in accordance with Article 29(14) of the EB Regulation.

Additionally, Article 7(5) of the aFRR IF proposal specifies the possibility of the connecting TSO to modify the bids (including its whole availability) if the same demand or generation unit has already been activated in preceding balancing process and is therefore no longer available or is available with different volume.

The Agency understands the importance of providing the TSOs with the flexibility to act, by declaring bids as unavailable, when operational security limits are endangered or where the

bids are no longer available because linked bids have been activated in other EU platforms. However, a more transparent framework is necessary, in order to make sure that all the relevant reasons for declaring bids as unavailable are clearly distinguished and sufficiently justified. The main motivation of this framework is to clearly specify and limit cases when TSOs can modify the bids submitted by BSPs in order to ensure that TSOs do not unduly discriminate between BSPs and the bids they have submitted to them.

Based on the above, the Agency proposes to clarify the following aspects in the aFRR IF proposal:
1. Changes of bids are generally allowed before the TSO energy bid submission gate closure time, but after this gate closure time the changes are allowed only when new information becomes available;

2. The bids affected by the change should still be submitted to the platform and the changes of bids are limited to changes of available volume only;

3. The changes of bids are limited to cases related to operational security in TSO or DSO networks or changes related to activation of linked bids in other EU balancing platforms after the aFRR balancing energy gate closure time;

4. The changes related to operational security in connecting TSO network can be related to the congestions (thermal limits);

5. Changes related to congestions should affect only the most expensive bids (which are less likely to be activated), taking also into account their physical impact on congestion;

6. TSOs should provide to the aFRR platform and to affected BSPs clear reasons for these changes and report about these changes in aggregated form in annual reporting.

4. Do you agree with the proposed framework for changing of bids by TSOs? What additional elements would you consider necessary for enhancing the transparency?

The linking of bids between different balancing platforms is essentially a duplicated marketing of the same volume. Declaring those bids unavailable after activation in a preceding platform is neither a case of internal congestion nor an operational security constraint within the connecting TSO scheduling area, which are the reasons permitted in Article 29(14) EBGL for declaring bids unavailable. Therefore, in our view this procedure is generally not compliant with the EBGL. For practical reasons with severely restricted preconditions, this might be tolerable. Comparing this issue to the control-demand model discussed in question 1, the control-demand model is certainly much more in line with EBGL regulations and should hence also be acceptable.

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