Bringing system operation and electricity balancing guidelines in the Energy Community

Energy Community Secretariat
Agenda

1. Procedures
2. Introduction
3. Geographical scope
4. Methodologies – existing vs new | pan-European vs regional
5. Voting
6. Others
1. Procedure
Procedural aspects

Scope of committees’ work
→ Agree on adapted NC / GL versions ready for proposal for PHLG adoption

EC | ECS | Party

proposal

MC

MC Decision

2/3 majority
Incl positive EU vote
one vote per CP

Transposition into national legislation
Governance proposal

- **Secretariat** (coordination and chairing)

**EWG ECRB** (advisory)

**Prepare adaptation proposals for discussion by:**

**Connection Codes Committee**
- TSOs of CPs
- NRAs of CPs
- TSOs/NRAs of MSs (if required)

**System Operation Committee**
- TSOs of CPs
- NRAs of CPs
- TSOs/NRAs of MSs (if required)

**Market Committee**
- TSOs and MO/PXs of CPs
- NRAs of CPs
- TSOs/NRAs of MSs (if required)

**All:** open for participation by DG ENER, ACER, ENTSO-E

Report

PHLG

DG ENER, ACER, ENTSO-E

Secretariat to coordinate with
General

- Standard adaptations
  - EC → ECS | ACER → ECRB | MS → CP
- ad-hoc adaptations
- Implementation in one step
- Implementation deadlines
- Reciprocity relevant
  - Title III
  - Alternative Title IV
Roles

**Standard adaptation**

ECS (+EC as necessary) intervenes when no agreement is reached on proposals by TSOs / NEMOs

ECRB’s role in adopting methodologies in case of failure by TSOs/NRAs
ACER’s role is for information only

ENTSO-E’s role in assessments, drafting, facilitation, coordination, reporting, etc.
Requirements coordinated with EU CACM
2. Introduction
Towards completion of the framework …

- Electricity Regulation 714/2009 (part of 3rd package) adopted by the MC in October 2011
  - Third package sets the basis for a liberalized market (unbundling, non-discriminatory access, etc.)

- **Network codes and guidelines** established according to EU 714/2009 sets to target model for European market
  - Requirements for forward cross-zonal transmission rights
  - DAM through single and IDM through continuous market coupling algorithm
  - European and regional balancing platforms and close system operation coordination
  - ... and technical and operational requirements
**Target model = market network codes**

- **FCA** (Forward Capacity Auction) <= interlinked => **CACM** (Capacity Allocation and Management)
- **BAL** (Balancing) <-> **SO** (Short Term Operation)

**Forward Market** (Long term Physical/Financial rights):
- Monthly (M+1)
- Yearly (Y+n)
- Allocation of forward rights on long-term basis through auctions as PTRs or FTR (tradable rights), Single allocation office for capacity allocation.

**Day Ahead Market**:
- Daily rights implicitly allocated (daily rights + FTR or unused PTRs)
- LT PTRs used

**Intraday market**

**Balancing**
- Delivery of Long term and Day ahead allocated rights
- Continuous mechanisms with complementary auctions (PXs+capacity) Flow-based or NTC-based
- Exchnage of balancing products offered by MPs
- Real-time reserve activation, re-dispatch, countertrading...

Price coupling - auction mechanism managed by PXs with capacity module. Flow-based or NTC-based.
3. Geographical scope
Geographical scope

Regions concerned:
Title II – CP-CP
Title III – CP-CP, CP-MS, neighbouring MS-MS
Title IV - CP-CP, CP-MS, MS-MS
Synchronous area applicability – Title IV

- Continental Europe SA
- IPS/UPS - Baltic SA + UA/MD/GE
Possible solution for CPs that are not in CE SA

Similar approach as for Lithuania, Latvia and Estonia could apply:

**Article 2(4)**

_The TSOs of Lithuania, Latvia and Estonia are, as long as and to the extent that they are operating in a synchronous mode in a synchronous area where not all countries are bound by Union legislation, exempted from the application of the provisions listed in Annex I to this Regulation, unless otherwise foreseen in a cooperation agreement with third country TSOs setting the basis for their cooperation concerning secure system operation pursuant to Article 13._

**Annex I – list of Articles for which they are exempted**
LFC block applicability – Title IV /Title III/ Title II
Article 6 – Approvals of terms and conditions or methodologies of TSOs - applicability

- Article 6(2) – all TSOs proposals/NRAs approvals (Title IV)
- Article 6(3) – regional approvals:
  (a) Synchronous area-level (Title IV)
  (b) Capacity calculation region (Title III)
  (c) At least synchronous area-level (Title IV)
  (d) Synchronous area-level (Title IV) (synchronous area operation agreements Article 118)
  (e) LFC block-level (Title II/Title III/Title IV) (LFC block agreements Article 119)
  (f) Synchronous area or LFC block-level (Title IV)
  (g) Synchronous area-level (Title IV)
- Article 6(4):
  - National approvals (Title II)
Possible approach to adaptation for the EnC

- All TSOs/All NRAs
  - Pan-European terms & conditions / methodologies
  - Transfer through PHLG decision applicable on Title III (CP-CP, CP-MS)
- Synchronous area terms & conditions / methodologies
- LFC Block (Title IV) terms & conditions / methodologies
- CCR (Title III)/ LFC Block (Title II/III) terms & conditions / methodologies
- Relevant TSOs & NRAs
  - National terms & conditions / methodologies
  - Developed on regional level and applicable on Title III (CP-CP, CP-MS)
  - National implementation applicable on CPs
### Development of methodologies at EU-level - status

**SO GL**

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**Consultation period**

- ENTSO-E Drafting Proposal / Activity
- NRAs Approval preparation
- Consultation
- NRAs Approval publication
- Workshop

**Source ENTSO-E website**
Synchronous area terms and conditions or methodologies – open questions

• Open question:

• If and to which extent adaptations of terms and conditions or methodologies adopted at EU-level for synchronous area and LFC block (Title IV) would be needed?

• Example:

• Article 6(3)(g) – common proposal per synchronous area for the determination of LFC block in accordance with Article 141(2)

• Article 141(2)
  ➢ By 4 months after entry into force of this Regulation, all TSOs of a synchronous area shall jointly develop a common proposal regarding the determination of the LFC blocks
    • Will a proposal approved at EU-level include LFC blocks including CPs?
    • If not included, what will be a procedure to include them? Annex to PHLG decision?
  ➢ Participation of EnC CPs TSOs in developing proposals at EU-level would simplify adoption for EnC
LFC block (Title IV) terms and conditions or methodologies - open questions

- Open question:

- If and to which extent adaptations of terms and conditions or methodologies adopted for LFC block (Title IV) would be needed?

- Example:

- Article 6(3)(e) – methodologies and conditions included in the LFC block operational agreements in Article 119

- Article 119 – LFC block operational agreements
  
  By 12 months after entry into force of this Regulation, all TSOs of each LFC block shall jointly develop common proposals for…
  
  - How will this be implemented for SHB block?
  
  - This Article shall be applicable to LFC blocks between CPs only (e.g. SMM block) and decision shall be subject to regional all NRAs approval
Part IV – Load-frequency control and reserves
Title 1 – Operational agreements

Subject to all NRAs concerned approval:

• Article 118 - Synchronous area operational agreement
• Article 119 - LFC block operational agreements

Following agreements shall be established among all TSOs concerned:

• Article 120 – LFC area operational agreements
• Article 121 – Monitoring area operational agreement
• Article 122 – Imbalance netting agreements
• Article 123 - Cross-border FRR activation agreement
• Article 124 – Cross-border RR activation agreement
• Article 125 – Sharing agreement
• Article 126 – Exchange agreement
Article 13

Agreements with TSOs not bound by this Regulation

Where a synchronous area encompasses both union and third country TSOs, within 18 months after entry into force of this Regulation, all Union TSOs in that synchronous area shall endeavour to conclude with the third country TSOs not bound by this Regulation an agreement setting the basis for their cooperation concerning secure system operation and setting out arrangements for the compliance of the third country TSOs with the obligations set in this Regulation.

⇒ Could be applied to all EnC CPs

⇒ Not binding for EnC CPs, is voluntary approach enough?
Article 26

Security plan for critical infrastructure protection

1. Each TSO shall specify, taking into account Article 5 of Council Directive 2008/114/EC*, a confidential security plan containing a risk assessment of assets owned or operated by the TSO, covering major physical or cyber threat scenarios determined by the Member State.

*COUNCIL DIRECTIVE 2008/114/EC of 8 December 2008 on the identification and designation of European critical infrastructures and the assessment of the need to improve their protection

⇒ Article 5 of Directive 2008/114/EC could be adapted for the EnC or to propose adoption of this Directive in the EnC
Possible approach to adaptation of EBGL for the EnC

European platforms

- All TSOs/All NRAs (Art. 20,21,22)
- European framework for exchanging bal. en. from mFRR, aFRR and IN

- All TSOs/ all NRAs exchanging bal. en. from RR (Art. 19)

- European platform for exchanging bal. en. from RR

- Synchronous area All TSOs/all NRAs

- Synchronous area terms & conditions / methodologies

- CCR (Title III) / geographical areas (Title II/III)

- Relevant TSOs & NRAs

Transfer through PHLG decision applicable on Title III (CP-CP, CP-MS)

- Developed on regional level and applicable on Title III (CP-CP, CP-MS)

- National terms & conditions / methodologies

- National implementation applicable on CPs
EBGL - Development of methodologies at EU-level

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Legend:
- ENTSO-E Drafting Proposal
- NRAs Approval preparation
- Consultation
- NRAs Approval publication
- Workshop
- ENTSO-E Proposal submission

Source: ENTSO-E website
Thank you!

www.energy-community.org
Background slides
Methodologies
**EU: high-level structure of market network codes**

- **All TSOs/(NEMOs)**
  - All NRAs

- **Pan-European terms & conditions / methodologies / platforms**

- **Regional (CCR) terms & conditions / methodologies / platforms**

- **Relevant TSOs/(NEMOs) & NRAs**

- **Relevant TSOs/(NEMOs) & NRAs**

- **National (CCR) terms & conditions / methodologies / platforms**

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**EC intervenes when no agreement is reached on proposals by TSOs/NEMOs**

**ENTSO-E’s role in assessments, drafting, facilitation, coordination, reporting, etc.**

**ACER’s role in adopting methodologies in case of failure by TSOs/NRAs**
Adapted approach for the EnC

- **All TSOs/(NEMOs) All NRAs**
  - Pan-European terms & conditions / methodologies / platforms
  - Transfer through PHLG decision applicable on Title III (CP-CP, CP-MS)

- **Relevant TSOs/(NEMOs) & NRAs**
  - Regional (CCR) terms & conditions / methodologies / platforms
  - Developed on regional level and applicable on Title III (CP-CP, CP-MS)

- **Relevant TSOs/(NEMOs) & NRAs**
  - National (CCR) terms & conditions / methodologies / platforms
  - National implementation applicable on CPs

Energy Community Secretariat
Voting
Agreeing on methodologies: Voting

Pan-European methodologies:
- Qualified majority
  55% of MS + 65% of population of the EU

Regional methodologies:
- Qualified majority of the region
  72% of MS + 65% of population of the region

Region <5: consensus

Pan-European methodologies:
- Unchanged taken as part of EU acquis, applicable under PHLG decision requiring national transposition in CPs

Regional methodologies:
- Qualified majority of the region
  2/3 of the CPs/MSs of the region

Region <3: consensus