
Explanatory document to the ENTSO-E's proposal for amendment of the Methodology for 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

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DISCLAIMER

This document is submitted by Transmission System Operators (TSOs) and Regional Coordination Centres (RCCs) to ACER for information purposes only accompanying the ENTSO-E's proposal for amendment of the Methodology for 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.

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1. General provisions

Article 37(5) of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (the 'Electricity Regulation') requires that ENTSO for Electricity (ENTSO-E) must develop proposals for the tasks set out in the same article and not already covered by the relevant network codes or guidelines and submit them to ACER for approval.

Furthermore, Article 37(1) of the Electricity Regulation sets out the mandatory tasks for regional coordination centres (RCCs), among them facilitating the regional procurement of balancing capacity (task k).

With its Decision No 13/20231 of 19 July 2023, ACER adopted the methodology for the regional procurement of balancing capacity (the 'RCC Procurement Methodology') pursuant to Article 37(1)(k) of the Electricity Regulation. At the same time, in accordance with Article 3(7) of Annex I to that Decision, ACER required ENTSO-E to submit an amendment to the Methodology to determine the value of specific parameters needed for its implementation, as follows:

- The cross-zonal capacity statistically available per direction after cross-zonal intraday market timeframe, and after sharing of reserves, at the reliability levels X% to 100 % in Y% steps.
- Per load frequency control (LFC) block of each system operation region (SOR), the volume of non-contracted platform bids available per product and direction, and the respective validity period of the relevant balancing capacity market, at the reliability levels X% to 100% in Y% steps.

This document is submitted by Transmission System Operators (TSOs) and Regional Coordination Centres (RCCs) to ACER for information purposes only accompanying the ENTSO-E's proposal for amendment of the RCC Procurement Methodology.

The following proposed amendments are described in the RCC Procurement Methodology:

- Article 3 - General principles - of the RCC Procurement Methodology is amended as follows: a) Article 3(7) of the RCC Procurement Methodology shall be amended and read accordingly:

« To apply the methodology to the SOR, the levels X and Y, as referred to in Article 4, shall be applied as follows: X = 90% and Y = 0.1%. If the relevant TSOs deem it necessary to apply different parameters per SOR, they shall determine the parameters referred to in this methodology in a coordinated manner, supported by relevant RCC(s). Following this coordination, ENTSO-E shall develop and submit an amendment to this methodology in accordance with Article 27 of the Electricity Regulation, proposing values for the parameters included in an Annex. This amended proposal shall include the X and Y levels referred to in Article 4. ».

In the proceedings to prepare this amendment, all SORs were able to align on common parameters to be proposed following the RCC Procurement Methodology. Therefore, and deviating from the provisions of Article 3(7) of the RCC Procurement Methodology, ENTSO-E proposes to define the relevant parameters in the RCC Procurement Methodology instead of defining them in an Annex.

2. Chosen levels of parameters

Article 32(1) of the EB Regulation sets out the various options for the provision of reserve capacity, from which TSOs can choose in accordance with their relevant NRA. As a result of the individual rules for dimensioning reserve capacity at the LFC block level, as specified in the SO Regulation, a TSO may consider non-contracted platform bids expected to be available on European platforms, considering the available cross-zonal capacity. This aims to minimise the costs associated with providing reserve capacity.

Most European TSOs do not yet rely consistently and extensively on non-contracted platform bids for various reasons: Several European TSOs have only recently connected to the EU balancing platforms, while others are still in the process of joining. Consequently, experience with the use of non-contracted platform bids is still limited. However, as the number of TSOs that will participate will increase in the short term, the volume of the non-contracted platform bids is expected to rise. Based on the above the calibration of the X parameter should not be based on historical data, which is not yet reliable for future-proof purposes.

These reasons recommend setting X value with the explicit objective of exploring a wider range of potential risk-driven expected volumes of non-contracted platform bids to provide TSOs with qualifying elements to take reliable decisions as much as possible, especially at the time of this first attempt calibration. For instance, this wider range may help assess how rapidly the expected volumes change as the risk of uncovered reserve capacity increases and, in turn, the measured sensitivity may help each TSO pick up the reliability levels it would accept to use to fit its risk management policy.

Thus, the lower bound is set to 90% as a precautionary and a trade-off value. In fact, even lower values would be likely to prevent overestimation of volumes of non-contracted bids and consequently assist TSOs ensure sufficient reserve capacity in case of reliance on free bids. The wider range of values was also suggested to bridge the gap between suggested security levels and granularity from a wide range assessed and preferred parameters by different SORs. By starting with 90% the proposal appreciates different levels of security preferences in combination with the to be expected ATC after cross-border ID gate closure time calculated according to the methodology.

Assuming independence of both X parameters regarding volumes of non-contracted platform bids expected to be available, and available cross-zonal capacity, the combination of both parameters may result in a value below 99%. Resulting, ENTSO-E emphasises that the X parameter represents only a minimum reliability level. A TSO is not obliged to apply it. The final decision on the considered volume of non-contracted platform bids expected to be available on the European balancing platforms is on each individual TSO in line with the established national rules for the provision of reserve capacity to comply with above mentioned SO Regulation requirement. As most European TSOs today do not rely strongly on non-contracted platform bids, experience has to be gained first. Therefore, the resulting range of volumes of non-contracted platform bids expected to be available on the European balancing platforms, considering the available cross-zonal capacity, provides sufficient basis to develop the necessary experience and sensitivity. The chosen reliability levels let LFC Blocks explore a wider set of values in order to assess the sensitive relationship between the expected liquidity of non-contracted platform bids and the corresponding level of risk, with the aim of providing qualifying elements for the decision-making process behind the optimal provision of reserve capacity. Additionally, the chosen reliability levels are assumed to prevent overestimation of non-contracted platform bids, therefore decrease the risk of scarcity situations and support the integrity of the RCC's assessments.

The granularity steps resulting from the definition of $Y = 0.1\%$ are considered accurate enough to allow TSOs to modulate the procurement of reserves to mitigate price spikes and manage possible scarcity scenarios, taking advantage of reliable estimations and allowing TSOs to calibrate their risk aversion in practice, depending on the prevailing conditions. TSOs expect that small variations of risk level in the $X\%$ to 100% set of values may lead to large variations in volume of non-contracted platform bids, especially during the consolidation of TSOs participation to the European balancing Platforms. On top of that, higher granularity can help LFC Blocks to stay consistent with their individual risk management procedures. Therefore, the parameters determined by this amendment provide the relevant TSOs with a sufficient range of volumes of non-contracted platform bids expected to be available on the European platforms, which they can consider individually for the optimal provision of reserve capacity.

Y value is set equal to 0,1% to stay consistent with the risk management policies' resolution currently used by some TSOs (e.g., accepted risk level equal to 99,7%) and to ensure sufficient resolution from 90% to 100%. For larger SORs, it is likely to have a high sensitivity between the reliability levels and the associated volumes of non-contracted platform bids and TSOs expect that in case of $Y = 1\%$ or larger value the overall TSO's capacity to precisely pick up the desired volume of non-contracted platform bids would be negatively affected.

A larger range of parameters supports building up knowledge of risk levels versus available non-contracted platform bids and increasing hedging opportunities in the long term and thus cost saving opportunities. It additionally appreciates the fact that the provided forecasting of ATC available after cross-border ID GCT can reach for several smaller SORs extremely limited CZC for considering non-contracted balancing energy bids available via the platforms but would like to see reasonable magnitudes for other SORs. ENTSO-E considers this possible drawback as negligible compared to the large benefit of EU wide harmonised provisions to gain sufficient experience with the new matter of considering non-contracted balancing energy bids available via the platforms.

Finally, with sufficient operational experience in the use of non-contracted platform bids, the parameters X and Y may be reconsidered and adjusted if considered necessary.

3. Operational feasibility of spectrum of reliability levels

In any case, system operational security must be ensured. LFC Blocks will remain free to adopt individual reliability levels according to Article 4(9) of the RCC Procurement Methodology, gaining experience over time and reflecting individual specificities. Additionally, requirements and the limits for the exchange of FRR according to Annex VII of the SO Regulation apply.

ENTSO-E emphasizes that the task under Article 4 of the Methodology—particularly the procedural steps in Paragraphs 4(8), 4(9), and 4(10) foresees an effective role for RCCs in managing application of different reliability levels of non-contracted platform bids by TSOs of the SOR.

By nature, a wider range of values leads to increased computational efforts but also network communication needs to exchange data and recommendations following the trade-off between valuable harmonisation and computation effort.

1. The strong recommendation for harmonization leads to the acceptance of increased computational and communication efforts to provide a valuable service for all SORs
2. Depending on the SOR and their regional specifics a SOR may decide to interpolate between calculation steps within the ranges that are locally less of interest while still providing results for the entire range

Moreover, both RCCs and TSOs consider the overall complexity and computational time associated with the adopted set of values to be manageable. Using 100 pairs of reliability levels and expected volumes of non-contracted platform bids—instead of 10, as would be the case with $Y = 1\%$ —does not pose substantial computational challenges. The total number of calculations remains feasible, given that the task is performed on a daily basis and sufficient time is available for each TSO to select the desired reliability level and communicate them to the RCCs. In addition, each TSO may choose to focus on a specific subset of results (e.g., between 98.0% and 99.9%) in line with its own risk management policy. Finally, TSOs underline that the inherent complexity of the task under Article 4—both in terms of computation and communication between TSOs and RCCs—will not exceed that of the well-established regional services provided under Article 37 of Regulation (EU) 2019/943.

4. Derogations

A derogation from the implementation of the balancing capacity procurement methodology by 19 January 2026 is necessary, as several TSOs have only recently connected to the EU balancing platforms, while others are still in the process of joining, which means that operational experience with non-contracted platform bids remains limited. Moreover, TSOs and RCCs are not yet in a position to implement, within the required timeline, the technical solutions, tools, and operational procedures necessary for this task, as these are still under development. In line with Article 3(2) and 3(3) of the methodology, these tasks presuppose the participation of TSOs in the European balancing platforms and the establishment of cross-zonal capacity allocation at regional level — prerequisites that are not yet fulfilled across all SORs. There may be additional technical reasons and justifications provided, based on the specificities of each SOR. These solutions can be developed and deployed according to each SOR's implementation schedule, as experience grows and participation in the balancing platforms increases, thereby ensuring the effective implementation of the methodology.