
**Energinet, Fingrid, Statnett and Svenska kraftnät
proposal for exemption for not allowing balance
service providers to transfer their obligations to
provide aFFR capacity in accordance with Article
34(1) of the Commission Regulation (EU)
2017/2195 of 23 November 2017 establishing a
guideline on electricity balancing**

15.4.2019

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Energinet, Fingrid, Statnett and Svenska kraftnät, taking into account the following,

Whereas

- (1) This document is a common proposal developed by the Transmission System Operators Energinet, Fingrid, Statnett, and Svenska kraftnät (hereinafter referred to as “TSOs”) in the geographic area covering Nordic synchronous area regarding a proposal for the exemption for not allowing balancing service providers (hereafter referred to as “BSP”) to transfer their obligations to provide aFRR capacity pursuant to Article 34(1) of Commission Regulation (EU) 2017/2195 of 23 November establishing a guideline on electricity balancing (hereafter referred to as the “EB Regulation”). This proposal is hereinafter referred to as the “Proposal”.
- (2) The Proposal takes into account the general principles and goals set in the EB Regulation as well as the Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as “SO Regulation”), and Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity (hereafter referred to as “Regulation (EC) No 714/2009”).
- (3) The goal of the EB Regulation is to establish an EU-wide set of technical, operational and market rules to govern the functioning of electricity balancing markets. It sets out rules for the procurement of balancing capacity, the activation of balancing energy and the financial settlement of balance responsible parties. It also requires the development of harmonised methodologies for the allocation of cross-zonal transmission capacity for balancing purposes. Such rules will increase the liquidity of short-term markets by allowing for more cross-border trade and for a more efficient use of the existing grid for the purposes of balancing energy.
- (4) The TSOs are mutually willing to exchange aFRR capacity within the Nordic synchronous area and have developed common and harmonised rules and processes for the exchange and procurement of aFRR capacity. The exchange of aFRR capacity is based on a TSO-TSO model taking into account the available cross-zonal capacity and the operational limits as defined in the SO Regulation.
- (5) This Proposal uses the possibility to request an exemption from requirements set in accordance with Article 34 of the EB Regulation regarding the transfer of the obligation of balancing service providers to provide balancing capacity within the same geographical area, i.e. Nordic synchronous area, in which the procurement of aFRR capacity takes place. TSOs can request exemption from allowing BSPs to transfer balancing capacity bids, when the contracting period is strictly less than one week. The contract period for the aFRR capacity market in Nordic synchronous area will only be two days, and this is expected to reduce the need for such flexibility for the BSPs.
- (6) Article 5(5) of the EB Regulation requires that the expected impact of the Proposal on the objectives of the EB Regulation is described. The impact is presented below (points (7) to (9) of this Whereas Section).

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- (7) The Proposal contributes and does not in any way hamper the achievement of the objectives of Article 3 of the EB Regulation. In particular, the Proposal serves the objectives of fostering effective competition, non-discrimination and transparency in balancing markets (Article 3(1)(a) of the EB Regulation) and integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security (Article 3(1)(c) of the EB Regulation),
 - (8) The Proposal fosters effective competition, non-discrimination and transparency in balancing markets (Article 3(1)(a) of the EB Regulation) by creating the regional market with common rules and processes for the procurement and exchange of aFRR capacity. Exemption covering the whole Nordic aFRR capacity market and the BSPs active in this market contributes to non-discrimination and a level playing field for balancing capacity providers across the Nordic synchronous area. Creating a secondary aFRR capacity market time-wise close to Nordic aFRR capacity market for transferring aFRR capacity bids between BSPs might not introduce added value to competition and efficiency of aFRR capacity market.
 - (9) The Proposal contributes to the objective of integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security (Article 3(1)(c) of the EB Regulation) as the common Nordic aFRR capacity market together with the methodology developed according to Article 41 of the EB Regulation contributes to operational security by having the resources for balancing located where they have been assigned during the aFRR capacity procurement phase without need for reallocation of aFRR capacity and cross-zonal capacity if transfer of accepted bids would be allowed.
 - (10) In conclusion, the Proposal contributes to the general objectives of the EB Regulation to the benefit of all market participants and electricity end consumers.

SUBMIT THE FOLLOWING PROPOSAL TO THE RELEVANT REGULATORY AUTHORITIES WITHIN NORDIC SYNCHRONOUS AREA:

TITLE 1

General provisions

Article 1

Subject matter and scope

1. The Proposal shall be considered as the common proposal from the TSOs for the exemption for not allowing BSPs to transfer their obligations to provide aFRR capacity in accordance with Article 34 of the EB Regulation.
2. The Proposal covers the geographic area as defined in the common rules and processes in accordance with Article 33(1) of the EB Regulation.

Article 2

Definitions and interpretation

1. For the purposes of the Proposal, terms used in this Proposal shall have the meaning of the definitions included in Article 2 of the EB Regulation, Article 3 of the SO Regulation and Article 2 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereafter referred to as "CACM Regulation"), Regulation (EC) 714/2009, Commission Regulation (EU) No 543/2013 of 14 June 2013 on submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council (hereafter referred to as "Transparency Regulation") and Directive 2009/72/EC.
2. In the Proposal, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) the table of contents and headings are inserted for convenience only and do not affect the interpretation of the Proposal; and
 - c) any reference to legislation, regulations, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it then in force.

TITLE 2

Exemption

Article 3

Exemption to transfer bids between BSPs

1. The BSP shall not be allowed to transfer their obligations to provide aFRR capacity, i.e. accepted aFRR capacity bid, to another BSP within a bidding zone or across bidding zone borders.
2. The TSOs shall evaluate if the BSPs shall be allowed to transfer their obligations to provide aFRR capacity. The evaluation including public consultation shall be performed no later than five years after the approval of this Proposal. Based on this evaluation and stakeholders' views in the public consultation, the TSOs may develop a proposal requesting to remove the exemption granted by this

Proposal. Thereafter, if requested by the competent regulatory authorities, the TSOs shall review the exemption every three years.

TITLE 3 Final provisions

Article 4 Publication and implementation of the Proposal

1. The TSOs shall publish the Proposal without undue delay after the relevant regulatory authorities within the Nordic synchronous area have approved the Proposal or a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 5(6), Article 5(7), Article 6(1) and Article 6(2) of the EB Regulation .
2. The TSOs shall implement the Proposal at the same time as the common and harmonised rules and processes in accordance with Article 33(1) of the EB Regulation will be implemented.

Article 5 Language

The reference language for the Proposal shall be English. For the avoidance of doubt, where TSOs need to translate the Proposal into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 7 of the EB Regulation and any version in another language, the relevant TSOs shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of the Proposal.