

Mr Alberto Pototschnig
Director
ACER

Cc: Dr Klaus-Dieter Borchardt
Director
Internal Energy Market DG ENER
European Commission

Cc: Mr Laurent Schmitt
Secretary General
ENTSO-E

By email only

24 July 2019

Dear Alberto,

I am writing on behalf of all Regulatory Authorities with regard to the proposal for the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with manual activation (hereafter: mFRR IF), pursuant to Article 20 (1) of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereafter: EBGL), submitted by all Transmission System Operators (hereafter: TSOs).

The last Regulatory Authority received the proposals on mFRR IF on 11 February 2019, while the legal deadline was 18 December 2018 (i.e. one year after entry into force of Commission Regulation (EU) 2017/2195).

Article 5(6) of Commission Regulation (EU) 2017/2195 requires all Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement and issue a decision within six months following receipt of submissions to the last Regulatory Authority. A decision would, therefore, be required by each Regulatory Authority by 11 August 2019.

All Regulatory Authorities would like to mention that the process leading up to the submission of the proposals on the mFRR IF was accompanied by early and frequent interactions between the drafting team on TSOs' side and representatives of Regulatory Authorities. Regulatory Authorities were granted the chance to comment and give feedback to TSOs during the public consultation in their shadow opinion in July 2018. In addition, a number of physical meetings and teleconferences between the drafting team on TSOs' side and representatives of Regulatory Authorities took place. The feedback from Regulatory Authorities to TSOs was coordinated within the Electricity Balancing Task Force.

On 23 July all Regulatory Authorities have agreed to request the Agency to adopt a decision on mFRR IF pursuant to 5(7) Commission Regulation (EU) 2017/2195.

While Regulatory Authorities agreed that they cannot approve the mFRR IF proposal without further amendments, they did not reach an agreement on all the amendments that they would request.

All Regulatory Authorities agree on the following points:

1. On changes required to the criteria, scope, process, and monitoring on the TSOs proposal to mark as unavailable for activation by other TSOs under Article 29(14) Commission Regulation (EU) 2017/2195 an amount of balancing energy bids that can be direct activated due to operational security constraints.

2. The requirements that as many as possible of the high-level principles related to elastic demand,¹ are incorporated in the platform and that the methodology of application of elastic demand should form part of the national terms and conditions pursuant to Article 18 Commission Regulation (EU) 2017/2195 at the request of the regulatory authority.
3. The requirement that the mFRR IF incorporates the key principles used by the activation optimisation function to minimise the occurrence of Unforeseeably Rejected Divisible Bids in consultation with TSOs.
4. A number of changes required to the different Articles of the mFRR IF as described in the accompanying non-paper.

Agreement was not reached on the following two points:

1. the default position to adopt on scheduled counter activation² at the end of the initial period of operation of the mFRR IF.
2. the inclusion of balancing energy bids that can be direct activated from contracted capacities that are not the most expensive bids into any volume marked as unavailable for activation by other TSOs due to operational security constraints.

The mFRR IF proposal does not block scheduled counter activations. There are differing views if the occurrence of scheduled counter activations is of value or must be prevented and there is uncertainty about the feasibility of blocking it and the measures necessary to do so. To move forward All Regulatory Authorities agreed that scheduled counter activation would have been allowed and monitored in the first years of the platform and an evaluation was to be conducted. However, while some Regulatory Authorities believe that the default position to adopt at the end of this initial period was a resubmission based on the evaluation, others believe the mFRR IF should terminate the possibility to have recourse to scheduled counter activation unless TSOs make a request for amendment to the mFRR IF pursuant to Article 6 of Commission Regulation (EU) 2017/2195. There were also divergences amongst Regulatory Authorities on i) the criteria to be used for the evaluation of scheduled counter-activation and ii) whether the continuation of scheduled counter-activation should be based on the lack of detrimental impact on the mFRR platform or the intraday market, or on the evidence of a beneficial impact.

All Regulatory Authorities agreed that the most expensive bids could form part of any volume marked as unavailable for activation by other TSOs under Article 29(14) of Commission Regulation (EU) 2017/2195 due to operational security constraints. Some Regulatory Authorities believe that balancing energy bids from contracted capacities that are not the most expensive bids can also form part of this volume, while others believed this should not be allowed under the platform.

All Regulatory Authorities expect that the Agency will give utmost consideration to all Regulatory Authorities' views on mFRR IF as provided in the related non-papers and the key topics listed above. All Regulatory Authorities are ready to assist the Agency to develop and adopt its decision.

Yours sincerely,

Clara Poletti
ERF Chair



¹ Elastic demand is the situation where a TSO demand for activation of standard mFRR balancing energy product bid depends on the price of the product.

² Scheduled counter activation is the simultaneous activation of positive and negative balancing energy bids by the Activation Optimisation Function.