

**APPROVAL BY
CONCERNED REGULATORY AUTHORITIES**

ON

**ALL ASYNCHRONOUSLY CONNECTED TSOs'
PROPOSAL FOR COMMON SETTLEMENT RULES FOR
ALL UNINTENDED EXCHANGES OF ENERGY
BETWEEN SYNCHRONOUS AREAS IN ACCORDANCE
WITH THE ARTICLE 51(2) OF COMMISSION
REGULATION (EU) 2017/2195 OF 23 NOVEMBER 2017
ESTABLISHING A GUIDELINE ON ELECTRICITY
BALANCING**

4 December 2019

I. Introduction and legal context

Article 51 (2) of the Commission Regulation (EU) 2017/2195 (hereafter: EBGL)¹ requires that by 18 months after the entry into force of the EBGL, all asynchronously connected TSOs (hereafter: concerned TSOs) shall develop a proposal for common settlement rules applicable to all unintended exchanges of energy between asynchronously connected TSOs.

The final proposal shall be subject to the approval of all concerned Regulatory Authorities (hereafter: concerned RAs).

In the process of drafting and submitting the proposal according to article 51(2), the TSOs have adopted a definition of “asynchronously connected TSOs” that affects the geographical scope of the submission to the RAs. In this framework the asynchronously connected TSOs are all those TSOs that host at least one HVDC interconnector connecting two synchronous areas, namely: *50Hertz, BritNed, Eirgrid, ElecLink, Elering, Elia, Energinet, Fingrid, Litgrid, Moyle, National Grid ESO, NGIL, PSE, RTE, SONI, Statnett, Svenska kraftnät, TenneT DE and TenneT NL*. According to this definition, only the corresponding RAs have received the proposal, establishing the set of concerned RAs.

By submitting this approval paper, all concerned RAs agree to accept the definition of asynchronously connected TSOs and its impact on the submission and decision process.

The all asynchronously connected TSOs’ proposal for a methodology for common settlement rules applicable to all unintended exchanges of energy, in accordance with Article 51(2) of the EBGL (hereafter: the Proposal), was received by the last concerned RA on 10 July 2019. Article 5(6) of the EBGL requires relevant Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make decisions within six months following receipt of submissions of the last relevant Regulatory Authority concerned. A decision is therefore required by all concerned RAs by 10 January 2020.

This agreement of all concerned RAs shall provide evidence that a decision on the Proposal does not need to be adopted by ACER pursuant to Article 5(7) of the EBGL.

The concerned RAs’ joint approval was coordinated through the Electricity Balancing TF (hereafter: EB TF) of ACER and agreed on 4 December 2019.

The legal provisions that lie at the basis of the Proposal can be found in Articles 3 and 51 of the EBGL:

¹ Commission regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing, referred to as the “EBGL”

Article 3 Objectives and regulatory aspects

1. This Regulation aims at:

- (a) fostering effective competition, non-discrimination and transparency in balancing markets;*
- (b) enhancing efficiency of balancing as well as efficiency of European and national balancing markets;*
- (c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;*
- (d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;*
- (e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity;*
- (f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;*
- (g) facilitating the participation of renewable energy sources and support the achievement of the European Union target for the penetration of renewable generation.*

2. When applying this Regulation, Member States, relevant regulatory authorities, and system operators shall:

- (a) apply the principles of proportionality and non-discrimination;*
- (b) ensure transparency;*
- (c) apply the principle of optimisation between the highest overall efficiency and lowest total costs for all parties involved;*
- (d) ensure that TSOs make use of market-based mechanisms, as far as possible, in order to ensure network security and stability;*
- (e) ensure that the development of the forward, day-ahead and intraday markets is not compromised;*
- (f) respect the responsibility assigned to the relevant TSO in order to ensure system security, including as required by national legislation;*
- (g) consult with relevant DSOs and take account of potential impacts on their system;*
- (h) take into consideration agreed European standards and technical specifications.*

Article 51 Unintended exchange of energy

1. By eighteen months after the entry into force of this Regulation, all TSOs of a synchronous area shall develop a proposal for common settlement rules applicable to all unintended exchanges of energy. The proposal shall include the following requirements:

(a) the price for unintended exchanges of energy withdrawn from the synchronous area shall reflect the prices for activated upward balancing energy for frequency restoration process or reserve replacement process for this synchronous area;

(b) the price for unintended exchanges of energy injected into the synchronous area shall reflect the prices for activated downward balancing energy for frequency restoration process or reserve replacement process for this synchronous area.

2. By eighteen months after the entry into force of this Regulation, all asynchronously connected TSOs shall develop a proposal for common settlement rules applicable to all unintended exchanges of energy between asynchronously connected TSOs.

3. The proposals of common settlement rules of unintended exchanges of energy between TSOs shall ensure a fair and equal distribution of costs and benefits between them.

4. All TSOs shall establish a coordinated mechanism for adjustments to settlements between them.

II. All Asynchronously Connected TSOs' Proposal

The Proposal was not consulted by TSOs, since it is not explicitly provided by Article 10 of the EBGL. All concerned RAs closely observed, analysed and continuously provided feedback and guidance to all TSOs during various meetings.

The final version of the Proposal, dated 18 June 2018, was received by the last Regulatory Authority on 10 July 2019, together with an updated explanatory document giving background information and rationale for the Proposal.

The Proposal covers the rules for the common settlement for unintended exchanges of energy between Synchronous Areas. The Proposal includes the methodology for calculating volumes of intended exchanges and relevant prices, as well as the high-level process for the common settlement between TSOs.

In particular the Proposal envisages a common part with general provisions that apply to all interconnectors, including the calculation of volumes of unintended exchanges, and several annexes that specify the pricing rules for each interconnector.

III. Concerned RAs Assessment

The concerned RAs acknowledge that balancing energy and imbalance prices are not harmonized across all SAs and it is hard to develop a common methodology for the settlement prices. Therefore, RAs accept the approach of the TSOs of submitting a proposal with general provisions for the volume calculation and specific pricing rules for each interconnector. Nonetheless RAs invite TSOs to strive to further harmonize the settlement rules and to gradually remove the annexes, according to the commitment set in art. 3(4) of the Proposal.

The concerned RAs also acknowledge that this methodology does not preclude the possibility to settle the unintended exchanges in accordance with Chapter 4 of Title V of the EBGL.

IV. Conclusion

All concerned RAs have assessed, consulted and closely cooperated and coordinated to reach the agreement that the Proposal according to Article 51(2) of the EBGL can be approved.

All concerned RAs must make their decision on the basis of this agreement by 10 January 2020.