

## TERRE TSOs' second consultation on RRIF amendments



### EFET response – 4 March 2022

The European Federation of Energy Traders (EFET\*) welcomes the opportunity to provide our comments to the TERRE TSOs second amendment of the replacement reserve implementation framework (RRIF).

#### 1. Do you have any views on the proposed change - Article 3.1(b), 3.1(c) & 11.3: Removal of references to Interconnection Controllability?

We agree with the removal of reference of interconnection controllability as the offers activated by system constraints must be priced and settled in the same way as those activated for balancing purposes as of July 1st, 2022.

Article 3.1 (b) should read: "The RR TSOs will be allowed to submit a **desired** flow range for specific interconnectors, which will be respected, **if feasible** and not deteriorating the satisfaction of any TSO inelastic need, by the optimization algorithm.

The RRIF is a binding document, tentative formulations such as "if feasible" or "desired" have no place in it. Moreover, it is not clear for us how the costs will be then supported by the TSO, on a "desired" approach.

#### 2. Do you have any views on the proposed change - Article 4.2(d): Precision on duration of public consultation for RRIF amendments?

We do not fully understand to the TSOs' rationale to reduce the duration of public consultation from 6 to 4 weeks.

We request a stronger commitment of TSOs to properly gather input for and inform market participants of any decisions affecting the functioning of the TERRE project and RR platform. This should include an explicit and public evaluation of feedbacks received rather than "an assessment and proper consideration of stakeholders' responses" of article 4.2 (a).

#### 3. Do you have any views on the proposed change - Article 7: Removal of reference to the interim period prior to the change of the GCT from H-60 to H-55?

We acknowledge the fact that the GCT is now H-55 and an update is needed.

\* The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and enable the transition to a carbon neutral economy. EFET currently represents more than 100 energy trading companies, active in over 27 European countries. For more information: [www.efet.org](http://www.efet.org)

**4. Do you have any views on the proposed change - Article 11.4: Adaptation of the paragraph to reflect that price limits will be in accordance with the Pricing Methodology?**

We agree that price limits should follow ACER methodology. Coherently, RR IF amendment should refer to “price limits” instead of “caps and floors”.

We remind TSOs of the goal to limit the use of specific products 26.1 (c) and that those products can only be used when standard products are not sufficient to ensure operational security (Art. 26.1 (b)).

Some TSOs have set different price limits under Article 26.3 (b) of the EBGL for their specific products. The existence of a different price limit for specific products should not lead to possible arbitrage by TSOs between standard and specific products. This would undermine the use of the TERRE platform and the objectives set under the Guideline. This should be carefully assessed according to article 26.4, and monitored by NRAs.

**5. Do you have any views on the proposed change - Article 12.4: Removal of obligation for observers to pay PMO costs?**

No comments.

**6. Do you have any views on the proposed change - Article 13.5: Adaptation of the paragraph to reflect that counter activations are allowed by the AOF in the RR-Platform and that their impact is monitored by RR TSOs?**

We regret that TSOs do not consider necessary at this moment to take specific actions to minimize counter activations besides keeping a close follow up over this issue and we question the N-Side study on TERRE in Annex I<sup>1</sup>. We regret that art. 13.5 will allow counter activations.

As a reminder, we are worried of the inclusion of a possibility for TSOs to perform counter-activations via the AOF. We generally do not agree to allow counter-activations by TSOs in TERRE, should such counter-activations go beyond what is strictly necessary to meet the balancing needs of a TSO. Counter-activations that clear bids between market participants that are not related to the balancing needs of a TSO exceed the boundaries of the balancing energy procurement process that is the objective of the TERRE platform. As a result, the TERRE platform would become a hybrid market of balancing energy procurement and intraday auction.

<sup>1</sup>[https://consultations.entsoe.eu/markets/rr\\_if\\_2nd\\_amendment/supporting\\_documents/202202\\_RRIF\\_2nd%20amendment\\_Explanatory\\_document.pdf](https://consultations.entsoe.eu/markets/rr_if_2nd_amendment/supporting_documents/202202_RRIF_2nd%20amendment_Explanatory_document.pdf)

TERRE should only be a market for balancing procurement, counter-activations not related to balancing needs should not be allowed as they clearly deplete liquidity of the ID market. We ask the TSOs to carry out such impact assessment<sup>2</sup>.

Regarding the internal commercial schedule changes, EFET supported in 2019 the full alignment of Spanish rules with Art. 17.3 of EBGL<sup>3</sup> because we consider that European regulations clearly establish that BRP must have the freedom to adjust their programs within it before reaching the balancing market.

Moreover, some portfolio restrictions in SIDC persists in Iberia. We ask RR TSOs, NRAs involved and ACER to take into consideration that some adjustments in national market designs in order to be fully aligned with European regulations and best practices can help to alleviate counter-activations in TERRE.

As mentioned in our previous replies, regarding the overall objective of the TERRE platform, we reiterate our belief that the goal is to minimise counter activations: balancing mechanisms in general should be designed to fulfil the balancing needs of TSOs, and the cost of this should be an incentive towards BRPs to balance their portfolio in previous timeframes, especially the day-ahead/intraday market.

The inclusion of counter-activations pollutes the imbalance price with market activities. The TERRE platform design should focus on allowing TSOs to procure balancing energy as efficiently as possible. Counter-activations, on the other hand, are rather linked to optimising social welfare. While we appreciate TSOs concerns on this matter – which we would have liked to see make their way in other implementation methodologies such as the Capacity Calculation Methodologies of the CACM Guideline<sup>4</sup>– we believe that social welfare ought to be assessed beyond the RR process. For us, as long as market participants still have means to optimise social welfare (via the intraday market), such optimisation will happen by letting market participants the opportunity to balance their portfolios as close to real time as possible and by ensuring that TSO actions in the activation of RR are only based on TSO needs, hence fully understandable by the market.

We do not believe the question of the merits of counter-activations will be resolved by monitoring that is proposed in the explanatory document. The difficulty with counter-activations is not the frequency of their occurrence, but rather the fundamental market design question of whether or not market deals should take place in a balancing procurement environment. Moreover, as explained previously, we expect an impact on the intraday liquidity as a result of market participants adjusting their bidding behaviour

<sup>2</sup> See also [EFET response to TSOs consultation on the TERRE platform \(replacement reserves\)](#)

<sup>3</sup> See [EFET open letter to ACER, CNMC and REE on balancing](#)

<sup>4</sup> See our response to the TSOs proposals of Capacity Calculation Methodologies, last updated on 22 March 2018, available at: [http://www.efet.org/Files/Documents/Downloads/EFET\\_Eurelectric\\_MPP\\_NordenergiTSOs%20consultation%20CM\\_22032018.pdf](http://www.efet.org/Files/Documents/Downloads/EFET_Eurelectric_MPP_NordenergiTSOs%20consultation%20CM_22032018.pdf)

to the choice to make between intraday and TERRE. As a result, any result of such an analysis will underestimate the detrimental impacts.

Finally, the question of counter-activations is largely caused by the proposed ability of TSOs to define their needs in an elastic manner. This creates a demand-supply curve that is very similar to, e.g., the day-ahead market. If, on the other hand, the TSO imbalance needs would be systematically expressed in a non-elastic manner, the imbalance needs of all TSOs could first be netted and subsequently matched with the upward or downward merit order list. This would make the process faster, more efficient and more transparent.

**7. Do you have any other general feedback on the RRIF or on the RR process in general?**

We regret that despite repeated comments from market participants, the RRIF does not foresee the possibility for BSPs located in control areas where TSOs do not perform the RR process to offer RR energy directly on the platform via a cross-border BSP-TSO option.

Transparency of the TSO actions is also of primary importance. We request that the following data be systematically published:

- Capacity – Price curve
- Information on the cross-border capacity: how much is available/used; which borders were constraining?
- Information on interconnection controllability actions: differences between constrained and unconstrained auction outcomes
- If the formulation of elastic imbalance needs is allowed by the NRAs: bidding structure by each TSO (volume and prices of elastic imbalance needs), or at least alignment of RR IF with mFRR IF (cf. art. 3.4 and 13.1) regarding transparency requirements for elastic needs.
- a yearly common TSOs report on the operation of the RR-Platform to be published by ENTSO-E on its website and reported to regulatory authorities, as already foreseen for the mFRR-Platform.

While the harmonisation of national balancing frameworks is not properly speaking in the scope of the RRIF, we remind TSOs of the importance to ensure basic harmonisation of their national framework to allow market participants to compete on a level-playing field. We consider the following three elements as high priority for harmonisation:

- Balancing Energy Deviation Settlement Price, including any additional penalties or market regulation rules
- Imbalance Adjustment
- Removal of national caps and floors to the bidding price (partly addressed in article 11 (4)).