

## **ALPACA – Common and Harmonized Rules and Processes for the Exchange and Procurement of Balancing Capacity for Automatic Frequency Restoration Reserves for AT-CZ and CZ-DE borders**

Brussels, 21 September 2023. The European Federation of Energy Traders (EFET) welcomes the opportunity to provide comments on the APG, CEPS and German TSOs intent to implement a cooperation on common procurement of aFRR balancing capacity on the borders between AT-CZ and CZ-DE.

### **General remarks**

- Relying on a forecast for availability of cross-zonal capacity in the procurement of balancing capacity contradicts the idea of using balancing capacity as an insurance to meet the required TSO demand.
- The methodology must not reduce the cross-border capacity for day ahead.
- In the market-based methodology the forecasting accuracy is directly included in the CZCA methodology to prevent undue market restrictions by false CZC allocations. A similar mechanism should be in place when using forecasts for deciding upon balancing capacity availability, since in this case the forecasting accuracy is not just responsible for preserving efficiency gains but for system security.

### **ALPACA 33.1 EBGL proposal for consultation**

General comment: it would be good to distinguish respective border on which this methodology is applied in the name (headline) of the document.

Comment on Article 2, paragraph 2: the suggested timeframe for the publication of aFRR results is too long, it leaves almost no space for optimization of dispatch and trading on wholesale (day-ahead) electricity market. TSOs should look at quicker results publication.

Also, it is unclear when the mFRR will be procured. Daily market for balancing capacity has been divided into several parts by this proposal: FCR is currently procured at 8:00, DA, aFRR at 9:00 DA. What's the timing for mFRR? Other services and the needed time for recalculation / optimization on BSPs side must be considered.

Comment on Article 2, paragraph 5: we understand that this provision mandates TSOs of LFC blocks to procure at least 50 % of capacity on a national market. However, it is unclear how this will be compatible with the Algorithm methodology, Article 4, paragraph 1

– which allows to procure more capacity than originally demanded (allowing to accept cheaper indivisible bids). TSOs should clarify which criterion will prevail.

Also, as stated previously, we believe precise % of domestic contracting of aFRR should be published, for the sake of market transparency.

In general, we miss the notion on market transparency in methodologies: typically on the exchange limits, security limits, prices and volumes awarded, aggregated bid-ask curves, etc.

## **ALPACA 33.6 EBGL proposal for consultation**

Article 4, 4(b) stipulates the inclusion of an expectation of aFRR demand into the calculation of the Maximum Exchange Limit. It is unclear, how the aFRR demands, should affect the available cross-zonal capacity after intraday cross-zonal gate closure.

Article 4, 4(f) remains unclear: “[...] determination of the risk [...] is defined as the probability that the actual cross-zonal capacity [...] is lower than or equal to the Scenario.”

Article 6, 1 just requires local fallback procedures to be determined and initiated. There is no description of such fallback procedures, and it remains unclear how such a fallback procedure (apart from separate specific products) should look like.

Article 9, 2: the Maximum Exchange Limit and the Security Limit should be published before the gate opening time of the respective balancing capacity auction.

## **ALPACA 58.3 EBGL proposal for consultation**

Article 4, 5 refers to marginal prices per uncongested area being equal, but the settlement scheme foreseen is pay-as-bid.

Comment on Article 4, paragraph 1: see also our comments on “Common and harmonized Rules and Processes for the Exchange and Procurement of Balancing Capacity for aFRR”, Article 2, paragraph 5.

This Article mandates TSOs of LFC blocks to procure at least 50 % of capacity on a national market. However, it’s unclear how this will be compatible with Algorithm methodology, Article 4, paragraph 1 and paragraph 5 – which allows to procure more capacity than originally demanded (allowing to accept cheaper indivisible bids). Which criterion will prevail, 50 % of domestic purchases or criterion of price, hence breaching the 50 % limit? The methodology is rather unclear in this regard.

# CONSULTATION RESPONSE

Comment on Article 4, paragraph 3: it's unclear which limit is considered here – is it security limit, maximum exchange limit, SOGL national procurement limit or a different one? This should be further explained, further to our comments on the transparency of such limits, which is currently missing in the proposal.

Comment on Article 4, paragraph 4: we do not understand a rationale behind this paragraph, especially its link to paragraphs 1 and 5 (which in our opinion could allow accepting bids in opposite direction, if they are chosen by the COPF as the cheapest option). More details are needed here, as well as precise description of impacts on the imbalance price.

## Contact

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