

# MESC | Co-optimisation

28 February 2024



# 1. All TSOs response to Public Consultation on AM and Balancing Capacity Exchange Strategic Note and the way forward for 2024

- On 15 February 2024, **All TSOs submitted its response to the Public consultation on amending the electricity price coupling algorithm methodology**.
- All TSOs also submitted via email to ACER the All TSOs “**Balancing Capacity Exchange Strategic Note and the way forward for 2024**,” as part of All TSOs’ response to the Public Consultation on amending the electricity price coupling algorithm methodology.
- On 15 February 2024, All TSOs further presented the contents of the Strategic Note to the **European Commission and ACER during the FCA and CACM coordination group meeting** of 15 February 2024.
- The **Balancing Capacity Exchange Strategic Note and the way forward for 2024** explores both relevant process, each with its own challenges:
  - **Co-optimised allocation**
  - **Market-based allocation**

## 2. Conclusions of Strategic Note

1. It is **not clear** if co-optimisation leads to a true higher economic surplus than a market-based allocation.
2. Co-optimisation implies **significant risks** for the computational feasibility of implementation in the SDAC algorithm.
3. Risks for delays are **lower for a market-based allocation** as it can be implemented completely separate from SDAC.
4. Experience from the Nordic aFRR capacity market since December 2022 is **promising**.
5. The market-based solution can be evaluated **after some time**, providing a possibility to empirically compare the potential benefits of co-optimisation.

## 4. Way forward in 2024

TSOs will provide **support to NEMOs** regarding co-optimisation

- Technical balancing **expertise**;
- Support NEMOs with **all relevant tasks**;
- **Update the set of requirements** for the price coupling algorithm; and
- **Join plenary discussions** with NEMOs and ACER and market parties.

TSOs **commit**

- **To lead the development of the market-based process** to enable participation by interested TSOs.

TSOs **support**

- **Concentrate** on workable cross-border balancing capacity markets;
- **Functional implementation processes** like market-based allocation;
- **Feasible timelines** and efficiency above complexity;
- Non-disruptive solutions with low risks; and
- Strike an acceptable balance between the development of cross-border balancing capacity markets and other ongoing projects.