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ENTSO-E's response to the public consultation on “All TSOs' proposal for the implementation framework for a European platform for the imbalance netting process in accordance with Article 22 of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing”

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18 June 2018

## 1. Introduction

The Commission Regulation (EU) 2017/2195 of 23 November 2017, establishing a guideline on electricity balancing (hereafter "EBGL"), mandates in its Article 22(1) all TSOs to develop a proposal for the implementation framework for a European platform for the imbalance netting process (hereafter "INIF") by six months after entry into force of the EBGL, i.e.: by 18 June 2018.

In addition, the Article 10 of the EBGL mandates the TSOs responsible for submitting the INIF (i.e.: all TSOs) to perform extensive consultation of the INIF proposal, and so a formal web-based consultation was held between 15 January and 15 March 2018. During this public consultation, ENTSO-E received 187 comments from 14 respondents.

This document lists ENTSO-E's assessment of the comments provided to the public consultation of the INIF. Rather than providing responses per individual comment received, an assessment of all input received is done on a clustered basis per topic, in order to give a coherent view on ENTSO-E's approach towards the INIF proposal. In order to provide a clear oversight of comments and responses, the issues mentioned in this document have been summarised with respect to the original comments provided. For a full overview of all comments provided in the web-based consultation, in their original formulation, please refer to the site of the consultation<sup>1</sup>.

This document is not legally binding. It only aims at clarifying the assessment of the comments received from stakeholders during the formal public consultation of the INIF proposal. This document is not supplementing the INIF document, nor can it be used as a substitute to it.

ENTSO-E acknowledges and thanks stakeholders for the effort that they have invested in providing feedback for the consultation on the INIF proposal; this feedback is a major contributor to bringing improvements and transparency to the process.

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<sup>1</sup> <https://consultations.entsoe.eu/markets/implementation-framework-imbalance-netting-process/>

Type of comment	Comment/Proposal	Decision
Clarification	Publication: In the INIF, nothing is stated regarding publication of values. Netting volumes should be published as soon as possible after real-time and any additional information (limits on CZC, limits on activation volume, etc.) should be published as soon as possible.	ENTSO-E explained in the INIF explanatory document (ED) that there are no explicit requirements from Art. 12 on publication and that TSOs will nevertheless continue to publish the same data as currently done (exchanged energy).
Clarification	Periodical reports: Follow-up and feedbacks should be presented in periodical reports as mentioned in EBGL Articles 59 and 60.	ENTSO-E included a short explanation on the obligations from Art. 59 and 60 to IN in the INIF ED.
Clarification	aFRR band limitation: Missing whether and what limits can be set on the imbalance netting volume of individual LFC blocks: Are there any limits remaining (e.g. pre-contracted volumes, free bids, ...)?	ENTSO-E further detailed the determination of CZC in the INIF and explained in the INIF ED that apart from CZC limitations, no further limitations will apply in normal situations. Also clarified that this is different from the current operation of the IGCC, where some TSOs limit the maximum individual import and export to their available aFRR volume.
Clarification	Algorithm: How the remaining imbalances post-netting are allocated? Recommendation to publish the algorithm.	IGCC will provide the principles of the algorithm in the upcoming months and requirements one month before go-live. ENTSO-E explained in the INIF ED, with several example, that the remaining imbalance will be the sum of aFRR demand and correction.
Clarification	Consultation process: Request for ENTSO-E to publish all individual submitted answers, on the dedicated website, along with a relevant report on how they were treated.	The present document serves the purpose of clarifying comments received and how ENTSO-E processed them.
Clarification	Allocation of CZC: Clarity on where the interaction between the different platforms, in relation to the allocation of cross-zonal capacity, will be addressed.	ENTSO-E clarified the determination of CZC in the INIF. In the ED a sentence being specific on the remaining CZC was added.

Clarification	Stakeholder engagement: request to include market consultations and stakeholder engagement in the INIF.	ENTSO-E added a sentence in the INIF clarifying that TSOs shall consult stakeholders with any amendments to the INIF after approval of the INIF. ENTSO-E added in the INIF ED that, in addition to a public consultation of any modifications to the INIF, stakeholders will be informed of the updates related to the IN-Platform through the IGCC website.
Clarification	Other proposals, TSO-TSO settlement: Information about the financial settlement method is needed. Existing method could be explained in the explanatory document.	ENTSO-E explained in the INIF ED that further information about the settlement process used in IGCC at the time of writing can be found in Chapter 6 'Settlement Principles' of the 'Stakeholder document for the principles of IGCC' located in the ENTSO-E website . The proposals pursuant Article 30(3) and Article 50(1)(d) of the EBGL are out of scope of the INIF.
Clarification	Social Welfare: A clear definition of a model optimisation of the general welfare is needed to secure the target of lowest possible system costs.	ENTSO-E removed any references to social welfare from the INIF.
Content	Other proposals, TSO-TSO settlement: Lack of information regarding TSO-TSO settlement function (EBGL Art. 50 proposal) and pricing of balancing energy and cross-zonal capacity (EBGL Art. 30 proposal). Stakeholders request to have a clear picture regarding settlement. Proposal to include a reference in the explanatory document.	ENTSO-E clarified in the INIF that those proposals are out of scope of the INIF and will be treated in different proposals. In addition, ENTSO-E added to the INIF ED a link to the current settlement proposal used in IGCC.
Content	Pre-netting: Clarification of pre-netting within an LFC-block is requested.	ENTSO-E explained in the INIF that the imbalance netting within an LFC block is not considered as an optimisation region. Each member TSO belonging to an LFC block shall have the right to perform imbalance netting with the other TSO(s) of the same LFC block prior the imbalance netting with other LFC blocks and, by this, have prior access to the transmission capacity within the LFC block.

Content	Demand: more specific term instead of "demand", e.g. "aFRR demand"? The single term "demand" can be mixed up with "general demand" in an LFC block.	ENTSO-E defined 'aFRR demand' in the INIF.
Content	To define settlement function is more important than to appoint the entity operating the function, it should not be out of scope.	Part of a separate proposal, hence out of scope
Clarification	Timescale: request for further detail in order to ensure a progressive and timely development of the different phases.	ENTSO-E added an indicative accession timeline for the future IGCC operational members in the INIF ED.
Clarification	Other proposals: TSOs need to clarify what "further requirements by the EBGL" are referred to and which extra conditions they add to the Implementation Framework. If all EBGL requirements have already been included in the Implementation Framework, then the reference should be deleted.	ENTSO-E clarified that further requirements refers to Articles 30 and 50 of the EBGL.
Clarification	Stakeholder engagement: The implementation steps of Article 4 make no reference to stakeholder engagement. Though imbalance netting is a TSO-TSO process, market participants should be at least duly informed of the major steps in the project, especially the adaptation of IGCC, the testing and go-live steps.	ENTSO-E added a sentence in the INIF clarifying that TSOs shall consult stakeholders with any amendments to the INIF after approval of the INIF. ENTSO-E added in the INIF ED that, in addition to a public consultation of any modifications to the INIF, stakeholders will be informed of the updates related to the IN-Platform through the IGCC website.
Wording	There is a clear need for clarification in the IN-Platform design of how the distribution of costs will be implemented. Especially in a case where multiple optimisation regions or LFC blocks perform prior imbalance netting. There should at least be a reference to Art. 11(4)(b), where this procedure seems to be implied.	ENTSO-E added one sentence to the INIF explaining that an optimisation region can form a region in the sense of regional costs (Art. 11(5)): "The TSOs being involved in an optimisation region may form a concerned region pursuant to the governance described in Article 6, decision-making in accordance with Article 7 and categorisation of costs in accordance with Article 10(1)(b) of this INIF".

<p>Explanation</p>	<p>Exclusion of borders: There is no definition or description of the term 'strong detrimental effects in terms of costs and benefits'. At least a description is needed, the current wording is too vague. It should be specified how long such strong detrimental effects should persist before an exclusion of a border can be done. Further examples of the strong detrimental effects should be provided. If such exclusion is implemented, sufficient transparency must be ensured. These examples should include what are the reasons for such effects, how they can be mitigated and a timeline for implementing the mitigation measures.</p>	<p>ENTSO-E deleted the reference to "strong detrimental effects" and explained in the INIF that all borders between participating TSOs shall be included with their CZC in the imbalance netting process. However, the CZC of borders where one or more transmission lines linking the adjacent LFC areas are HVDC systems can be permanently limited based on technical reasons. If a border between two LFC areas does not match with a bidding zone border according to the CACM and, hence, no CZC between the respective LFC areas is defined, the available CZC on this border is considered equal to the respective technical IT limitation agreed by all member TSOs. Moreover, affected TSOs (according to SOGL Art. 150) can request all participating TSOs further limitations, needing justification for it.</p>
<p>Explanation</p>	<p>Other proposals, imbalance settlement: A stakeholder request to specify the pricing of imbalance settlement. If based on prices of (avoided) aFRR activations, some level of harmonisation of aFRR pricing should be implemented, in particular for LFC blocks outside the aFRR cooperation. Furthermore, a description of how the prices of the activated bids the aFRR, mFRR and RR-platform are allocated to the imbalance settlement price is needed.</p>	<p>ENTSO-E clarified in the ED that the EBGL Art. 52 is out of scope of the INIF proposal (Chapter 3.2)</p>
<p>Content</p>	<p>Optimisation region: Deviation from proportional netting</p>	<p>ENTSO-E explained optimisation regions in detail in the INIF. Moreover, the ED now clarifies that an optimisation region may deviate from the proportional distribution of netting potential: based on the available information, the most efficient netting of imbalances is performed.</p>

<p>Explanation</p>	<p>Limits: Transparency on limiting the exchange</p>	<p>ENTSO-E deleted the reference to "strong detrimental effects" and explained in the INIF that all borders between participating TSOs shall be included with their CZC in the imbalance netting process. However, the CZC of borders where one or more transmission lines linking the adjacent LFC areas are HVDC systems can be permanently limited based on technical reasons. If a border between two LFC areas does not match with a bidding zone border according to the CACM and, hence, no CZC between the respective LFC areas is defined, the available CZC on this border is considered equal to the respective technical IT limitation agreed by all member TSOs. Moreover, affected TSOs (according to SOGL Art. 150) can request all participating TSOs further limitations, needing justification for it.</p>
<p>Explanation</p>	<p>A further explanation is needed or a specification of what 'unjustified economic advantages' could occur. We are asking TSOs to be more concrete and give examples for such cases of "unjustified economic advantages". There should also be a reference to the settlement and market participants, as they are at least as much at risk to suffer unjustified economic (dis)advantages. This reference should be based on transparent and traceable facts in order to promote confidence of market parties</p>	<p>ENTSO-E did not consider this comment in the INIF because this is a general statement, with no explicit example in mind.</p>
<p>Explanation</p>	<p>Stakeholder engagement: Missing reference to stakeholder consultations in either governance or decision-making (e.g. in case of methodology update). If decisions made by the platform have impacts on the (balancing) market or the formation of imbalance settlement pricing, market participants should be informed and consulted before.</p>	<p>ENTSO-E added a sentence in the INIF clarifying that TSOs shall consult stakeholders with any amendments to the INIF after approval of the INIF. ENTSO-E added in the INIF ED that, in addition to a public consultation of any modifications to the INIF, stakeholders will be informed of the updates related to the IN-Platform through the IGCC website.</p>

Wording	A reference to EBGL Articles 4(3) and 5(2) should be added. Pursuant to EBGL Article 4(3), it should either be stated that 7(8) refers to 7(7) and to the decisions taken according to paragraphs 1 and 2, or it should be considered to merge paragraphs 7(7) and 7(8).	ENTSO-E added a reference to Art 4(3) in Article 7(1)(b) and 7(6). As Art. 4(3) references to Art. 5(2), an additional reference is not necessary.
Wording	Paragraphs 7(9) and 7(10): a reference to EBGL Articles 4(4) and 5(3) should be added.	See comment above. ENTSO-E added a reference to Art 4(4) in Article 7(7). As Art. 4(4) references to Art. 5(2), an additional reference is not necessary.
Wording	A blocking minority for these decisions must include at least a minimum number of TSOs representing more than 35 % of the population of the participating Member States, plus TSOs representing at least one additional Member State concerned, failing of which the qualified majority shall be deemed attained.	ENTSO-E decided not to include any references to blocking minorities, because for the SC decisions, this might lead to unwanted effects in combination with the quorum, and for SC there is no escalation foreseen. For all TSOs' decisions, blocking minorities are prescribed by the guideline, hence, no need to mention them again in the INIF.
Content	Merge of aFRR- and IN-Platforms: The long-term option and the entity or entities after the transitory period are not covered by the Implementation Framework	ENTSO-E explained in the ED the possible future interaction between the aFRR-Platform and the IN-Platform. ENTSO-E deleted any references to the possible merge from the INIF, as it is considered out of scope.
Content	Other proposals, imbalance settlement: Harmonisation of terms and conditions depends on the financial settlement rules: i.e. it is complicated for stakeholders to provide any view, since the picture is not complete and settlement proposal is still missing.	ENTSO-E clarified in the ED that the EBGL Art. 52 is out of scope of the INIF proposal (Chapter 3.2). Article on the framework for harmonisation of the T&C related to balancing is required by the EBGL.
Wording	Wording: Missing word "all" in Art. 10.1(b)	ENTSO-E added the word "all".
Explanation	Cost-sharing : Allocation of regional costs not clear, should be more detailed	ENTSO-E clarified the regional costs for establishing/amending and for using the IN-Platform.



Explanation	Cost sharing: allocation of costs related to optimisation region / pre-netting is not clear	ENTSO-E added one sentence to the INIF explaining that an optimisation region can form a region in the sense of regional costs (Art. 11(5)): "The TSOs being involved in an optimisation region may form a concerned region pursuant to the governance described in Article 6, decision-making in accordance with Article 7 and categorisation of costs in accordance with Article 10(1)(b) of this INIF".
Content	Article 11(1)(e): TSOs and NRAs must ensure that - in line with Article 37(1) of the EBGL - cross-zonal capacity is made available to the day ahead and intraday market to the fullest extent possible, and only used for imbalance netting if it has not been procured in the cross-border intraday market. No implicit or explicit reservation of cross-zonal capacity should be allowed.	ENTSO-E clarified the determination of CZC in the INIF and included a CZC determination function. In the ED a sentence being specific on the remaining CZC was added.
Content	Fall-back: Comment on Art. 11(1): There is a clear need to describe the fall-back approaches in detail. These should be linked with the fall-back solutions for the aFRR cooperation platform. Request for clarification.	ENTSO-E explained redundancy of communication lines and back-up system of the host TSO.
Content	Optimisation regions: Comment on Art. 11(1)(e-i): Beyond reference to EBGL Art. 37, the sequence between imbalance netting, the cooperation of FCR-activation and aFRR activation for the use of CZC should be detailed and the final proposal should be published.	ENTSO-E clarified optimisation regions in the INIF. Moreover, ENTSO-E explained in the ED that FCR is out of scope and included further description, justification and examples for optimisation regions.

	<p>Other proposals, TSO-TSO settlement: Comment on Art. 11(2). A stakeholder assumes that IN-platform intends to keep actual IGCC principle of netting "at any costs", regardless of the opportunity costs within different LFC areas, adding that according to ENTSO-E's reports, it seems that some control areas suffer economic losses for up to 30% of the control cycles. The stakeholder concludes that this highlights that settlement rules are crucial to share appropriately the overall benefits of imbalance netting, and avoid any unjustified economic disadvantage.</p>	<p>The INIF does not cover the TSO-TSO settlement proposal, which will be developed in a different document.</p>
Content	<p>Optimisation regions: Comment on Art. 11(4). There is a need for market parties to understand the interactions between IN and aFRR cooperation would work.</p>	<p>ENTSO-E clarified optimisation regions in the INIF. Moreover, ENTSO-E explained in the ED that FCR is out of scope and included further description, justification and examples for optimisation regions.</p>
Content	<p>Optimisation regions: Comment on Art. 11(4)(c): What is the governance on multiple optimisation regions (excl. aFRR cooperation regions): do they have to merge once they have a common border, do they have to use the same platform?</p>	<p>ENTSO-E clarified the governance of optimisation regions.</p>
	<p>Merge of aFRR- and IN-Platforms: Comment on Art. 11(6): The proposed wording seems to imply that merging IN- and aFRR-Platforms is voluntary once both regions overlap ('can'). We do not see a reason why IN should remain separated if aFRR platform is fully implemented and both projects cover the same region.</p>	<p>ENTSO-E explained in the ED the possible future interaction between the aFRR-Platform and the IN-Platform. ENTSO-E deleted any references to the possible merge from the INIF, as it is considered out of scope.</p>

<p>Content</p>	<p>Algorithm: a stakeholder appreciates the general principles of the IN algorithm established in Article 11, setting the bases for its detailed formulation. However, requests that further details of the final formulation and optimisation calculation should be subsequently open to public, to ensure transparency and understanding for all agents affected.</p>	<p>IGCC will provide the principles of the algorithm in the upcoming months and requirements one month before go-live. ENTSO-E explained in the INIF ED, with several example, that the remaining imbalance will be the sum of aFRR demand and correction.</p>
<p>Content</p>	<p>Optimisation regions, merge of aFRR- and IN- Platforms: The INIF and ED should better explain and detail the interactions and dependencies among the IN-Platform and the aFRR-Platform. Major details should be given for the transitory period before the merge of the two platforms in terms of:</p> <ul style="list-style-type: none"> <li>- Respect of the "proportional distribution" principle as per article 3 of this Implementation Framework;</li> <li>- Amount of aFRR activation allowed in the implicit pre-netting phase in the "optimisation regions" participating to an aFRR cooperation before the execution of the IN Platform process</li> </ul> <p>In particular, an analysis of the technical (in terms of secure operation) and economic benefits should be provided, ensuring that benefits are shared in a fair manner between TSOs and that a level playing field is present for market participants in terms of aFRR activation (the ones providing balancing services in an optimisation region and the ones which are not connected to a TSO member of an optimisation region).</p>	<p>ENTSO-E added clarification on benefits of optimisation regions in the ED. Moreover, ENTSO-E explained optimisation regions in detail in the INIF. Moreover, the ED now clarifies that an optimisation region may deviate from the proportional distribution of netting potential: based on the available information, the most efficient netting of imbalances is performed. ENTSO-E also explained in the ED the possible future interaction between the aFRR-Platform and the IN-Platform and deleted any references to the possible merge from the INIF, as it is considered out of scope.</p>