
~~Energinet, Fingrid, Statnett and Svenska kraftnät proposal for an exemption to disallow balance service providers from transferring their obligations to provide aFFR capacity across bidding zone borders in accordance with Article 34(1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing~~

December 2019

Style Definition

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Exemption on transfer of Balancing Capacity

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ACER Decision on Exemption on transfer of aFRR Balancing Capacity: Annex

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Exemption to the obligation to allow transfer of aFRR balancing capacity for the Nordic LFC Block

in accordance with Article 34(1) of Commission Regulation (EU)
2017/2195 of 23 November 2017 establishing a guideline on electricity
balancing

5 August 2020

Exemption on transfer of Balancing Capacity

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Exemption on transfer of Balancing Capacity

Energinet, Fingrid, Statnett and Svenska kraftnät, taking into account the following,

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Exemption on transfer of Balancing Capacity

Whereas

(1) This document is a common proposal developed by the Transmission System Operators Energinet, Fingrid, Statnett, and Svenska kraftnät (hereinafter referred to as the “TSOs”) in the geographic area covering the Nordic synchronous area for provides an exemption from the requirement to allow balancing service providers (hereafter referred to as “BSPs”) to transfer their obligations to provide Frequency Restoration Reserve with automatic activation (hereinafter referred to as “aFRR”) capacity pursuant to Article 34(1) of Commission Regulation (EU) 2017/2195 of 23 November establishing a guideline on electricity balancing (hereafter referred to as the “EB Regulation”). This exemption would be limited to for the transfer geographic area covering the load frequency control block of obligations across bidding zone borders. This proposal is hereinafter the Nordic synchronous area (hereafter referred to as the “Proposal”.

(1) The Proposal takes into account the general principles and goals set out Nordic LFC Block”, as specified in the EB Regulation as well as accordance with Article 141(2) of Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as the “SO Regulation”);”). This document is hereinafter referred to as the “Exemption”.

(2) This Exemption applies to the Transmission System Operators of the Nordic LFC Block. The Transmission System Operators of the Nordic LFC Block (hereafter referred to as the “TSOs”) are considered the TSOs allowing balancing service providers to transfer their obligations to provide balancing capacity pursuant to Article 34(1) of the EB Regulation. Where the Nordic LFC Block encompasses both Union and third country TSOs, all Union TSOs in that synchronous area shall endeavour to conclude with the third country TSOs an agreement setting the basis for their cooperation.

(2)(3) This Exemption takes into account the general principles and goals set out in the EB Regulation as well as the SO Regulation, Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the “CACM Regulation”) and Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity (hereafter referred to as the “Electricity Market Regulation”).

(3) The goal of the EB Regulation is to establish an EU-wide set of technical, operational and market rules to govern the functioning of electricity balancing markets. It sets out rules for the procurement of balancing capacity, the activation of balancing energy and the financial settlement of balance responsible parties. It also requires the development of harmonised methodologies for the allocation of cross-zonal transmission capacity for balancing purposes. Such rules will increase the liquidity of short-term markets by allowing for more cross-border trade and for the more efficient use of the existing grid for the purposes of balancing energy.

(4) The TSOs are mutually willing to exchange aFRR capacity within the Nordic synchronous area and have developed common and harmonised rules and processes for the exchange and procurement of aFRR capacity. The exchange of aFRR capacity in the Nordic synchronous area is based on a TSO-TSO model

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Exemption on transfer of Balancing Capacity

obligations, as ~~described~~defined in the ~~TSOs' proposal for a methodology for a market based allocation process of cross-zonal capacity for the exchange of balancing capacity in accordance with~~pursuant to Article 41(1) of the EB Regulation, ensures that sufficient ~~cross-zonal capacity~~CZC is reserved to allow for the automatic activation of the awarded capacity. ~~Were~~If the cross-zonal transfers ~~were~~allowed, ~~contrary to the Proposal~~, the transfer of aFRR capacity obligations might result in a situation in which these obligations could not be fulfilled without violating operational security constraints.

(10)(c) ~~The Proposal~~This Exemption contributes to the efficient long-term operation and development of the electricity transmission system and electricity sector in the European Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets (Article 3(1)(d) of the EB Regulation) because the method used to award aFRR capacity market obligations, as ~~described~~defined in the ~~TSOs' proposal for the establishment of common and harmonised rules and processes for the exchange and procurement of balancing capacity and for the application of a market-based allocation process in accordance with~~methodologies pursuant to Article 33(1) and Article 38(1) of the EB Regulation, accounts for the potential value of ~~cross-zonal capacity~~CZC to the day-ahead energy market. ~~Cross~~Allowing the cross-zonal transfers of aFRR capacity obligations would risk obliging TSOs to restrict or reverse the efficient use of cross-zonal capacity CZC by the energy market in order to ensure operational security, because BSPs balancing service providers exchanging aFRR capacity obligations do not face the cost of the changes in cross-zonal the actual allocation of CZC to this extra balancing capacity exchange needed to safely enable the transfer. PreventingNot allowing such transfers prevents such inefficient transfers from occurring.

(11) ~~In conclusion, the Proposal contributes to the general objectives of the EB Regulation to the benefit of all market participants and electricity end consumers.~~

SUBMIT THE FOLLOWING PROPOSAL TO THE RELEVANT REGULATORY AUTHORITIES WITHIN THE NORDIC SYNCHRONOUS AREA:

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Exemption on transfer of Balancing Capacity

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Exemption on transfer of Balancing Capacity

TITLE 1

General provisions

Article 1

Subject matter and scope

1. ~~The Proposal shall be considered as~~ This document establishes the ~~common proposal from the TSOs for an exemption for the TSOs in the Nordic synchronous geographical area~~ from the requirement to allow BSPs ~~balancing service providers~~ to transfer their obligations to provide aFRR capacity ~~pursuant to in accordance with Article 34(1) of the EB Regulation. This exemption would be limited to the transfer (the 'Exemption'), while respecting the requirements of obligations across Article 32 of the EB Regulation.~~
1. ~~The Exemption applies to all the~~ bidding zone borders.
2. ~~The Proposal covers of the Nordic synchronous geographic area defined in the common rules and processes adjacent to the bidding zones in which TSOs of the Nordic LFC block perform common procurement of aFRR capacity~~ in accordance with Article 33(1) of the EB Regulation.

Article 2

Definitions and interpretation

- 1.3. ~~For the purposes of the Proposal~~ this Exemption, terms used in this ~~Proposal~~ document shall have the meaning of the definitions included in Article 2 of the EB Regulation, Article 3 of the SO Regulation and Article 2 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereafter referred to as "CACM Regulation"), the Electricity ~~Market~~ Regulation, Commission Regulation (EU) No 543/2013 of 14 June 2013 on the submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council (hereafter referred to as "Transparency Regulation") and Directive (EU) 2019/944.
- 2.1. In the ~~Proposal~~ Exemption, unless the context requires otherwise:
 - a) ~~the singular indicates the plural and vice versa;~~
 - b) ~~the table of contents and headings are inserted for convenience only and do not affect the interpretation of the Proposal; and this exemption;~~
 - c) ~~any reference to cross-zonal capacities shall include also the reference to allocation constraints as applied in the respective capacity calculation methodology pursuant to Article 20 of the CACM Regulation or Article 10 of the FCA Regulation;~~
 - d) ~~any reference to legislation, regulations, directive, order, instrument, code or any other enactment shall include any modification, extension or re-enactment of it then in force;~~

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Exemption on transfer of Balancing Capacity
(e) any reference to an Article without an indication of the document shall mean a reference to this methodology.

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Article 3

Exemption to transfer ~~bids~~ aFRR capacity obligations between bidding zones

~~1. A BSP shall not be allowed to transfer its obligations balancing service provider's obligation to provide aFRR capacity, i.e. results from the selection of an accepted aFRR capacity bid, in the procurement of aFRR capacity pursuant to Article 33(1) of the EB Regulation.~~

~~2. A balancing service provider shall not be allowed to transfer the obligation pursuant to paragraph 1, across bidding zone borders.~~

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TITLE 3 Final provisions

Article 4

Publication and implementation of the ~~Proposal~~ Exemption

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~~1. The TSOs shall publish the ProposalExemption without undue delay after the relevant regulatory authorities in the Nordic Capacity Calculation Region have approved the Proposal or a decision has been taken made by the European Union Agency for the Cooperation of Energy Regulators in accordance with Article 5(6), Article 5(7), Article 6(1) and Article 6(2) of the EB Regulation.~~

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~~2. The TSOs shall implement the Proposal at the same timeExemption as soon as the common and harmonised rules and processes for the exchange of aFRR capacity in accordance with Article 33(1) of the EB Regulation are implemented by the TSOs of the Nordic LFC Block.~~

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Article 5 Language

The reference language for ~~the Proposal~~ this Exemption shall be English. For the avoidance of doubt, where TSOs need to translate the ~~Proposal~~ Exemption into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 7 of the EB Regulation and any version in another language, the relevant TSOs shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of ~~the Proposal~~.

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