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Baltic TSOs request for derogation
from Article 53 (1) of Commission
Regulation (EU)
2017/2195 of 23 November 2017
establishing a guideline on
electricity balancing

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Baltic TSOs, considering the following:

Whereas

- 1) Commission regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereafter referred to as "EB GL") sets requirements for target balancing markets and settlement in European Union. According to Article 53 (1) of EB GL by three years after the entry into force of EB GL, all transmission system operators (hereafter referred to as "TSOs") shall apply the imbalance settlement period of 15 minutes in all scheduling areas while ensuring that all boundaries of market time unit shall coincide with boundaries of the imbalance settlement period.
- 2) According to Article 62 (1) of EB GL a regulatory authority in accordance with Article 37 of Directive 2009/72/EC may, at the request of a TSO or at its own initiative, grant the relevant TSOs a derogation from one or more provisions of this Regulation in accordance with paragraphs 2 to 12. Furthermore, in accordance with Article 62 (2) of EB GL a TSO may request a derogation from the following requirements: "*(d) the harmonisation of the imbalance settlement period in Article 53(1)*".
- 3) This document is request for derogation from Article 53 (1) of EB GL developed by Baltic TSOs in accordance with Article 62 (2) (d) (hereafter referred to as "Derogation request").
- 4) Derogation request is developed taking account principles stipulated in the Article 62 (3) saying that "*the derogation process shall be transparent, non-discriminatory, non-biased, well documented and based on a reasoned request*".
- 5) According to Article 62 (5) of EB GL the request for derogation shall include the following information:
 - a) *the provisions from which a derogation is requested;*
 - b) *the requested derogation period;*
 - c) *a detailed plan and timeline specifying how to address and ensure the implementation of the concerned provisions of EB GL after expiration of the derogation period;*
 - d) *an assessment of the consequences of requested derogation on adjacent markets;*
 - e) *an assessment of the possible risks for the integration of balancing markets across Europe caused by the requested derogation.*
- 6) According to Article 62 (8) when assessing the request for derogation (..) the relevant regulatory authority shall consider the following aspects:
 - f) *the difficulties related to the implementation of the concerned provision or provisions;*
 - g) *the risks and the implications of the concerned provision or provisions, in terms of operational security;*
 - h) *the actions taken to facilitate the implementation of the concerned provision or provisions;*
 - i) *the impacts of non-implementation of the concerned provision or provisions, in terms of non-discrimination and competition with other European market participants, in particular as regards demand response and renewable energy sources;*
 - j) *the impacts on overall economic efficiency and smart grid infrastructure;*
 - k) *the impacts on other scheduling areas and overall consequences on the European market integration process.*

considering the criteria established in the EB GL for the requests for derogation and the following information, jointly submit request for derogation to the national regulatory authorities of Estonia, Latvia and Lithuania.

I Introduction

In order to evaluate the possibility to fulfil the requirements of Article 53 (1) of EB GL Baltic TSOs jointly developed Baltic 15-minute imbalance settlement period implementation Concept Document (**attached as Annex to the Derogation request**). After that Baltic TSOs carried out the public consultation on the Baltic 15-minute imbalance settlement period implementation concept document from 10 May 2019 to 10 June 2019.

The preliminary concept document aimed to implement 15-minute ISP on 1st of December 2020. Feedback was received from 14 market participants, of which balance responsible parties (hereafter referred to as "BRPs"), distribution system operators (hereafter referred to as "DSOs") and balance service providers (hereafter referred to as "BSPs") were represented. The majority of respondents submitted negative feedback to the TSOs proposals, outlining the following main aspects:

- the two-step approach for the transition to a shorter ISP seems impractical: step I of the proposal provides no added value when compared to existing arrangements, stakeholders do not see added value from proposed changes if it does not motivate self-balancing closer to real time and does not create signals and incentives for it;
- insufficient time to develop or make changes to IT systems in order to accommodate a shorter ISP incl. quality of measurement data and measuring resolution, stakeholders see IT implementation challenging and costly, need more time to prepare and allocate budget;
- potential reduction of illiquidity of market products traded on the power exchange shorter than the existing 60-minute resolution taking into account the Nordics decision to postpone the implementation of the 15 minute ISP;
- differences in balancing product characteristics in the Baltic-Nordic balancing market, stakeholders indicate that changes to balancing market should not affect liquidity for Baltic-Nordic balancing market cooperation.
- on 26 April 2019, the Nordic TSOs posted the information about a delay in the implementation of 15-minute ISP for more than a year. A more detailed roadmap was presented on a Nordic Balancing Model on May 29th and the updated roadmap and concept for Nordic Balancing Model was subject to public consultation. ¹

Taking into account the feedback received from market participants, Baltic TSOs have agreed to submit the derogation application to national regulatory authorities with main arguments as follows:

- 1) Moving to 15 minutes time resolution affects the whole chain of business processes which entails investments especially for IT systems for the all market participants (including network operators). Along with the changes related to Datahubs and 15-minute metering, market participants need to modify their processes when 15 minute ISP and market time unit are implemented, e.g. updates in, trading-, balance management and production planning systems;
- 2) As indicated above and from the feedbacks from market participants it shall be addressed also the streamlining of the market time units across all markets, including the day ahead and intraday markets and their applicability in Baltic countries bidding zones and TSOs and NEMOs systems, services and business process adjustments and adaptation for different market time units;

¹ Link to Nordic roadmap document: https://consultations.entsoe.eu/markets/nbm-roadmap-consultation-1/supporting_documents/Report%20Nordic%20Balancing%20Model%20revised%20roadmap.pdf

- 3) For the purpose to establish incentives for BRPs when balancing and imbalance price is set for each 15 minute ISP the Baltic total balance control shall be done on 15 minutes, which requires implementation of automatic FRR balancing energy market.
- 4) Expected 15 minute ISP implementation derogation for Nordic balancing areas may decrease the liquidity for Baltic-Nordic balancing market cooperation.

II The provisions from which a derogation is requested and the requested derogation period (according to Article 62 (5) a) and b))

Baltic TSOs ask regulatory authorities to grant a derogation from **Article 53 (1)** of EB GL until the **31 December 2024**.

III Roadmap specifying how to address and ensure the implementation of the concerned provisions of EB GL after expiration of the derogation period (according to Article 62 (5) c))

Taking into account the implementation of European platform for the exchange of balancing energy from frequency restoration reserves with manual activation (hereinafter referred to as "MARI") which includes 15-minute mFRR balancing products and preparation for synchronisation with Continental Europe in Baltics which requires introduction of aFRR processes, the full implementation of 15 minute ISP in Baltics is foreseen to be done by completing 2 major milestones:

Milestone 1 with target date Q4 2022 – changes in Baltic balancing setup according to the EB GL requirements concerning mFRR processes and for joining MARI platform and implementation of related 15 minute data exchange capability on TSO-TSO, TSO-BRP and TSO-BSP business processes level;

Milestone 2 with target date Q4 2024 – a) introduction of aFRR processes in Baltics for preparation to synchronise with Continental Europe and joining PICASSO platform; b) 15 minute ISP measurement data collection on DSOs level according to national legislation.

Reaching these milestones will ensure that all elements of Baltic balancing setup and energy markets (Balancing and Intraday) **are in place for effective and self-balance motivating Baltic 15-minute ISP functioning**. Changes to the elements of the Baltic balancing setup and energy markets are shown in Table 1.

Table 1. Expected changes to the Baltic balancing setup and markets

Market elements	Current situation	Expected changes and interrelation with milestones	
		Milestone 1	Milestone 2
BRP scheduling	60 minute resolution schedules GCT 45 minutes before ISP (LV, LT) GCT 20 minutes before ISP (EE)	15 minute along with 60 minute resolution (EE only) schedules according to national BRP terms and conditions GCT 25 minutes before ISP	
ID market	Established Single Intraday Coupling (XBID) allows trading with 15 min ID products, but TSOs and NEMOs local systems and joint business processes shall be addressed	Baltic local developments and adaptation to ensure that all boundaries of MTU shall coincide with boundaries of the ISP15	
mFRR Balancing market	<ul style="list-style-type: none"> • 60 minute products • CMOL for each 60 minutes • GCT 45 minutes before ISP • Full activation time 15 minutes • Marginal price for each 60 minute ISP 	Requirements as defined for European mFRR balancing energy platform	
Settlement for BSPs	60 minutes	15 minutes	
Settlement for BRPs	Imbalance volume and imbalance price for 60 minutes	15 minutes Imbalance price methodology update to include European mFRR balancing energy standard product and pricing	15 minutes Imbalance price methodology update to include European aFRR balancing energy standard product and pricing
aFRR Balancing market	Not established	Requirements as defined for European aFRR balancing energy platform	
Balance control by TSOs	60 minutes	60 minutes	15 minutes

Detailed changes in day-ahead and intraday markets, balancing market, imbalance settlement and metering data allocation and 15-minute ISP implementation that are needed for the full implementation of ISP15 are described in Annex of this Derogation request.

IV An assessment of the consequences of requested derogation on adjacent markets (according to Article 62 (5) d))

The derogation from Article 53 (1) of EB GL until the 31 December 2024 should not impact the adjacent Balancing markets as 15-minute ISP implementation is postponed and existing balancing energy exchange model between Baltic-Nordic areas will remain without negative impact. Balancing energy exchange between Baltic and Poland areas are limited to support in case of emergency, therefore derogation should not have impact on Baltic-Poland balancing energy exchange.

Alignment of 15 min ISP implementation between Nordic and Baltic areas would minimize the impact to the day ahead and intraday market operation and market liquidity for Nordic and Baltic areas.

The derogation from Article 53 (1) of EB GL until the 31 December 2024 should also not to negatively impact development of smart grid infrastructure since certain level of implementation of smart grid infrastructure is considered as precondition for the full implementation of 15-minute ISP. The current smart grid infrastructure in the Baltics has not been sufficiently developed. Namely, in order to have 15-minute resolution metering data the meters should be changed or reconfigured, if possible. Such changes have impact for all electricity grid users and especially distribution system operators, therefore specific requirement 15-minute resolution metering should be included in relevant amendments to the national legislation.

V An assessment of the possible risks for the integration of balancing markets across Europe caused by the requested derogation (according to Article 62 (5) e))

The derogation from Article 53 (1) of EB GL until the 31 December 2024 will not cause any direct or indirect risk for integration of balancing markets across Europe as implementation of European mFRR balancing energy platform is foreseen as the first milestone of implementation of 15-minute ISP in Baltics.

Also, the derogation from Article 53 (1) of EB GL until the 31 December 2024 will not cause any direct or indirect risks for operational security as operational procedure of balancing market will comply with requirements of synchronous area. For the implementation of new operational procedures for aFRR and mFRR balancing energy market for the synchronization to Continental Europe the operational security requirements will be followed as defined in Commission Regulation 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation.