

Exemption to the obligation to allow transfer of aFRR and mFRR balancing capacity for all bidding zones in the Baltic countries in accordance with Article 34(1) of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

Table of Contents

Whereas	3
Article 1 Subject matter and scope	5
Article 2 Definitions.....	5
Article 3 Exemption to transfer aFRR and mFRR capacity obligations between bidding zones	5
Article 4 Publication and implementation of the exemption	5
Article 5 Language.....	6

AS Augstsprieguma tīkls, Elering AS and Litgrid AB Transmission System Operators taking into account the following:

Whereas

1. This document provides an exemption from the requirement to allow balancing service providers to transfer their obligations to provide Frequency Restoration Reserve with automatic activation (hereinafter referred to as “aFRR”) capacity and Frequency Restoration Reserve with manual activation (hereinafter referred to as “mFRR”) 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”) for the geographic area covering the countries of Estonia, Latvia and Lithuania (hereafter referred to as “the Baltic countries”). This document is hereinafter referred to as the “Exemption”.
2. This Exemption applies to the Transmission System Operators Elering AS, AS Augstsprieguma tīkls and Litgrid AB (hereafter referred to as the “Baltic TSOs”). The Baltic 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.
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 Regulation”).
4. The Baltic TSOs are mutually willing to exchange and share aFRR and mFRR capacity within the Baltic countries and have developed common and harmonised rules and processes for the exchange, sharing and procurement of aFRR and mFRR capacity. The exchange and sharing of aFRR and mFRR capacity in the Baltic countries is based on a TSO-TSO model taking into account the available cross-zonal capacity (hereinafter referred to as “CZC”) and the FRR dimensioning rules in accordance with Article 157 of the SO Regulation.
5. This Exemption is based on the possibility for the Baltic TSOs to request an exemption from the requirements of Article 34 of the EB Regulation regarding the transfer of balancing service providers' obligations to provide balancing capacity across bidding zones borders within the same geographical area in which the procurement of aFRR and mFRR capacity takes place. The Baltic TSOs can request an exemption from the requirement to allow balancing service providers to transfer balancing capacity bids when the contracting period is strictly less than one week. The contracting period for the aFRR and mFRR capacity market in the Baltic countries shall only be one day, and this is expected to reduce the need for such flexibility among balancing service providers relative to a longer contracting period.
6. Article 5(5) of the EB Regulation requires that the expected impact of the Exemption on the objectives of the EB Regulation is described. The expected impact is presented below.
7. This Exemption contributes and does not hamper the achievement of the objectives of Article 3 of the EB Regulation:
 - a. In accordance with Article 3(1)(a) of the EB regulation, the ability to transfer obligations within a bidding zone gives potential balancing service providers greater flexibility in

managing the risks of being unable to deliver and may encourage greater participation in the market by balancing service providers with limited alternative options for managing this risk in their own portfolio, encouraging competition in the balancing capacity market. Regarding the restriction of transfers across bidding zones, this Exemption ensures that there is no competitive advantage for balancing service providers with limited alternative options for managing the risk of non-delivery far better by effectively transferring capacity obligations within their portfolio. Finally, by establishing a common structure for the exemption across the whole Baltic aFRR and mFRR capacity market and structuring the exemption rules based on bidding zone borders, a level playing field for balancing capacity providers across the Baltic countries is ensured. Disallowing cross-border transfer of obligations shall also hinder opportunistic bidding for suppliers who might have assets in several bidding zones and which may try to optimize the price received / delivery costs associated with balancing capacity provision.

- b. In accordance with Article 3(1)(c) of the EB Regulation, the method used to procure aFRR and mFRR balancing capacities ensures that sufficient CZC is allocated for automatic and manual activation of the reserved capacity, pursuant to Article 41(1) of the EB Regulation. Operational security and the effectiveness of the exchange of balancing services would not be guaranteed if transfers of capacity obligations across bidding zones would be allowed, as CZC would also need to be allocated for the transfers in order to satisfy the obligations.
- c. In accordance with Article 3(1)(d) of the EB Regulation, the method used to procure aFRR and mFRR balancing capacities takes into account the forecasted market value of CZC allocated to the day-ahead energy market, pursuant to Article 33(1) and Article 38(1) of the EB Regulation. If transfers across bidding zones were to be allowed, then additional CZC would need to be allocated to perform the transfer of capacity while satisfying operational constraints. This is not foreseen when procuring aFRR and mFRR balancing capacity, therefore such transfers would unfairly limit the CZC allocated to the day-ahead market, which would be in conflict with Article 41(4) of the EB Regulation.

Article 1 Subject matter and scope

1. This document establishes the exemption for the TSOs in the geographical area of Estonia, Latvia and Lithuania from the requirement to allow balancing service providers to transfer their obligations to provide aFRR and mFRR capacity in accordance with Article 34(1) of the EB Regulation (the 'Exemption'), while respecting the requirements of Article 32 of the EB Regulation.
2. The Exemption applies to all the bidding zone borders between the bidding zones in the geographic area of Estonia, Latvia and Lithuania, and all adjacent borders to the bidding zones in which the Baltic TSOs perform common procurement of aFRR and mFRR capacity in accordance with Article 33(1) of the EB Regulation.

Article 2 Definitions

1. For the purposes of this Exemption, terms used in this 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 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. In the 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 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;
 - (e) any reference to an Article without an indication of the document shall mean a reference to this.

Article 3 Exemption to transfer aFRR and mFRR capacity obligations between bidding zones

1. A balancing service provider's obligation to provide aFRR and mFRR capacity results from the selection of aFRR and mFRR capacity bids in the procurement of aFRR and mFRR 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.

Article 4 Publication and implementation of the exemption

1. The TSOs shall publish the Proposal without undue delay after concerned regulatory authorities have approved this methodology or a decision has been made by the European Union Agency for the Cooperation of Energy Regulators. Baltic TSOs shall publish information about the launch of

procurement of FCR, aFRR, mFRR balancing capacity in accordance with this proposal no later than 3 months in advance.

2. The Baltic TSOs shall implement the Exemption as soon as the common and harmonised rules and processes for the exchange and sharing of aFRR and mFRR capacity in accordance with Article 33(1) of the EB Regulation are implemented by the Baltic TSOs.

Article 5 Language

The reference language for this Proposal shall be English. For the avoidance of doubt, where the Baltic TSOs need to translate this Proposal into their national language(s), in the event of inconsistencies between the English version published by the Baltic TSOs in accordance with Article 7 of the EB Regulation and any version in another language, the relevant TSO shall be obliged to dispel any inconsistencies by providing a revised translation of this Proposal to their relevant national regulatory authority.