APPROVAL BY CONCERNED REGULATORY AUTHORITIES

ON

ALL ASYNCHRONOUSLY CONNECTED TSOs' PROPOSAL FOR AMENDMENTS TO THE COMMON SETTLEMENT RULES FOR ALL UNINTENDED EXCHANGES OF ENERGY BETWEEN SYNCHRONOUS AREAS PURSUANT ARTICLE 51(2) OF COMMISSION REGULATION (EU) 2017/2195 OF 23 NOVEMBER 2017 ESTABLISHING A GUIDELINE ON ELECTRICITY BALANCING

23 January 2024

I. Introduction and legal context

Article 51 (2) of the Commission Regulation (EU) 2017/2195 (hereafter: EB regulation)[1] requires that by 18 months after the entry into force of the EB regulation, all asynchronously connected TSOs (hereafter: concerned TSOs) shall develop a proposal for common settlement rules applicable to all unintended exchanges of energy between asynchronously connected TSOs.

The final proposal shall be subject to the approval of all concerned Regulatory Authorities (hereafter: concerned RAs).

In the process of drafting and submitting the proposal according to article 51(2), the TSOs have adopted a definition of "asynchronously connected TSOs" that affects the geographical scope of the submission to the RAs. In this framework the asynchronously connected TSOs are all those TSOs that host at least one HVDC interconnecting two synchronous areas, namely: *50Hertz, Elering, Elia, Energinet, Fingrid*, *Litgrid, PSE, Statnett, Svenska kraftnät, TenneT DE* and *TenneT NL*. According to this definition, only the corresponding RAs have received the proposal, establishing the set of concerned RAs.

The final proposal was approved by all concerned RAs on 4 December 2019.

In 2023, all asynchronously connected TSOs submitted a proposal for amendments to the methodology for common settlement rules applicable to all unintended exchanges of energy, pursuant to Article 6(3) of the EB regulation (hereafter: the Proposal). The Proposal was received by the last concerned RA on 29 September 2023. Article 5(6) of the EB regulation requires relevant Regulatory Authorities to consult and closely cooperate and coordinate with each other in order to reach an agreement, and make decisions within six months following receipt of submissions of the last relevant Regulatory Authority concerned. A decision is therefore required by all concerned RAs by 29 March 2024.

This agreement of all concerned RAs shall provide evidence that a decision on the Proposal does not need to be adopted by ACER pursuant to Article 5(7) of the EB regulation.

[1] Commission regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing, referred to as the "EB regulation"

The legal provisions that lie at the basis of the Proposal and this all concerned RAs' agreement on the proposed amendments can be found in Articles 3 and 51 of the EB regulation:

Article 3 Objectives and regulatory aspects

1. This Regulation aims at:

(a) fostering effective competition, non-discrimination and transparency in balancing markets;

(b) enhancing efficiency of balancing as well as efficiency of European and national balancing markets;

(c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;

(d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;

(e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity;

(f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;

(g) facilitating the participation of renewable energy sources and support the achievement of the European Union target for the penetration of renewable generation.

2. When applying this Regulation, Member States, relevant regulatory authorities, and system operators shall:

(a) apply the principles of proportionality and non-discrimination;

(b) ensure transparency;

(c) apply the principle of optimisation between the highest overall efficiency and lowest total costs for all parties involved;

(d) ensure that TSOs make use of market-based mechanisms, as far as possible, in order to ensure network security and stability;

(e) ensure that the development of the forward, day-ahead and intraday markets is not compromised;

(f) respect the responsibility assigned to the relevant TSO in order to ensure system security, including as required by national legislation;

(g) consult with relevant DSOs and take account of potential impacts on their system;

(h) take into consideration agreed European standards and technical specifications.

Article 51 Unintended exchange of energy

1. By eighteen months after the entry into force of this Regulation, all TSOs of a synchronous area shall develop a proposal for common settlement rules applicable to all unintended exchanges of energy. The proposal shall include the following requirements:

(a) the price for unintended exchanges of energy withdrawn from the synchronous area shall reflect the prices for activated upward balancing energy for frequency restoration process or reserve replacement process for this synchronous area;

(b) the price for unintended exchanges of energy injected into the synchronous area shall reflect the prices for activated downward balancing energy for frequency restoration process or reserve replacement process for this synchronous area.

2. By eighteen months after the entry into force of this Regulation, all asynchronously connected TSOs shall develop a proposal for common settlement rules applicable to all unintended exchanges of energy between asynchronously connected TSOs.

3. The proposals of common settlement rules of unintended exchanges of energy between TSOs shall ensure a fair and equal distribution of costs and benefits between them.

4. All TSOs shall establish a coordinated mechanism for adjustments to settlements between them.

II. All Asynchronously Connected TSOs' Proposal

The Proposal was not consulted by TSOs, since it is not explicitly provided by Article 10 of the EB regulation.

The Proposal consists of the following:

- Inclusion of the settlement rules for the HVDC interconnector owned by TenneT DE and Statnett SF in annex 10,
- Changes to the annexes following the introduction of single imbalance pricing as part of the Nordic imbalance settlement,
- Correction of spelling and punctuation mistakes.

III. Concerned RAs Assessment

The concerned RAs deem that the Proposal is of formal character and does not change the content of the currently approved methodology. Therefore, RAs can accept the Proposal submitted by the concerned TSOs.

The concerned RAs also remind and invite TSOs to strive to further harmonise the settlement rules and to gradually remove the annexes as part of future amendments, according to the commitment set in art. 3(4) of the methodology.

III. Conclusion

All concerned RAs have assessed, consulted and closely cooperated and coordinated to reach the agreement that the proposed amendments to the methodology pursuant to Article 51(2) of the EB regulation can be approved.

All concerned RAs must make their decision on the basis of this agreement by 29 March 2024 latest.