

ACER Decision on the harmonisation of the main features of imbalance settlement: Annex II

Evaluation of responses to the public consultation on further specifying and harmonising imbalance settlement

1 Introduction

On 18 December 2018, all TSOs submitted to all regulatory authorities an ‘All TSOs’ proposal to further specify and harmonise imbalance settlement in accordance with Article 52(2) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing¹. The last regulatory authority received the Proposal on 11 February 2019.

All regulatory authorities jointly agreed on 11 July 2019 to request an amendment to the imbalance settlement methodology and sent this request to all TSOs. The last regulatory authority issued the request for amendment nationally on 11 September 2019. The last TSO submitted the amended ‘All TSOs’ proposal to further specify and harmonise imbalance settlement in accordance with Article 52(2) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing² (hereafter referred to as the ‘Proposal’) on 14 November 2019.

¹ <https://www.acer.europa.eu/en/Electricity/MARKET-CODES/ELECTRICITY-BALANCING/10%20ISH/Action%201%20-%20ISH%20proposal.pdf>

² <https://www.acer.europa.eu/en/Electricity/MARKET-CODES/ELECTRICITY-BALANCING/10%20ISH/Action%203%20-%20ISH%20amended%20proposal.pdf>

In an email³ dated 16 January 2020 and received by ACER on the same day, the Chair of the Energy Regulators Forum⁴, on behalf of all regulatory authorities, informed ACER that they were not able to reach an agreement within the two-month deadline. Therefore, the imbalance settlement methodology was referred to ACER as of 14 January 2020.

In accordance with Article 14 (6) of the Regulation (EU) 2019/942 of the European Parliament and of the Council of 5 June 2019, the Agency launched a public consultation on 9 March 2020 inviting all interested stakeholders, including ENTSO for Electricity, National Regulatory Authorities, and Transmission System Operators to provide any comments on the Proposal. The closing date for comments was 29 March 2020.

More specifically, the public consultation invited stakeholders to comment on the following aspects of the Proposal:

- (i) the calculation of the imbalance price;
- (ii) the value of avoided activation;
- (iii) further harmonisation; and
- (iv) other comments.

2 Responses

By the end of the consultation period, the Agency received responses from 33 respondents (one of them requested anonymity).

This evaluation paper includes all received comments by respondents and the Agency's views on them. The table below is organised according to the consultation questions and provides the respective views from the respondents, as well as a response from the Agency clarifying the extent to which their comments were taken into account.

³ <https://www.acer.europa.eu/en/Electricity/MARKET-CODES/ELECTRICITY-BALANCING/10%20ISH/Action%204%20-%20ISH%20referral%20to%20ACER%20letter.pdf>

⁴ The all regulatory authorities' platform to consult and cooperate for reaching a unanimous agreement on NEMO's and TSO's proposals.

Respondents' views	ACER views
Topic 1	
Question 1.1 Considering the different national balancing energy markets, do you see a benefit in harmonising the main components of the imbalance price calculation before the implementation of the European platforms for the exchange of balancing energy, given that the move to single position is already a big change with an impact on how TSOs balance the system?	
31 respondents provided an answer to this question.	
<p>11 respondents (Alpiq, EDP, EFET, Energie-Nederland, Eurelectric, Fortum, Ørsted, Statkraft, Swedenenergy, UPM, anonymous) support harmonising the main components of the imbalance price calculation before the implementation of the European platforms for the exchange of balancing energy. The main arguments are (Energie-Nederland) that it is an important step in the stepwise integration of the balancing market on a European level, and (UPM) the establishment of a level playing-field amongst participants in the upcoming EU-level aFRR and mFRR markets, particularly (Alpiq) in those countries with less market-based imbalance settlement mechanisms, where imbalance prices do not reflect the real-time value of energy.</p>	<p>ACER agrees with the position and arguments brought forward by stakeholders and amended the Proposal to set the timeline for the harmonisation of the main components for the imbalance price calculation to 18 months after the Decision on the imbalance settlement methodology.</p>
<p>Out of these 11 respondents, two respondents (EFET, Eurelectric) state that concerning the content of the Proposal there is no real harmonisation foreseen but rather a list of elements TSOs can pick from to settle the imbalance price, and suggest that ACER strengthens the content of Article 5 of the Proposal to ensure true harmonisation of imbalance settlement price components.</p>	<p>ACER agrees with stakeholders' comments and amended the Proposal to further specify the imbalance price calculation.</p>
<p>Out of these 11 respondents, three respondents (EDP, Eurelectric, Ørsted) state that they are in favour of an early implementation of the single position in those countries (e.g. Portugal) applying self-dispatch model, which does not have it yet, as stated in article 4(1) of the ISHP. According to two of them (EDP, Eurelectric), the imbalance settlement methodology could set an intermediate deadline regarding the single position, for example 6 months after the decision with a possibility to postpone the deadline at national level up to 12 months after the decision subject to operational justification and NRA's approval.</p>	<p>ACER takes note of the comment on the early implementation of the single position; however, considering that there is no legal basis for enforcing such requirement, as well as the challenging processes that need to be followed in these countries, ACER did not amend the Proposal with this respect.</p>

Respondents' views	ACER views
<p>Out of these 11 respondents, one respondent (Alpiq) states that the full harmonisation of imbalance price calculations are of much greater importance once European platforms for the exchange of balancing energy are introduced.</p>	<p>ACER agrees with this comment.</p>
<p>18 respondents (Acciona, ARMIE, BDEW, CEZ, EDF, Edison, Elexon, EnBW, ENEL, ENTSO-E, Factor Energia, Gas Natural, GNERA, Illwerke, PGE, RWE, Slovenské elektrárne, TDE) support the harmonisation of the imbalance price calculation after the implementation of the European platforms. Three of them (BDEW, Edison, Elexon, PGE) state that the whole process is already really complicated, therefore introducing additional transitional rules would be burdensome for market participants and TSOs and may be more costly than the benefits from such transitional harmonisation. One of them (ENEL) suggests TSOs to monitor during this period any distortions due to non-harmonisation.</p>	<p>ACER takes note of the comment regarding the possibility of burdensome and costly process, with respect to the harmonisation before the implementation of the European platforms. However, ACER understands that there is a legal requirement, stemming from Article 59(4) of the EB Regulation, for implementation of the imbalance settlement harmonisation methodology by 18 months after its approval; therefore, ACER amended the Proposal, with requirements on the imbalance price calculation with implementation timeline 18 months after the Decision.</p>
<p>Out of these 18 respondents, four respondents (BDEW, EnBW, ENEL, RWE) urge for a more ambitious target model for the harmonised imbalance settlement methodology that (ENEL) avoids distorting incentives to BRPs, BSPs and TSOs, and that supports competition and a level playing field among market participants. One of them (RWE) highlights the importance that TSOs take all necessary steps in order for a timely delivery of the EU platforms in parallel to the implementation of imbalance settlement harmonisation. Two of them (BDEW, EnBW) state that it would be beneficial if the proposal would go beyond the minimum requirements and outline common guidelines on how to implement the imbalance settlement framework.</p>	<p>ACER agrees with the comments on the importance of a timely implementation of the European platforms. Moreover, ACER amended the Proposal to clarify and better specify the imbalance settlement framework, by describing the process for the use of the single imbalance pricing.</p>
<p>Out of these 18 respondents, one respondent (Acciona) states that harmonising the rest of the components that each TSO may use and, most importantly, the principles for calculating the imbalance price (maximum</p>	<p>ACER takes note of this comment and indeed amended the Proposal to explicitly</p>

Respondents' views	ACER views
<p>of all balancing energy prices or volume weighted average price) could facilitate the convergence of methodologies when full participation in European platforms is achieved.</p>	<p>refer to these two principles, striving for more harmonisation. However, during the consultation with regulatory authorities and TSOs, it became evident that both approaches are necessary for the TSOs, since they are used for providing different incentives depending on the way each TSO balances its system. ACER acknowledges the increased level of uncertainty with respect to the impact of the balancing market changes in the future balancing needs of the system and the way each TSO chooses to balance it. Therefore, ACER explicitly included both options in the Proposal, allowing also combinations between the two approaches for the calculation of the imbalance price.</p>
<p>Out of these 18 respondents, one respondent (ENTSO-E) emphasises that all TSOs have made a proposal compliant with the legal requirements defined in the EB Regulation and have detailed the appropriate level of harmonisation before and after the balancing platforms in a way that allows for an efficient alignment/implementation process on national level.</p>	<p>ACER considers that the Proposal does not harmonise the main components for the calculation of the imbalance price, pursuant to Article 52(2)(b) of the EB Regulation, within the required timeline by the EB Regulation (Article 52(4)), i.e. 18 months after the approval of this methodology, since the implementation of the European platforms is scheduled for later than this deadline. Therefore, ACER amended the Proposal, by requiring harmonised components also before the</p>

Respondents' views	ACER views
	implementation of the European platforms.
One respondent (Lausitz Energie Kraftwerke) states that it is worth aspiring to have uniform regulations and that it is also necessary on the European level. In accord with that, a European platform could lead to an easier market access for new participants.	ACER agrees with the comment.
One respondent (IFIEC Europe) states that the improved functioning of the trading platforms must be weighed against the possibly negative impact on the national balancing energy markets. This respondent considers that further harmonisation may be required for the platforms to function properly but should not be an end in itself. The efficiency of the platform should be at the centre, in order to ensure the lowest cost to consumers.	ACER agrees with the comment; the European report on the integration of the balancing markets pursuant to Article 59 of the EB Regulation should also assess these aspects.
Question 1.2 Please share your views concerning the principles for calculating the imbalance price - only on the basis of balancing energy prices, or - using the related volumes as well, to weigh between multiple prices occurring within an ISP.	
30 respondents provided an answer to this question.	
Five respondents (Energie-Nederland, Fortum, PGE, Slovenské elektrárne, UPM) support calculating the imbalance price only on the basis of balancing energy prices.	As mentioned in the response in the previous question, ACER amended the Proposal to explicitly include both possibilities for TSOs.
Out of these five respondents, one respondent (UPM) points out that no scarcity factors or other “incentivizing components” should be used in addition to balancing market prices, and that there should be enough trust in the markets in determining the right price for imbalance price.	ACER understands that the EB Regulation allows additional components to be used in the calculation of the imbalance price, since the requirement for specification and harmonisation in Article 52(2) of the EB Regulation is related only to the main

Respondents' views	ACER views
	<p>components used in the calculation of the imbalance price.</p> <p>However, ACER takes note of this comment and highlights that the Proposal requires the publication of the value of such additional components, when they are used, increasing the transparency for any deviations from the use of the main components.</p>
<p>22 respondents (Acciona, ARMIE, BDEW, CEZ, EDF, Edison, EDP, EFET, Elexon, EnBW, ENEL, Eurelectric, Factor Energia, Gas Natural, GNERA, IFIEC, Ørsted, RWE, Statkraft, Swedenenergy, TDE, anonymous) support using a volume weighted average price for calculating the imbalance price.</p>	<p>As mentioned in the response in the previous question, ACER amended the Proposal to explicitly include both possibilities for TSOs.</p>
<p>Out of these 22 respondents, six respondents (EDF, Edison, EDP, ENEL, Factor Energia, Gas Natural) state that using the volume weighted average price of all balancing energy volumes to calculate the imbalance price is the only approach, which correctly reflects the costs incurred by TSOs to balance their system and (Factor Energia) the real value of the balancing energy.</p>	<p>ACER disagrees with the comment with respect to the position that the imbalance price should reflect the costs incurred by TSOs to balance their system.</p> <p>ACER highlights that the explicit requirement for the imbalance price in accordance with Article 44(1)(b) of the EB Regulation is that it “reflects the real time value of energy”, and understands it is a market-based approach for determining this value rather than a cost-reflective one, which could open the possibility for including also other, non balancing energy related costs in the calculation of the imbalance price.</p>

Respondents' views	ACER views
<p>Out of these 22 respondents, three respondents (EDF, Edison, IFIEC) comment on the incentives, and state that (IFIEC) a volume weighted average price gives the market parties an effective and transparent incentive, which they can understand and respond to, and (EDF, Edison) provides BRPs with sufficient incentive to be balanced.</p>	<p>ACER takes note of the impact of the suggested approach on the incentives to market parties; however, ACER notes also that the EB Regulation (Article 44(1)(c)) recognises two incentives for BRPs: to be in balance or help the system to restore its balance. Therefore, TSOs may choose to provide different incentives to their BRPs, hence also adopting different principles for the calculation of the imbalance price.</p>
<p>Out of these 22 respondents, three respondents (Eurelectric, RWE, Swedenergy) comment on the financial neutrality of the TSOs. Two respondents (Eurelectric, Swedenenergy) state that the weighted average of individual marginal prices is the best method to ensure financial neutrality of the TSOs in this context (i.e. ACER Decision on balancing energy pricing pursuant to Article 30(1) of the EB Regulation), and that a full understanding of how the imbalance price is formed (via the main components or the additional ones) is required; should the ACER Decision on balancing energy pricing be revised, there should be a subsequent revision of the imbalance price methodology. One respondent (RWE) states that not taking into consideration the respective volumes would result in substantial unjustified revenues for the TSO.</p>	<p>ACER agrees that the financial neutrality of the TSOs is one of the main settlement principles and it should be ensured throughout the whole balancing process and the relevant transactions, thus being eventually a requirement fulfilled at national level pursuant to Article 44(2) of the EB Regulation. This requirement can either be fulfilled by equalizing the imbalance revenue to the balancing energy costs or by including the surplus or shortage to be fed back into the transmission tariff methodology.</p>
<p>Out of these 22 respondents, one respondent (Eurelectric) states that the imbalance settlement methodology should contain an actual imbalance price methodology instead of a simple, non-exhaustive list of major components, which is also supported by another respondent (Ørsted), who states that the available options for the components should be based on an exhaustive list included in the methodology.</p>	<p>ACER agrees with this comment and amended the Proposal to include the description of an imbalance price methodology with further specifying the various steps.</p>

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<p>Out of these 22 respondents, two respondents (BDEW, EnBW) state that even if energy from different balancing energy products during the same ISP would be valued the same (which they do not support), only those cross-border marginal prices of products that were actually requested by a TSO (i.e. with a non-zero volume), should be included in his imbalance price calculation. The same respondents mention that the same holds true for the balancing direction.</p>	<p>ACER agrees with the comment and amended the Proposal to link the balancing energy activations requested by each TSO with the determination of the system imbalance direction as well as the calculation of the imbalance price.</p>
<p>Out of these 22 respondents, one respondent (EDP) states that the use of balancing energy prices alone would have asymmetrical repercussions on the different imbalance price areas according to the balancing strategy of the TSO(s) operating in it, being this strategy more proactive or reactive, and that some concerns on transparency should be considered, to include safeguards on this in the ISHP.</p>	<p>ACER agrees with the concern raised in this comment and amended the Proposal to allow the flexibility to TSOs to decide which of the two approaches they want to use, based on their system needs.</p>
<p>Out of these 22 respondents, one respondent (Statkraft) states that with weighted average of balancing energy prices due consideration must be given to avoid suppression of imbalance prices.</p>	<p>ACER agrees with the comment, and amended the Proposal to ensure the compliance of the imbalance price with the boundary conditions set in Article 55 of the EB Regulation.</p>
<p>One respondent (Lausitz Energie Kraftwerke) supports the use of symmetric price building. The same respondent stated that in case of a European harmonisation, it is essential that no exception in symmetric price building takes place.</p>	<p>ACER takes note of this comment and considers the assessment of symmetric price building in the context of the European report on the integration of balancing markets, pursuant to Article 59 of the EB Regulation.</p>
<p>One respondent (Alpiq) does not have a strong view, as either approach has advantages and disadvantages.</p>	<p>ACER agrees with the comment.</p>
<p>One stakeholder (ENTSO-E) states that requesting a harmonisation in terms of a common approach for the imbalance settlement calculation formula across Europe goes against the flexibility options allowed by</p>	<p>ACER takes note of this comment and, as explained above, amended the Proposal to allow the flexibility of both options to the</p>

Respondents' views	ACER views
<p>the SO and EB Regulations and far beyond the requirements for further harmonisation established in the EB Regulation.</p>	<p>TSOs, until the new balancing regime is established by the European platforms and the need for a further harmonised approach is assessed.</p>
<p>Question 1.3 Please share your views concerning potential indicators for assessing the effectiveness of the imbalance price calculation methodology.</p>	
<p>24 respondents provided an answer to this question.</p>	
<p>15 respondents (Acciona, Alpiq, ARMIE, BDEW, EFET, Elexon, EnBW, Energie-Nederland, Eurelectric, Factor Energia, GNERA, IFIEC, RWE, Slovenské elektrárne, Statkraft) suggest possible indicators for assessing the effectiveness of the imbalance price calculation methodology and in general the imbalance settlement:</p> <ul style="list-style-type: none"> - Prices: the ratio that relates the daily market price with the imbalance settlement price (ARMIE, Energie-Nederland, Factor Energia, GNERA), the price differences between intraday products traded close to delivery and imbalance settlement prices (Alpiq, Energie-Nederland), the imbalance prices versus actual imbalances / energy balancing price(s) / average position of BRPs, and the depth of the aFRR, mFRR and RR merit order versus balancing energy price and imbalance price (Energie-Nederland), the mutual relation of imbalance prices in interconnected areas when cross-zonal exchange capacities are not saturated (BDEW, EFET, EnBW, Eurelectric, RWE); - Volume: the amount of activated FRRs (Statkraft), the ratio that compares the volume trade in the daily market against the imbalance volume (ARMIE, Factor Energia, GNERA), the ratio that compares the imbalance volume use with the new operation and the imbalance volume used before the change (ARMIE, GNERA), total traded intraday volume per product monitored over a certain period (RWE), impact on minimisation of deviations of market participants (Slovenské elektrárne), and market response to imbalances (Energie-Nederland); - Cost: cost of balancing the systems (Elexon, IFIEC), difference between the total amount resulting from the imbalance settlement and the total balancing energy cost (Acciona), the level of excess TSO revenues 	<p>ACER takes note of the indicators suggested by the market participants. It recognises that some of them are already part of the list with the performance indicators of the European report on the integration of the balancing markets, pursuant to Article 59(4) of the EB Regulation, while some others fall under the qualitative assessment requirements pursuant to Article 59(3)(i) of the EB Regulation.</p> <p>ACER intends to discuss with ENTSO-E the extent to which the suggested indicators can be taken into account in the next versions of the European report on the integration of the balancing markets, pursuant to Article 59 of the EB Regulation.</p>

Respondents' views	ACER views
<p>generated from balancing and thereafter redistributed (Alpiq), and the financial sustainability of the system (Factor Energia);</p> <p>- Qualitative feedback from market participants on 'customer service' from TSOs and the ease of operating in multiple balancing markets (Elexon).</p>	
<p>Two respondents (EDP, Fortum) state that the effectiveness of the imbalance price calculation can be assessed by looking to what extent the imbalance price gives incentives to BRPs to either be balanced or support the power system balance. One of them (Fortum) adds that there should be enough transparency making it possible for BRPs to react on the system's state and that real-time information on the balancing prices as well as on the depth of balancing offer curves is important, together with a clear methodology on how imbalance price is calculated.</p>	<p>ACER agrees with the comment, however notes that measuring whether the proper incentives are provided is a challenge for the European report.</p> <p>With respect to the transparency, this issue was discussed during ACER's consultation with NRAs and TSOs, however the fact that each TSO is allowed to provide different incentives leads also to different approaches with respect to publication.</p> <p>Nevertheless, ACER notes that although pursuant to Article 6(13) of the Electricity Regulation, there is some flexibility for the timing of the publication (requiring it by 30 minutes after real-time), REMIT requirements on disclosure of what can be considered as 'inside information' should also be taken into account.⁵</p>

⁵ For more information on this, please also check the recent ACER Guidance on the application of REMIT: <https://documents.acer-remit.eu/wp-content/uploads/5th-Edition-ACER-Guidance.pdf>

Respondents' views	ACER views
<p>Two respondents (Gas Natural, PGE) support that such indicators should not be needed if the imbalance price is the proper one. One of them (Gas Natural) states that this is achieved by using a weighted price of used balancing energies, while the other respondent (PGE) states that this is achieved by using true marginal pricing for each ISP.</p>	<p>ACER understands that since there are different ways of balancing the system across Europe, these indicators are necessary to identify the need for further harmonisation.</p>
<p>Three respondents (EDF, Edison, ENEL) state the context of this methodology is not the proper one for defining these indicators. One of them (ENEL) suggests this process to be done in the European report on integration of balancing markets (pursuant to Article 59 of the EB Regulation), which shall describe and provide detailed data regarding the approaches followed by each TSO, as well as indicators related to them that would be able to discover any distortions due to non-harmonisation. Two of them (EDF, Edison) state that the possible identification of specific indicators for the effectiveness of the imbalance price calculation methods valid for all TSOs must be preceded by an extensive analysis of the reasons and the need for further harmonisation of imbalance settlement rules. While one of them (EDF) states that as of today, it does not see any interest in further harmonisation.</p>	<p>ACER takes note of this comment. In line with what the stakeholders suggest, ACER did link these indicators to the assessment required in the context of the report on the integration of the balancing markets.</p>
<p>One stakeholder (ENTSO-E) states that all TSOs are concerned that an attempt to detail performance indicators for assessing the effectiveness of the imbalance price calculation methodology, especially in legal format, is at best not possible to apply, and at worst would result in detrimental legal requirements and add unnecessary uncertainties on the future of imbalance settlement across Europe, especially for the BRPs.</p>	<p>ACER takes note of this comment and understands the reluctance from TSOs' side until the establishment of the European platforms. Therefore, ACER amended the Proposal to only refer to the requirements of Article 59 of the EB Regulation and a re-evaluation of the harmonisation of the imbalance settlement process only after the establishment of the European platforms.</p>
<p>One respondent (Lausitz) states that in Germany, the model of imbalance pricing incorporates intraday price level, and that it is realized with setting price limits and rising or decreasing imbalance prices to that limit. The same respondent added that this function ensures less incentives for market participants in speculations and imbalancing, and it added that it strictly recommends that intentionally imbalancing</p>	<p>ACER takes note of this comment.</p>

Respondents' views	ACER views
<p>should be penalised, furthermore knowingly trading against balances without having the balancing or scheduled power should be punished.</p>	
<p>Topic 2</p>	
<p>Question 2.1 In which cases would you deem necessary the use of the VoAA?</p>	
<p>22 respondents provided an answer to this question.</p>	
<p>Eight respondents (BDEW, EDP, EFET, EnBW, ENEL, Energie-Nederland, ENTSO-E, Eurelectric) support that the condition for “no activation of balancing energy” of the EB Regulation covers the following two cases:</p> <ul style="list-style-type: none"> (i) imbalance price area in balance, (ii) imbalance price area not in balance but TSOs only use imbalance netting to balance the system. <p>Three respondents (ENEL, Energie-Nederland, Eurelectric) add that all possible cases should be explicitly mentioned in the imbalance settlement harmonisation methodology, and when all BRPs are balanced, then the VoAA is not needed.</p>	<p>ACER agrees with the comment.</p> <p>When amending the Proposal by further specifying the use of the single imbalance pricing and in particular, the calculation of the imbalance price, ACER also clarified where in the process the VoAA should be used.</p> <p>Moreover, ACER kept the use of VoAA in the dual imbalance pricing, as suggested in the Proposal.</p>
<p>Out of these eight respondents, three respondents (BDEW, EFET, EnBW) state that apart from the abovementioned two cases, the VoAA has to be applied also where a TSO’s request for balancing energy is partially fulfilled by netting of imbalances prior to activation of balancing energy.</p>	<p>ACER does not agree with this comment.</p> <p>When the TSO’s request for balancing energy is partially fulfilled by netting of imbalances, the rest is still covered by the activation of balancing energy, hence there is an available balancing energy price for the calculation of the imbalance price.</p>
<p>Out of these eight respondents, one respondent (ENTSO-E) states that apart from the abovementioned two cases, the condition for “no activation of balancing energy” of the EB Regulation covers also the case when the TSO could not determine demand and/or request balancing energy activation. Additionally, this</p>	<p>ACER agrees with the comment with respect to using the VoAA also in case of dual pricing, in addition to the case when</p>

Respondents' views	ACER views
<p>respondent states that apart from the definition of the boundary conditions according to Article 55 of the EB Regulation, each TSO may choose to apply the VoAA as imbalance price in specific ISPs, for example in these cases:</p> <ol style="list-style-type: none"> 1. In case dual pricing is applied; 2. In case there has been no activation of balancing energy in either direction for the imbalance price area; 3. For price determination in case of market suspension. 	<p>there is no activation of balancing energy in both directions.</p>
<p>Seven respondents (EDF, Edison, Fortum, Nord Pool, Slovenské elektrárne, Swedenenergy, UPM) support that VoAA should be used in cases, where there are no activated balancing energy bids in any direction during a given ISP. Two respondents (Fortum, Swedenenergy) note that in these cases, and when there are BRPs with imbalances, the VoAA should be used for the settlement of BRP's imbalances.</p>	<p>ACER agrees with the comment and this is reflected in the methodology (as one of the cases).</p>
<p>Out of these seven respondents, one respondent (UPM) states that VoAA needs to be defined to reflect the value of day-ahead price or intra-day market value, if day-ahead price is regarded as being too far away from current ISP.</p>	<p>ACER considers that the TSOs may only use balancing energy prices for the calculation of the VoAA but in general agrees that the VoAA should reflect a price level around the price of the final electricity market price.</p>
<p>Out of these seven respondents, one respondent (EDF) adds that it expects those cases to occur very rarely.</p>	<p>ACER notes that this depends highly on the integration of the balancing markets.</p>
<p>One respondent (Acciona) states that the VoAA is useful as a reference imbalance price, giving all BRPs equal knowledge on what to expect and incentivising them to minimise their imbalance.</p>	<p>ACER agrees with this comment.</p>
<p>One respondent (Lausitz Energie Kraftwerke) states that it sees the danger that new products “frequency restoration reserves” or “replacement reserves” could work against the current products mFRR and aFRR. The same respondent adds that VoAA needs to be more detailed in a transparent way, and that arbitrary activation of VoAA by TSOs should be avoided, activation approach of merit-order is possible.</p>	<p>ACER takes note of this comment. However, “frequency restoration reserves” or “replacement reserves” should not be considered as new products, but rather a wording that ensures consistency with the EB Regulation.</p>

Respondents' views	ACER views
<p>Three respondents (ARMIE, Factor Energia, GNERA) state that the information of this VoAA topic is not enough detailed, providing some doubts when reading documents as the workshop slides, and requested more clarification as the purpose of this value is not clear. They state that in case no activation of balancing energy in either direction has occurred during the ISP, the daily price reference should be considered.</p>	<p>ACER takes note of the comment and notes that it considers that the TSOs may only use balancing energy prices for the calculation of the VoAA.</p>
<p>One respondent (CEZ) states that it does not fully agree with the use of VoAA, since with single position and functioning markets there will be no use of it. The same respondent states that full transparency is required on the cases as well as on the methodology for calculating VoAA.</p>	<p>ACER takes note of the comment. When amending the Proposal by further specifying the use of the single imbalance pricing and in particular, the calculation of the imbalance price, ACER also clarified where in the process the VoAA should be used.</p>
<p>One respondent (Illwerke) states that the requirements and provisions of the AE should be met in any case and should also be clearly and unambiguously defined.</p>	<p>ACER takes note of the comment.</p>
<p>Question 2.2 Please share your views concerning the definition of the VoAA.</p>	
<p>24 respondents provided an answer to this question (three of them referred to their answer to the previous question, so only 21 respondents are mentioned below).</p>	
<p>Four respondents (Acciona, EDF, Edison, UPM) support using the price resulting from the energy markets, and in particular, the day-ahead price for defining the VoAA.</p>	<p>ACER considers that the TSOs may only use balancing energy prices for the calculation of the VoAA, since they better reflect the real time value of energy.</p>
<p>Out of these four respondents, three respondents (EDF, Edison, UPM) state that if day-ahead price is regarded being too far away from current ISP, intraday market value could be used as a basis to define VoAA instead, which better reflect the real time value of the electricity and, therefore, the value of avoided activation of balancing energy from frequency restoration reserves or replacement reserves. One of the respondents (UPM) emphasizes the importance of using actualised prices instead of artificial bid prices and that balancing prices need to reflect the market value of electricity and be transparent.</p>	<p>ACER understands that in different markets the real time value of energy may be provided by different processes. However, in the context of integrated balancing markets, this value should be based on the balancing energy prices.</p>

Respondents' views	ACER views
<p>Out of these four respondents, one respondent (Acciona) states that the default value of the VoAA should be set alternatively (if not at the level of the day-ahead price) at the average of the 'cheapest' bids available in the upwards and downwards directions that would have been necessary to compensate for the actual imbalances.</p>	<p>ACER agrees with the comment and considers that the TSOs may only use balancing energy prices for the calculation of the VoAA, since they better reflect the real time value of energy.</p>
<p>Three respondents (BDEW, EFET, EnBW) consider that the VoAA should be defined in line with pricing of balancing energy, and that the VoAA is the consequent continuation of balancing energy pricing from the common merit order and should thus be a result of the AOF.</p>	<p>ACER agrees with the comment and considers that the TSOs may only use balancing energy prices for the calculation of the VoAA, since they better reflect the real time value of energy.</p>
<p>Eight respondents (CEZ, EDP, Energie-Nederland, Eurelectric, Fortum, PGE, Slovenské elektrárne, Swedenenergy) do not propose a value for the definition of the VoAA, but they state that it is necessary to clearly define the VoAA and the principles for its calculation. One of them (CEZ) states that it has concerns on the use of the balancing energy merit order lists to calculate the VoAA, since these bids are not real activated bids and the merit order list contains many kinds of bid formats.</p> <p>Out of these eight respondents, four respondents (EDP, Energie-Nederland, Eurelectric, Swedenenergy) state that the current definition in the Proposal is not precise enough to ensure its harmonisation as different way to interpret the definition can lead to different values for the VoAA (and this, even if the VoAA is only used in limited cases), which can undermine harmonisation goals.</p>	<p>ACER understands the concerns raised by the respondents on the need for a single way of calculating the VoAA; however, taking into account the differences in the balancing markets until the establishment of the European platforms, it does not include a formula for the calculation of the VoAA in the imbalance settlement harmonisation methodology.</p>
<p>Three respondents (ARMIE, GNERA, Nord Pool) state that due to the unclarity of the concept, it appears difficult to establish a reasonable definition of the VoAA. Two of them (GNERA and ARMIE) add that in case no activation of balancing energy in either direction has occurred during the imbalance settlement period there should be no penalty using the daily market price.</p>	<p>ACER considers that the TSOs may only use balancing energy prices for the calculation of the VoAA, since they better reflect the real time value of energy.</p>
<p>Two respondents (Alpiq, Illwerke) agree with ACER that the Proposal fails to properly define the VoAA.</p>	<p>ACER, taking into account the differences in the balancing markets until the establishment of the European platforms, understands that at this point there can be</p>

Respondents' views	ACER views
	no single value across Europe to be defined as the VoAA, hence it does not include a formula for the calculation of the VoAA in the imbalance settlement harmonisation methodology.
<p>One respondent (ENTSO-E) states that all TSOs have specified the application and the determination of VoAA in line with the EB Regulation general principles stipulated in Article 44(1). The same stakeholder added that it is important that the VoAA efficiently reflects the real-time system need in order to ensure correct BRP incentives also in cases where the system is in balance or the need for balancing energy is covered by a netting process, and that the VoAA cannot be understood only as theoretical value rarely applied in practice.</p>	ACER agrees with this comment.
<p>Topic 3 Question 3 Please share your view concerning the issue of further harmonisation. <i>(The Agency seeks the opinion of stakeholders with respect to what they consider as the main features of imbalance settlement and which indicators they consider relevant for assessing distortions due to non-harmonisation.)</i></p>	
<p>27 respondents provided an answer to this question.</p>	
<p>Four respondents (Edison, Elexon, ENTSO-E, PGE) state that no further harmonisation is required by the EB Regulation, nor is needed for now. One of them (Edison) supports that the reporting obligations introduced according to Article 59 of the EB Regulation aimed to assess, among others, the progress of the harmonisation of the main features of imbalance settlement as well as the consequences and possible distortions due to non-harmonisation, while another respondent (ENTSO-E) states that introducing an additional legal requirement for further harmonisation is beyond the EB Regulation requirements.</p>	<p>ACER does not agree with the comment that no further harmonisation is required by the EB Regulation for the imbalance settlement. The fact that Article 59(3)(i) of the EB Regulation requires the assessment of the progress of harmonisation as well as its consequences and possible distortions, suggests that according to the EB Regulation, this harmonisation should be seen as a continuous process of implementing and further adjusting</p>

Respondents' views	ACER views
	through proper assessment. In line with this view, ACER amended the Proposal to refer to the requirements of Article 59 of the EB Regulation and a re-evaluation of the harmonisation of the imbalance settlement process only after the establishment of the European platforms.
<p>Out of these four respondents, one respondent (PGE) states that the focus should be first on the implementation of the current applicable rules before deciding on further harmonisation after thorough assessment; while another respondent (Elexon) states that any further harmonisation should stem from an identified defect, and be subject to the appropriate processes during the development of a solution. The same respondent added that TSOs should retain a level of flexibility to address scenarios unique to their energy systems while continuing to work towards an efficient system for all consumers.</p>	<p>ACER takes note of this comment and as explained above it amended the Proposal to request further harmonisation only after a proper assessment.</p>
<p>12 respondents (ARMIE, CEZ, EDF, EDP, EFET, ENEL, Eurelectric, Fortum, Factor Energia, GNERA, Illwerke, Lausitz Energie Kraftwerke) state that they fully agree with the need to evaluate the effectiveness of the imbalance price calculation methodology and to assess the need for further harmonisation, and suggest different approaches for this process.</p>	<p>ACER agrees with the respondents and, taking into account the concerns raised by other respondents (as presented above), amended the Proposal to include a requirement for an assessment after the implementation of the European platforms.</p>
<p>Out of these 12 respondents, two respondents (EDF, ENEL) suggest that this should be done in the context of the European report on integration of balancing markets, pursuant to Article 59 of the EB Regulation.</p>	<p>ACER agrees with the comment and amended the Proposal accordingly, as explained above.</p>
<p>Out of these 12 respondents, five respondents (CEZ, EDP, Eurelectric, Fortum, Illwerke, Lausitz Energie Kraftwerke) support an iterative and interactive process as a way to identify further needs for harmonisation and a step-wise approach for the introduction of new requirements with suitable and enlarged periods for realisation (considering phases for evaluation). One of them (Eurelectric) stresses that</p>	<p>ACER agrees with the comment; however, taking into account the concerns raised by other respondents, it has not specified an iterative process but rather a requirement for an assessment after the implementation</p>

Respondents' views	ACER views
<p>in order to implement such a process, it is important to list the main features of imbalance settlement as well as indicators related to them that would be able to discover any distortions due to non-harmonisation.</p>	<p>of the European platforms. Nevertheless, ACER considers that the European report for the integration of balancing markets, pursuant to Article 59 of the EB Regulation, may serve as a regular assessment of the progress until the establishment of the European platforms.</p>
<p>Out of these 12 respondents, one respondent (EFET) remains concerned about the level of ambition of the proposal, which is deemed far too low in terms of true harmonisation. It states that ACER should require NRAs and TSOs to introduce transparent and open stakeholder involvement including providing clear roadmaps, milestones, data, testing capabilities etc. to inform a long period of changes in balancing regimes albeit with limited harmonisation beyond the creation of European platforms. The lack of clear and definitive roadmaps creates an undue commercial risk to BRPs that should be avoided.</p>	<p>ACER amended the Proposal to specify harmonised processes for the implementation of the imbalance settlement, to take place by 18 months after the approval of the methodology. However, the imbalance settlement process is part of the national terms and conditions and a common (European) timeline for introducing the changes would be rather difficult under the very diverse national balancing markets.</p>
<p>Out of these 12 respondents, three respondents (ARMIE, Factor Energia, GNERA) state that this problem would not have to occur if harmonisation is implemented at the same time in all countries, at least in the main European countries (Italy, Germany, France and Spain), which should agree to harmonise their systems at the same time. In any other case, there will be great differences and distortions in the market.</p>	<p>ACER agrees but as it notes above, the implementation of this methodology is still under national terms and conditions.</p>
<p>11 respondents (Alpiq, BDEW, EDP, EFET, EnBW, Energie-Nederland, Fortum, Ørsted, RWE, Swedenergy, anonymous) comment on the elements that could be further harmonised. These include:</p> <ul style="list-style-type: none"> - the calculation of the imbalance adjustment, allocated volumes, final position, imbalance volume (EDP, Fortum); - the use of single pricing (Ørsted); 	<p>ACER agrees with the elements suggested by the respondents. ACER amended the Proposal to include most of them especially with respect to the use of single and dual imbalance pricing, as well as the imbalance price calculation. ACER takes</p>

Respondents' views	ACER views
<ul style="list-style-type: none"> - the imbalance price calculation (Alpiq, BDEW, EDP, EnBW, Fortum, Ørsted, Swedenenergy, anonymous): (a) the main components of the Proposal (Alpiq) as well as the additional ones (Alpiq, anonymous), (b) an exhaustive list of components to be used in setting the imbalance price, including balancing energy prices, (c) a requirement to use the weighted average price methodology using locally activated volumes, and (d) an exhaustive list of possible scarcity and incentivising components, and specific requirements for when these can be used (Ørsted); - the application of dual pricing (Ørsted, anonymous) with strict requirements for the use of dual pricing, to ensure that dual pricing is only used under specific circumstances, where single pricing is not deemed efficient to ensure system security (Ørsted); - the imbalance settlement process, with respect to the timeline (BDEW, EDP, Energie-Nederland, Fortum); - publication: the real-time imbalance price publication (RWE) and the inter-TSO IGCC merit order to be published D-1 ahead (RWE); and - rules to ensure TSO financial neutrality, in relation to network tariffs that are not harmonised (EDP, Fortum). 	<p>note of the other elements, to be assessed for potential further harmonisation.</p>
<p>Out of these 11 respondents, two respondents (BDEW, EnBW) add that the imbalance price for an area that is long should resemble prices for negative balancing energy, while short areas should have significantly higher imbalance prices originating from positive balancing energy prices, which also holds for situations without congestions.</p>	<p>ACER takes note of this indicator that could be used for assessing the progress in the imbalance settlement harmonisation.</p>
<p>Out of these 11 respondents, one respondent (EFET) states that harmonisation of the method for determination of the imbalance price is truly the corner stone of the EB Regulation, without which not only competition between BSPs on the common balancing platforms will be skewed, but also cross-border trade in other timeframes will be distorted. It strongly objects to the possibility of arbitrary incentivising components (including scarcity components) being used in imbalance pricing, especially if they differ from one Member State to the other. Such arbitrary components act as penalties and are likely to create counter-incentives and thus trigger inefficient behaviour by BRPs. Such incentive/scarcity components should also not result in a revenue stream for TSOs, their financial neutrality in balancing activities being one of the core principles of imbalance settlement according to the EB Regulation. This respondent is very</p>	<p>ACER agrees with the comment and amended the Proposal to further specify and harmonise aspects of the imbalance settlement process, as described above.</p> <p>Regarding the comment on the additional components, ACER understands that the EB Regulation allows additional components to be used in the calculation of the imbalance price, since the</p>

Respondents' views	ACER views
<p>worried that the TSOs' proposal includes the legal possibility for further fragmentation of markets where it should work towards further harmonisation. Harmonisation should also apply to central dispatching models to the greatest extent possible.</p>	<p>requirement for specification and harmonisation in Article 52(2) of the EB Regulation is related only to the main components used in the calculation of the imbalance price. However, ACER takes note of this comment and highlights that the Proposal requires the publication of the value of such additional components, when they are used, increasing the transparency for any deviations from the use of the main components.</p>
<p>One respondent (Acciona) states that the coordination of implementation dates of the different processes regulated by the EB Regulation and the Regulation on the internal market of electricity is essential.</p>	<p>ACER agrees with the comment and ensures that through the regular meetings with NRAs/TSOs and stakeholders for monitoring the implementation of the EB Regulation.</p>
<p>Five respondents (ARMIE, Factor Energia, GNERA, IFIEC, Nord Pool) comment on indicators for assessing the integration and the distortions.</p>	<p>ACER takes note of the suggested indicators and intends to discuss with ENTSO-E the extent to which the suggested indicators can be taken into account in the next versions of the European report on the integration of the balancing markets, pursuant to Article 59 of the EB Regulation.</p>
<p>Out of these five respondents, one respondent (Nord Pool) suggests the decrease in the volume and costs of procurement of balancing capacity and energy as indicator (harmonised rules of imbalance settlement should allow an efficient use of balancing power, and therefore, minimisation of resources needed for this</p>	<p>ACER agrees with these indicators and notes that Article 59(4) of the EB Regulation already foresees performance indicators related to the cost of balancing.</p>

Respondents' views	ACER views
<p>task; an absence of such a decrease would then be an indicator of a non-efficient harmonisation between the markets).</p>	
<p>Out of these five respondents, three respondents (ARMIE, Factor Energia, GNERA) state that a good indicator to supervise the harmonisation could be a comparative between the maximum, minimum and settlement imbalance price of the different countries (renewable penetration in every country should be added as an indicator since the imbalance cost from countries with high penetration of renewables are expected to be higher).</p>	<p>ACER agrees with these indicators and takes note of the potential impact of the penetration of renewables in each country, although it does not consider that the relation should be as straightforward as described by the respondents.</p>
<p>Out of these five respondents, one respondent (IFIEC) argues that the prime indicators of distortions due to insufficient harmonisation are structural, and substantial price differentials in balancing energy costs between bidding zones will remain.</p>	<p>ACER understands the structural character of some distortions due to insufficient harmonisation; however, it considers that some of these structural differences will be smoothed following the implementation of the European platforms.</p>
<p>Topic 4 Question 4 If you would like to comment on other topics please indicate clearly the related Article, paragraph of the proposal and add a sufficient explanation.</p>	
<p>16 respondents provided an answer to this question.</p>	
<p>Five respondents (EDP, Eurelectric, Fortum, Ørsted, RWE) comment on the low level of ambition with respect to the imbalance settlement harmonisation in the Proposal and the need for additional harmonisation and transparency. They (EDP, Eurelectric, Fortum, Ørsted) state that the proposed approach will lead to different national approaches, introducing distortions for market parties competing on the same merit order list and does not ensure a level playing field. With respect to further harmonisation, one of them (RWE) notes a number of items, in particular regarding the calculation of the imbalance price that need to be specified in the methodology. With respect to transparency, three of them (EDP, Eurelectric, Fortum) state that there should be real-time information available making it possible for BRPs to ensure a balanced position or support the TSO in balancing the system thus reducing balancing costs, and also</p>	<p>ACER agrees with the comment and amended the Proposal by further specifying and harmonising the process of imbalance settlement. However, ACER notes that the implementation of the European platforms is expected to change significantly the way the TSOs balance their system (definition of their demand, use of standard products, balancing energy</p>

Respondents' views	ACER views
<p>(EDP) discussion on changes, rules and algorithms with the market participants in a more active way, while one of them (RWE) states that also the timeline for the imbalance settlement process should be harmonised.</p>	<p>bids activation), therefore a new assessment regarding the harmonisation of this process would be needed at a later stage.</p> <p>With respect to the transparency, as mentioned above, this issue was discussed during ACER's consultation with NRAs and TSOs, however the fact that each TSO is allowed to provide different incentives leads also to different approaches with respect to publication.</p> <p>Nevertheless, ACER notes that although pursuant to Article 6(13) of the Electricity Regulation, there is some flexibility for the timing of the publication (requiring it by 30 minutes after real-time), REMIT requirements on disclosure of what can be considered as 'inside information' should also be taken into account.⁶</p>
<p>One respondent (EFET) comments on a number of Articles (2-6 and 8), requesting a higher level of harmonisation especially with respect to the calculation of the imbalance price.</p> <p>(The full response is not included here, as it is too long, but it can be found here: https://efet.org/Files/Documents/Downloads/EFET_ACER_ISH%20consultation_29032020.pdf)</p>	<p>In general, ACER agrees with the comments and amended the Proposal to achieve the higher level of clarity and harmonisation requested in some of the issues raised in the response.</p>

⁶ For more information on this, please also check the recent ACER Guidance on the application of REMIT: <https://documents.acer-remit.eu/wp-content/uploads/5th-Edition-ACER-Guidance.pdf>

Respondents' views	ACER views
	<p>However, ACER also notes the following, with respect to comments that were not taken into account (and not addressed so far):</p> <p>With respect to article 1 of the Proposal, ACER understands that different rules apply in such cases (although they can be same as the ones described in this framework, there is a separate approval process for those) and amended the Proposal to clarify this.</p> <p>With respect to Article 2 of the Proposal, ACER shares the concern raised by the respondent, but it understands that there is a technical aspect as to whether a TSO would decide to include the unintended exchanges, when determining the system imbalance, or not. However, with respect to the determination of the imbalance price, ACER amended the Proposal, to clarify that the determination of the imbalance price should follow the direction of the system imbalance.</p> <p>With respect to Article 3 of the Proposal, the publication/reporting timelines vary significantly among TSOs, hence clear target could not be achieved. However, ACER agrees that this is an important element for future harmonisation.</p>

Respondents' views	ACER views
<p>One respondent (Alpiq) states that the elements for calculating the imbalance price in Article 5 of the Proposal should be more specific and exclusive, and the definition of conditions for applying dual pricing in Article 8 of the Proposal must be more restrictive, otherwise imbalance settlement features will not be harmonised and even dual pricing will prevail, with consequential distortive effects.</p>	<p>ACER agrees with the comment and amended the Proposal to further specify the calculation of the imbalance price (with an exhaustive list of balancing energy volumes and prices) and the application of dual imbalance pricing; regarding the conditions for dual imbalance pricing, ACER considers that the justification required for each of them restricts its use, although it agrees that following the implementation of the European platforms, the use of dual imbalance pricing should be more limited.</p>
<p>One respondent (EnBW) acknowledges that the list of possible reasons for deviating from the target model of a single pricing model has been reduced; still some critical items remain. This respondent added that the condition of counter-activated positive and negative balancing energy during one ISP as described in Article 8.1(a) of the Proposal is the common situation in some countries (e.g. Germany, Austria) for most of the time. Hence, this would lead to a permanent application of dual pricing; this is not acceptable and would suggest removing Article 8.1(b) of the Proposal. This respondent added that for calculating the imbalance price for an ISP with TSO requests for positive and negative balancing energy, the costs for the predominant balancing direction should be used.</p>	<p>ACER agrees that single imbalance pricing is the target model and the use of dual imbalance pricing should be more limited as the integration of the balancing markets progresses. Moreover, for each condition, the application of the dual imbalance pricing is subject to the NRA's approval and there are requirements for TSOs to provide justification (on the negative impacts).</p> <p>Regarding the predominant direction in cases of activations in both directions, ACER agrees with the comment and amended the Proposal to specify this principle.</p>

Respondents' views	ACER views
<p>One respondent (BDEW) acknowledges that the list of possible reasons for deviating from the target model of a single pricing model has been reduced; still some critical items remain mainly related to further harmonising the deadline for the publication of figures related to the imbalance settlement process, as well as the calculation of the imbalance price.</p>	<p>ACER agrees with the comments and amended the Proposal to address some of them, mainly by further specifying the use of the single imbalance pricing and the calculation of the imbalance price.</p> <p>With respect to the publication timelines, they vary significantly among TSOs, hence a clear target could not be achieved. However, ACER agrees that this is an important element for future harmonisation.</p>
<p>One respondent (CEZ) stresses the need for having clarity early in the process of the developments on imbalance settlement not only on European, but also on national level, since many elements are left upon national terms and conditions. This respondent adds that these are often published/approved at a very late stage, which gives market participants, both BSPs and BRPs, little time to accommodate. This respondent emphasises that the methodology should address this issue by i.e. requesting TSOs to publish terms and conditions related to imbalance settlement at least one year ahead of planned change. This respondent also stresses the need to set up a system which ensures financial neutrality of TSOs, otherwise imbalance price would not reflect real cost of the system, which is in contradiction to EB Regulation requirements.</p>	<p>ACER agrees with the comment on the need for clarity at national level, regarding the implementation of this methodology, and this is partly covered with the European report on the integration of balancing markets, pursuant to Article 59 of the EB Regulation.</p> <p>However, ACER considers that there is no legal basis for enforcing the timeline for the publication of national terms and conditions related to imbalance settlement for items not related with this methodology.</p> <p>ACER agrees that the financial neutrality of the TSOs is one of the main settlement principles and it should be ensured throughout the whole balancing process</p>

Respondents' views	ACER views
	and the relevant transactions, thus being eventually a requirement fulfilled at national level pursuant to Article 44(2) of the EB Regulation.
<p>One respondent (Swedenenergy) stresses that there cannot be price differences (FRR/imbalance price) between two areas if there is no congestion in transmission capacity between these two areas, independently of potential difference in local balancing need between these two areas.</p>	<p>ACER agrees with the principle that price difference between two areas is only justified when there is no available cross-zonal capacity. However, imbalance settlement is an ad-hoc, national, settlement mechanism, where no use of cross-zonal capacity takes place, hence this is not one of the principles that should be respected during the price formation of this process. Nevertheless, ACER understands that in the context of the integrated balancing energy markets (after the establishment of the European platforms), the imbalance settlement should follow the common – across EU - price dynamics of balancing energy, in order to ensure consistent incentives to all market participants.</p>
<p>One respondent (Energie-Nederland) supports the objective of creating a European balancing market in line with the markets in the other timeframes (forward, day-ahead and intra-day) as this will enable a successful energy transition. Market parties need clear rules and simple, transparent processes (resulting in low entry barriers and thus more competition) in order to market flexible capacity in an efficient way. Correct price formation (real time value of energy) should ensure that the most economic capacity is activated to solve the imbalance. This will not happen as long as local imbalance considerations are leading for individual TSOs. This respondent believes that the balancing market should be seen as the residual</p>	<p>ACER agrees in principle with the comment, and this is why it considers that following the implementation of the European platforms, this harmonisation framework should be re-assessed, based on the new dynamics among TSOs and</p>

Respondents' views	ACER views
<p>energy market where TSOs keep the system in balance through re-actively activating bids and settling BRPs with the cross product marginal price of each ISP. Imbalance settlement should be based on the marginal price of the balancing energy activations where an entire (with consideration of congestions) region is being considered, in line with the day-ahead and intraday market. Simple and harmonized rules allow BSPs to offer their energy at the lowest possible price enhancing the overall system. The same price should also be used for BRP settlement to allow for consistent incentives.</p>	<p>market participants, with respect to balancing the system.</p> <p>ACER amended the Proposal to include a requirement for such an assessment, once the uncertainties related to the integration of balancing energy markets have been alleviated.</p>
<p>Two respondents (Axp0 Solutions, EDF) believes that real time system balancing should remain the responsibility of the TSO, which solely has a precise overall picture of the system balance, while each BRP primarily balances its own perimeter in order to achieve the overall system balance. It states that an adequate mechanism for imbalance settlement is crucial for the management of a balancing area and maintenance of a safe system operation. As the different areas have different circumstances, it is important that TSOs - under the supervision of NRAs - have the possibility to adapt the mechanism for imbalance settlement to the local energy market specificities, if necessary. This includes the choice for single or dual pricing. Over time, as European balancing platforms are implemented and more experience is gained, further harmonisation steps may be taken. Additionally, it stresses that it is of utmost importance that the imbalance settlement price is determined by balancing activities only and not unduly influenced by balancing energy activations for congestion management purposes.</p>	<p>ACER agrees that balancing the system is a TSOs' responsibility; however, this responsibility can be fulfilled through different approaches. In the context of the European platforms, there will be changes in the approach each TSO follows to fulfil this responsibility, and consequently also the incentives they may want to provide to their market participants. Therefore, indeed a new assessment for further harmonisation steps is needed after the implementation of the European platforms.</p> <p>Regarding the comment on the determination of the imbalance price, ACER agrees and amended the Proposal to limit the elements used for the calculation of the imbalance price, only to prices/volumes requested for balancing.</p>
<p>Two respondents (EFET, Statkraft) states that the Proposal does not cover periods for which market activities have been suspended. However, also in times of emergency (like a period of brown-out) it is</p>	<p>ACER understands that different rules apply in such cases (although they can be</p>

Respondents' views	ACER views
<p>crucial that imbalance settlement can take place and a proper imbalance price is determined. Therefore it is important to ensure that the proper rules for such periods are developed and implemented. This respondent adds that, based on the Proposal, NRAs may approve that the net volume of unintended exchange is taken into account to conclude whether a certain imbalance is an aggravating imbalance. By consequence, there may be different approaches in different member states. Firstly, there should be one correct approach on the question how to regard these unintended exchanges. Secondly, different approaches for the same unintended exchanges on each side of a border seems distortive and discriminatory.</p>	<p>the same as the ones described in this framework, there is a separate approval process for those) and amended the Proposal to clarify this.</p> <p>ACER shares the concern raised by the respondent, but it understands that there is a technical aspect as to whether a TSO would decide to include the unintended exchanges, when determining the system imbalance, or not. However, with respect to the determination of the imbalance price, ACER amended the Proposal, to clarify that the determination of the imbalance price should follow the direction of the system imbalance.</p>

3 List of respondents

Organisation	Type
ELEXON	Energy Company
ACCIONA	Energy Company
Alpiq AG	Energy Company
ARMIE (Asociación de Representantes del Mercado Ibérico de Electricidad)	Association
Axpo Solutions AG	Energy Company
BDEW	Association
CEZ, a.s.	Energy Company
EDF	Energy Company
Edison SpA	Energy Company
EDP - Energias de Portugal, S.A.	Energy Company
EFET - European Federation of Energy Traders	Association
EnBW Energie Baden-Württemberg AG	Energy Company
ENEL	Energy Company
Energie-Nederland	Association
ENTSO-E	Association
Eurelectric	Association
Factor Energia	Energy Company
Fortum	Energy Company

Organisation	Type
GAS NATURAL COMERCIALIZADORA (GRUPO NATURGY)	Energy Company
GNERA ENERGÍA Y TECNOLOGÍA S.L.	Energy Company
IFIEC Europe	Association
illwerke vkw AG	Energy Company
Lausitz Energie Kraftwerke AG	Energy Company
Nord Pool	NEMO
Ørsted A/S	Energy Company
PGE Polska Grupa Energetyczna S.A.	Energy Company
RWE Supply & Trading GmbH	Energy Company
Slovenské elektrárne, a.s.	Energy Company
Statkraft	Energy Company
Swedenergy	Association
Total Direct Energie	Energy Company
UPM-Kymmene Oyj	Energy Company
Respondent who requested anonymity	