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

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

Whereas

- (1) This document is a common proposal developed by the Transmission System Operators Energinet, Fingrid, Statnett, and Svenska kraftnät (hereinafter referred to as the “TSOs”) in the geographic area covering the Nordic synchronous area for an exemption from the requirement to allow balancing service providers (hereafter referred to as “BSPs”) to transfer their obligations to provide aFRR capacity pursuant to Article 34(1) of Commission Regulation (EU) 2017/2195 of 23 November establishing a guideline on electricity balancing (hereafter referred to as the “EB Regulation”). This exemption would be limited to the transfer of obligations across bidding zone borders. This proposal is hereinafter referred to as the “Proposal”.
- (2) The Proposal takes into account the general principles and goals set out in the EB Regulation as well as Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as the “SO Regulation”), and Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity (hereafter referred to as the “Electricity Market Regulation”).
- (3) The goal of the EB Regulation is to establish an EU-wide set of technical, operational and market rules to govern the functioning of electricity balancing markets. It sets out rules for the procurement of balancing capacity, the activation of balancing energy and the financial settlement of balance responsible parties. It also requires the development of harmonised methodologies for the allocation of cross-zonal transmission capacity for balancing purposes. Such rules will increase the liquidity of short-term markets by allowing for more cross-border trade and for the more efficient use of the existing grid for the purposes of balancing energy.
- (4) The TSOs are mutually willing to exchange aFRR capacity within the Nordic synchronous area and have developed common and harmonised rules and processes for the exchange and procurement of aFRR capacity. The exchange of aFRR capacity is based on a TSO-TSO model taking into account the available cross-zonal capacity and the FRR dimensioning rules in accordance with Article 157 of the SO Regulation.
- (5) This Proposal uses the possibility to request an exemption from the requirements of Article 34 of the EB Regulation regarding the transfer balancing service providers' obligations to provide balancing capacity between bidding zones within the same geographical area, i.e. the Nordic synchronous area, in which the procurement of aFRR capacity takes place. TSOs can request an exemption from the requirement to allow BSPs to transfer balancing capacity bids when the contracting period is strictly less than one week. The contracting period for the aFRR capacity market in the Nordic synchronous area will only be one day, and this is expected to reduce the need for such flexibility among BSPs relative to a longer contracting period.
- (6) Article 5(5) of the EB Regulation requires that the expected impact of the Proposal on the objectives of the EB Regulation is described. The impact is presented below (points (7) to (9) of this Whereas Section).

- (7) The Proposal contributes and does not in any way hamper the achievement of the objectives of Article 3 of the EB Regulation. In particular, the Proposal serves the following objectives:
- (8) The Proposal fosters effective competition, non-discrimination and transparency in balancing markets (Article 3(1)(a) of the EB Regulation). Specifically, the proposal enables the transfer of bids to the greatest extent practical without harming security of supply. The ability to transfer bids gives potential BSPs greater flexibility in managing the risks of being unable to deliver and may encourage greater participation in the market by BSPs with limited alternative options for managing this risk. This greater participation should foster competition in the balancing capacity market. It should also ensure that there is no implicit discrimination in favour of portfolio BSPs, which might otherwise be far better able to manage the risk of non-delivery by effectively transferring capacity obligations among their portfolio. Finally, by establishing a common structure for the exemption across the whole Nordic aFRR capacity market and structuring the exemption rules based on bidding zone design, and therefore in relation to the capabilities of the regional electricity network, we ensure a level playing field for balancing capacity providers across the Nordic synchronous area.
- (9) The Proposal contributes to the objective of integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security (Article 3(1)(c) of the EB Regulation) because the method used to award aFRR capacity obligations, as described in the TSOs' proposal for a methodology for a market-based allocation process of cross-zonal capacity for the exchange of balancing capacity in accordance with Article 41(1) of the EB Regulation, ensures that sufficient cross-zonal capacity is reserved to allow for the automatic activation of the awarded capacity. Were cross-zonal transfers allowed, contrary to the Proposal, the transfer of aFRR capacity obligations might result in a situation in which these obligations could not be fulfilled without violating operational security constraints.
- (10) The Proposal contributes 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 (Article 3(1)(d) of the EB Regulation) because the method used to award aFRR capacity market obligations, as described in the TSOs' proposal for the establishment of common and harmonised rules and processes for the exchange and procurement of balancing capacity and for the application of a market-based allocation process in accordance with Article 33(1) and Article 38(1) of the EB Regulation, accounts for the potential value of cross-zonal capacity to the day-ahead energy market. Cross-zonal transfers of aFRR capacity obligations risk obliging TSOs to restrict or reverse the efficient use of cross-zonal capacity by the energy market in order to ensure operational security, because BSPs exchanging aFRR capacity obligations do not face the cost of the changes in cross-zonal capacity needed to safely enable the transfer. Preventing such transfers prevents such inefficient transfers from occurring.
- (11) In conclusion, the Proposal contributes to the general objectives of the EB Regulation to the benefit of all market participants and electricity end consumers.

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

TITLE 1

General provisions

Article 1

Subject matter and scope

1. The Proposal shall be considered as the common proposal from the TSOs for an exemption from the requirement to allow BSPs to transfer their obligations to provide aFRR capacity pursuant to Article 34(1) of the EB Regulation. This exemption would be limited to the transfer of obligations across bidding zone borders.
2. The Proposal covers the geographic area defined in the common rules and processes in accordance with Article 33(1) of the EB Regulation.

Article 2

Definitions and interpretation

1. For the purposes of the Proposal, terms used in this Proposal shall have the meaning of the definitions included in Article 2 of the EB Regulation, Article 3 of the SO Regulation and Article 2 of Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereafter referred to as “CACM Regulation”), the Electricity Market Regulation, Commission Regulation (EU) No 543/2013 of 14 June 2013 on the submission and publication of data in electricity markets and amending Annex I to Regulation (EC) No 714/2009 of the European Parliament and of the Council (hereafter referred to as "Transparency Regulation") and Directive (EU) 2019/944.
2. In the Proposal, unless the context requires otherwise:
 - a) the singular indicates the plural and vice versa;
 - b) the table of contents and headings are inserted for convenience only and do not affect the interpretation of the Proposal; and
 - c) 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.

TITLE 2

Exemption

Article 3

Exemption to transfer bids between bidding zones

1. A BSP shall not be allowed to transfer its obligations to provide aFRR capacity, i.e. an accepted aFRR capacity bid, across bidding zone borders.

TITLE 3

Final provisions

Article 4

Publication and implementation of the Proposal

1. The TSOs shall publish the Proposal without undue delay after the relevant regulatory authorities in the Nordic Capacity Calculation Region have approved the Proposal or a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Article 5(6), Article 5(7), Article 6(1) and Article 6(2) of the EB Regulation.
2. The TSOs shall implement the Proposal at the same time as the common and harmonised rules and processes in accordance with Article 33(1) of the EB Regulation are implemented.

Article 5

Language

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