

ACER Decision on the balancing pricing methodology: Annex I

Second amendment to the methodology for pricing balancing energy and cross-zonal capacity used for the exchange of balancing energy or operating the imbalance netting process

in accordance with Article 30(1) of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing

5 July 2024

Article 1 Definitions

Article 2 – Definitions and interpretation – of aFRR IF is amended as follows:

- a) Literal (b) shall be amended and be read accordingly:

«‘aFRR balancing border’ means a set of physical transmission lines linking adjacent Load Frequency Control (LFC) areas of TSOs participating in the aFRR-Platform; »

- b) Literal (r) shall be deleted;

- c) Literal (s) shall be deleted;

Article 2 General Principles on maximum and minimum balancing energy prices

Article 3 – General Principles – of the Pricing Methodology shall be amended as follows:

- a) Paragraph 3 shall be deleted;
- b) Paragraph 4 shall be renumbered 3;
- c) Paragraph 5 shall be renumbered 4;
- d) Paragraph 6 shall be renumbered 5;
- e) Paragraph 7 shall be renumbered 6;

Article 3 General Principles on aFRR CBMP formation

Article 7 – Additional provisions for the pricing of standard aFRR balancing energy product bids– of the Pricing Methodology shall be amended as follows:

- a) Paragraph 2 shall be amended and be read accordingly:

«For each aFRR MTU, a single CBMP shall be determined in each uncongested area. This shall either be a CBMP for positive balancing energy in accordance with paragraph 3 of this article, or a CBMP for negative balancing energy in accordance with paragraph 4 of this Article, or a CBMP determined for the case with no bids selected by the AOF in the direction of any of the LFC area setpoints for automatic FRR activation within the uncongested area in accordance with paragraph 5 of this Article. »

- b) Paragraph 3 shall be amended and be read accordingly:

« Where the aFRR AOF selects positive aFRR balancing energy product bids in an uncongested area and there is at least one LFC area setpoint for automatic FRR activation in the positive direction within the uncongested area, the CBMP for positive standard aFRR balancing energy product bids in this uncongested area shall be determined as the maximum on all LFC areas of the uncongested area of the minimum per LFC area between:

- i) The price of the bid corresponding to the setpoint for automatic FRR activation of positive standard aFRR balancing energy product bids of the considered LFC area in the respective local merit order list for positive aFRR; and
- ii) The price of the bid corresponding to the volume of positive standard aFRR balancing energy product bids selected by the aFRR AOF within the considered LFC area in the respective local merit order list for positive aFRR.»

c) Paragraph 4 shall be amended and be read accordingly:

«Where the aFRR AOF selects negative aFRR balancing energy product bids in an uncongested area and there is at least one LFC area setpoint for automatic FRR activation in the negative direction within the uncongested area, the CBMP for negative standard aFRR balancing energy product bids in this uncongested area shall be determined as the minimum on all LFC areas of the uncongested area of the maximum per LFC area between:

- i) The price of the bid corresponding to the setpoint for automatic FRR activation of negative standard aFRR balancing energy product bids of the considered LFC area in the respective local merit order list for negative aFRR; and
- ii) The price of the bid corresponding to the volume of negative standard aFRR balancing energy product bids selected by the aFRR AOF in the considered LFC area with the respective local merit order list for negative aFRR. »

d) Paragraph 5 shall be amended and be read accordingly:

«The CBMP in an uncongested area shall be equal to the middle point between the lowest positive and highest negative available standard aFRR balancing energy product bids in the following cases:

- a) the aFRR AOF selects no positive or negative aFRR balancing energy product bids in an uncongested area;
- b) the aFRR AOF selects positive aFRR balancing energy product bids in an uncongested area while there are no LFC area setpoints for automatic FRR activation within the uncongested area in the positive direction;
- c) the aFRR AOF selects negative aFRR balancing energy product bids in an uncongested area while there are no LFC area setpoints for automatic FRR activation within the uncongested area in the negative direction; »

Article 4

General Principles on Technical price limits

A new Article 9 -Technical price limits- shall be introduced in the Pricing Methodology:

Article 9 shall be read accordingly: «

1. The price for all balancing energy product bids as well as the value of the cross-border marginal price shall not be higher than the technical price limits in the positive direction according to Paragraphs (2) to (3) and shall not be lower than the technical price limits in the negative direction according to Paragraphs (4) to (5).
2. The technical price limits in the positive direction are:
 - a) the absolute maximum price of 99,999 €/MWh, which is an absolute limit;
 - b) the harmonised maximum balancing energy price, which is an adjustable limit, in accordance with Paragraph (3).
3. The initial value of the harmonised maximum balancing energy price shall be set at the reference harmonised maximum balancing energy price. The reference harmonised maximum balancing energy price shall be the maximum between +15,000 €/MWh and the value of the transitional upper price limit at the end of the period defined in Article 11(2). Following that period, the harmonised maximum balancing energy price shall be adjusted in accordance with Article 10.
4. The technical price limits in the negative direction are:
 - a) the absolute minimum price of -99,999 €/MWh, which is an absolute limit;
 - b) the harmonised minimum balancing energy price, which is an adjustable limit, in accordance with Paragraph (5).
5. The initial value of the harmonised minimum balancing energy price shall be set at the reference harmonised minimum balancing energy price. The reference harmonised minimum balancing energy price shall be the minimum between -15,000 €/MWh and the value of the transitional lower price limit at the end of the period defined in Article 11(2). Following that period, the harmonised minimum balancing energy prices shall be adjusted in accordance with Article 10. »

Article 5

General Principles on Technical price limits

A new Article 10 - Criteria and process for adjusting the harmonised maximum and minimum balancing energy prices - shall be introduced in the Pricing Methodology:

Article 10 shall be read accordingly: «

1. The harmonised maximum balancing energy price shall be adjusted according to the following rules:
 - a) the harmonised maximum balancing energy price shall be increased by 500 €/MWh in the event that, in at least one bidding zone, the three triggering conditions for the positive direction defined in paragraph (2) are met; for at least 2 imbalance settlement periods in at least 2 different days where the second day is within 30 rolling days from the first day;
 - b) after the last of the events referred to in subparagraph (a) occurred, a transition period of 28 days shall start;
 - c) during the transition period mentioned in subparagraph (b), the harmonised maximum balancing energy price shall be kept at the value of the harmonised maximum balancing energy price before the adjustment and all events referred to in paragraph (a) occurred during the transition period shall be ignored;
2. The triggering conditions for the positive direction for a given imbalance settlement period for a given bidding zone shall be:
 - a) the mFRR CBMP, from the mFRR-Platform, in the market time unit corresponding to the considered imbalance settlement period exceeds a value of 70 percent of the harmonised maximum balancing energy price;
 - b) the volume weighted average of the aFRR cross-border marginal prices, from the aFRR-Platform, of all the market time units which are part of the considered imbalance settlement period exceeds a value of 70 percent of the harmonised maximum balancing energy price; and
 - c) the sum of the balancing border capacity limits on import to that bidding zone in the mFRR-Platform is at least equal to the sum of the volume of bids offered in the mFRR-Platform and aFRR-Platform in that bidding zone by its largest BSP in the positive direction;
3. The harmonised minimum balancing energy price shall be adjusted according to the following rules:
 - a) the harmonised minimum balancing energy price shall be decreased by 100 €/MWh in the event that, in at least one bidding zone, the three triggering conditions for the negative direction defined in paragraph (4) are met; for at least 2 imbalance settlement periods in at least 2 different days where the second day is within 30 rolling days from the first day;
 - b) after the last of the events referred to in subparagraph (a) occurred, a transition period of 28 days shall start;
 - c) during the transition period mentioned in subparagraph (b), the harmonised minimum balancing energy price shall be kept

at the value of the harmonised minimum balancing energy price before the adjustment and all events referred to in paragraph (a) occurred during the transition period shall be ignored;

4. The triggering conditions for the negative direction for a given imbalance settlement period for a given bidding zone shall be:
 - a) the mFRR CBMP, from the mFRR-Platform, in the market time unit corresponding to the considered imbalance settlement period falls below a value of 70 percent of the harmonised minimum balancing energy price;
 - b) the volume weighted average of the aFRR cross-border marginal prices, from the aFRR-Platform, of all the market time units which are part of the considered imbalance settlement period falls below a value of 70 percent of the harmonised minimum balancing energy price; and
 - c) the sum of the balancing border capacity limits on export from that bidding zone in the mFRR-Platform is at least equal to the sum of the volume of bids offered in the mFRR-Platform and aFRR-Platform in that bidding zone by its largest BSP in the negative direction;
5. In the event that the harmonised maximum clearing price for the single intraday coupling in accordance with Article 54(1) of Commission Regulation (EU) 2015/1222 increases, the harmonised maximum balancing energy price shall automatically increase by the same amount.
6. In the event that the harmonised minimum clearing price for the single intraday coupling in accordance with Article 54(1) of Commission Regulation (EU) 2015/1222 decreases, the harmonised minimum balancing energy price shall automatically decrease by the same amount.
7. The TSOs shall transparently announce and publish the adjusted harmonised maximum and/or minimum balancing energy price at least 21 days before their implementation and application in the balancing platforms.
8. Following the period defined in Article 11(2), the TSOs shall, at least every two years, reassess the harmonised maximum and minimum balancing energy prices, publish this assessment and consult it in relevant stakeholder forums organised in accordance with Article 9 of the EB Regulation. A reassessment may also follow any adjustment in accordance with paragraph (1) or (3), if TSOs deem it appropriate. »

Article 6

Transitory maximum and minimum prices for balancing energy

Article 9 – Implementation timeline– of the Pricing Methodology shall be renumbered 11, and shall be amended as follows:

a) Paragraph 2 shall be deleted.

b) Paragraph 3 shall be renumbered 2, and shall be amended and be read accordingly:

« Once the European balancing platforms are implemented in a Member State, and for a transitional period of up to 48 months from the implementation deadline pursuant to paragraph (1):

- a. The transitional upper price limit shall be 15,000 €/MWh and the transitional lower price limit shall be -15,000 €/MWh;
- b. In the event that the harmonised maximum clearing price for the single intraday coupling in accordance with Article 54(1) of Commission Regulation (EU) 2015/1222 increases, the transitional upper price limit shall automatically increase by the same amount.
- c. In the event that the harmonised minimum clearing price for the single intraday coupling in accordance with Article 54(1) of Commission Regulation (EU) 2015/1222 decreases, the transitional lower price limit shall automatically decrease by the same amount.

Following the period defined in Article 11(2), the technical price limits from Articles 9 and 10 shall apply. »

e) Paragraph 4 shall be renumbered 3 and shall be amended and be read accordingly:

« All TSOs shall report to ACER and to regulatory authorities on quarterly basis on the following aspects of the balancing energy price formation - referred to in paragraph (2).

- a. monthly average values of used and available cross-zonal capacity for the exchange of balancing energy per each bidding zone border and direction;
- b. average percentage of both submitted and activated standard balancing energy bids per product and per direction with prices higher (and lower) than 50%, 75%, 90%, 95% and 99% of the transitional upper (and lower) price limit; and
- c. volume weighted average price of the last (most expensive) 5% of the volume of submitted standard balancing energy bids for each European balancing platform per direction and per participating TSO; »

f) Paragraph 5 shall be renumbered 4 and shall be amended and be read accordingly:

« If the cross-border marginal price during the period pursuant to paragraph (2) reaches at least 50% of the upper or lower transitional price limit, all TSOs shall prepare a joint report and submit it

to ACER and all the regulatory authorities within a month following this event. This report shall include an analysis of the event and the indicators of the balancing energy market concentration level including at least Residual Supply Index (RSI), Herfindahl - Hirschman Index (HHI) and the market shares of 5 largest BSPs from the BSPs for which the participating TSOs have forwarded balancing energy bids.»

- g) Paragraph 6 shall be renumbered 5.
- h) Paragraph 7 shall be renumbered 6 and shall be amended and be read accordingly:

« During the period pursuant to paragraph (2), TSOs shall simulate the evolution of the harmonised maximum and minimum balancing energy prices, as if these prices were already implemented. The results of the simulation shall be published by the TSOs on a quarterly basis.»

- i) Paragraph 8 shall be renumbered 7 and shall be amended and be read accordingly:

« During the period defined in paragraph (2), TSOs shall assess the results of the simulation described in paragraph (6). This assessment shall be shared with all regulatory authorities and ACER. If necessary to ensure an efficient functioning of the market, TSOs shall propose an amendment of the pricing methodology in accordance with Article 6(3) of the EB Regulation. This is without prejudice of the TSOs' right to propose any other amendments to ACER according to Article 6(3) of the EB Regulation.»

Article 7

Publication of the pricing methodology

Article 10 – Publication of the pricing methodology – of the Pricing Methodology shall be renumbered 12.

Article 8

Language of the pricing methodology

Article 11 – Language – of the Pricing Methodology – shall be renumbered 13.

Article 9
Implementation Timeline

1. All TSOs shall implement the amendments to the Pricing Methodology related to the maximum and minimum prices for balancing energy at the latest one month after the publication of the decision by the Agency for the Cooperation of Energy Regulators.
2. All TSOs shall implement the amendments to the Pricing Methodology related to the determination of the aFRR CBMP at the latest one month after the publication of the decision by the Agency for the Cooperation of Energy Regulators.

Article 10
Publication of the Amendment

All TSOs shall publish this amendment to the Pricing Methodology without undue delay pursuant to Article 7 of EB Regulation after a decision has been taken by the Agency for the Cooperation of Energy Regulators in accordance with Articles 5(1) and 5(2)(f) in joint reading with Article 6(3) of the EB Regulation as well as Article 5(2)(b) of Regulation (EU) 2019/942 establishing a European Union Agency for the Cooperation of Energy Regulators.

Article 11
Language

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