

## Response ID ANON-BHSE-JS7R-8

Submitted to **Proposal for FCR cooperation market design**

Submitted on **2018-02-15 18:34:22**

### Introduction

#### 1 What is your name?

**Name:**

Andres Pinto-Bello Gomez

#### 2 What is your email address?

**Email:**

andres.pintobello@smarten.eu

#### 3 What is the name of your organisation?

**Organisation:**

smartEn

#### 4 What is the market role of your organisation?[only 1 choice possible, in case your company has more than 1 role please choose the perspective you want to reply from]

Association

#### 5 In which country(s) is your organisation present?[multiple choices possible]

Belgium, Other (if yes please indicate below which country)

**Which "other" country:**

smartEn is a European association, as such its membership is spread out in almost all EU countries.

#### 6 Which technology do you offer (or intend to offer)? [multiple choices possible]

Not applicable

#### 7 Which amount of FCR capacity are you currently able to offer?

Not applicable

#### 8 Who is your connecting TSO? [multiple choices possible]

Not applicable

#### 9 What is your opinion on the proposal regarding market design in Article 3 "TSO - TSO Model"?

Neutral (explanation is optional)

**Explanation:**

Article 3 can be improved by providing further harmonization on other FCR topics that are important to service providers. In particular penalty schemes and prequalification requirements. Backup-requirements make it very difficult to access the market where the backup market is very liquid (for example in Germany). But also pooling rules, energy availability requirements and IT requirements need to be further harmonized to reach a real level playing-field.

#### 10 What is your opinion on the proposal regarding market design in Article 4 on "Auction frequency"?

Agree (explanation is optional)

**Explanation:**

SmartEn agrees in principle with the proposal of daily auctions. But we see it just as the first step. A change to daily auctions by itself won't solve the need for a cross-border exchange in the secondary market. There will still be unequal access to hedging opportunities for FCR providers, especially in a context with low liquidity. Established market players will have lower hedging costs than new entrants, which increases their bidding costs in FCR auctions, not creating the intended level playing field.

#### 11 What is your opinion on the proposal regarding market design in Article 4 on "Auction timing"?

Neutral (explanation is optional)

**Explanation:**

A clear auctioning order must be ensured: FCR first, then aFRR, and last mFRR. And to allow a proper response, there shall be a 1.5 hour time in between the finishing of one auction and the GCT of the following auction. Simultaneous auctions need to be avoided, to prevent the loss of flexibility for the FCR, aFRR and mFRR markets as a whole.

**12 What is your opinion on the proposal regarding market design in Article 5 "Product"?**

Disagree (explanation is required)

**Explanation:**

At smartEn we think the intermediate step of 24 hour blocks shall be reduced as much as possible and move towards a model of 4 hour blocks to allow new technologies to access the FCR market. For some of these technologies to be able to access the market, asymmetric products are needed. We support the introduction of asymmetric and symmetric products.

**13 What is your opinion on the proposal regarding market design in Article 6 "Bid design possibilities"?**

Neutral (explanation is optional)

**Explanation:**

Introducing indivisible bids at the same time than divisible bids reduces the transparency of the auctions. We can support a 1 MW minimum bid size, but we would prefer a smaller bid size as a temporal exception for new participants and technologies

**14 What is your opinion on the proposal regarding market design in Article 7 "Auction allocation algorithm"?**

Agree (explanation is optional)

**Explanation:**

At smartEn we support the introduction of marginal pricing as a means to provide proper price signals. Currently with a pay-as-bid system larger providers are at an advantage due to being able to secure higher prices.

We would prefer this to be introduced as soon as possible, not being delayed anymore by the late entry into force of the EBGL. We ask for the same implementation deadline as for daily auctions, by December 22nd 2018.

**15 What is your opinion on the proposal regarding market design in Article 8 "TSO-BSP settlement"?**

Neutral (explanation is optional)

**Explanation:**

No comment provided

**16 What is your opinion on the proposal regarding market design in Article 9 "TSO-TSO settlement"?**

Neutral (explanation is optional)

**Explanation:**

No comment provided

**17 What is your opinion on the proposal for the process of joining of new parties as described in Article 10 "Accession of new parties"?**

Neutral (explanation optional)

**Explanation:**

No comment provided

**18 What is your opinion on the proposed roadmap for implementing the proposed changes in the market design as described in Article 11 "Implementation roadmap"?**

Disagree (explanation is required)

**Explanation:**

Our preferred implementation time is of minimum 6 months. This can only happen after the final national regulation has been published.

**19 What is your opinion on the requested exemption for not allowing cross border transfer of capacity obligations as described in the "Draft Proposal for the exemption of the FCR Cooperation Parties from the obligation to allow balancing service providers to transfer their obligations to provide balancing capacity in accordance with Article 34(1) of COMMISSION REGULATION (EU) 2017/2195 establishing a guideline on electricity balancing"?**

Disagree (explanation required)

**Explanation:**

Not allowing cross border market is key to allow real competition in the FCR market.

A move to daily auctions is not a solution for this need. Uncertainties regarding unavailability will be less important with daily auctions, but as stated in a previous

point, an unequal access to hedging opportunities for new market players, having difficulty to find reasonable costed back-up capacity is a hurdle almost impossible to overcome.

If these, and the previously mentioned points are not harmonized, we ask for a lowering of the prequalification conditions to access the market, to provide a real level playing field where new market entrants are not at disadvantage with the established ones.

If a cross-border secondary market is not implemented we ask the TSOs of the FCR cooperation to set fair conditions on national level regarding hedging of unavailabilities and/or penalties for all FCR providers, for example removing mandatory back-up and having TSOs handling unavailabilities where they occur.

**20 Do you have any other remarks / questions?**

**Remarks / questions:**