

# Implementing the Clean Energy Package for Demand Response

3<sup>rd</sup> Workshop: **BALANCING  
RESPONSIBILITY OF THIRD  
PARTIES (SUPPLIERS)**

Monday 21<sup>st</sup> June 2021

16.30-17.30 CET



## AGENDA OF THE 3<sup>rd</sup> WORKSHOP ON MONDAY 21<sup>st</sup> JUNE: BALANCING RESPONSIBILITIES (2)

**16:30**

Welcome & opening remarks

**Antonio COLINO**, President, European Energy Retailer (EER)

**16:35**

Balancing Responsibilities of Third Parties (Suppliers)

**Mathilde LALLEMAND**, DG ENER, European Commission

**16:45**

Implementing the Clean Energy Package: various models to account for balancing responsibilities of suppliers

**Pierre BIVAS**, Chair, DR4EU

**17:05**

**Q&A session** moderated by

**Michele GOVERNATORI**, EER Advisor & Energy Lead at ECCO Think Tank

**17:30**

**CLOSING REMARKS** & end of the workshop

# **Demand side flexibility and balance responsibility**

**Mathilde Lallemand**  
**European Commission – DG Energy**  
**Internal Energy Market**

# Definition of balance responsibility

## Regulation Article 5 Balance responsibility

1. All market participants shall be responsible for the imbalances they cause in the system ('balance responsibility'). To that end, market participants shall either be balance responsible parties or shall contractually delegate their responsibility to a balance responsible party of their choice. Each balance responsible party shall be financially responsible for its imbalances and shall strive to be balanced or shall help the electricity system to be balanced.

## What is the imbalance?

### **Position**

*commercial trade schedules between BRPs*

### **Imbalance adjustment**

*change to the BRP position due to balancing energy activated by the TSO from a BSP belonging to this BRP*

### **Allocated volumes**

*the volume physically measured or profiled*

## Implementation models

### *Recital*

*(39) [...] Market participants engaged in aggregation are likely to play an important role as intermediaries between customer groups and the market. **Member States should be free to choose the appropriate implementation model and approach to governance for independent aggregation** while respecting the general principles set out in this Directive. Such a model or approach could include choosing market-based or regulatory principles which provide solutions to comply with this Directive, **such as models where imbalances are settled or where perimeter corrections are introduced**. The chosen model should contain **transparent and fair rules** to allow independent aggregators to fulfil their roles as intermediaries and to ensure that the final customer adequately benefits from their activities. [...]*



European  
Commission

# ANNEX

Energy

# The regulatory framework for balancing is directly applicable

Electricity Directive and Regulation

Electricity Balancing GL

National Terms and Conditions / ACER decisions



Implementing the Clean Energy Package for Demand Response

# Balancing Responsibilities of Suppliers

Workshop #3

21<sup>st</sup> June 2021

## Takeaways from previous sessions

- All consumers via the aggregator of their choice (whether supplier or independent)
  - *independently from their supply contract*
  - *without the consent of the [supplier/BRP]; also art.17 (3-a): without consent of other market participants*
- DR to participate in all electricity markets
  - Begin with main market: wholesale day ahead
  - Should bear balance responsibility similar to generators': to deliver volumes sold
- Impacts on third parties, i.e. suppliers of DR consumers
  - **Today: balance responsibilities of suppliers and various models**
  - Later: economics and 'compensation'
    - Who should receive 'compensation'
    - Who should pay 'compensation'

# Balance Responsibility - Principles

## ✓ Every market participant to bear balance responsibilities

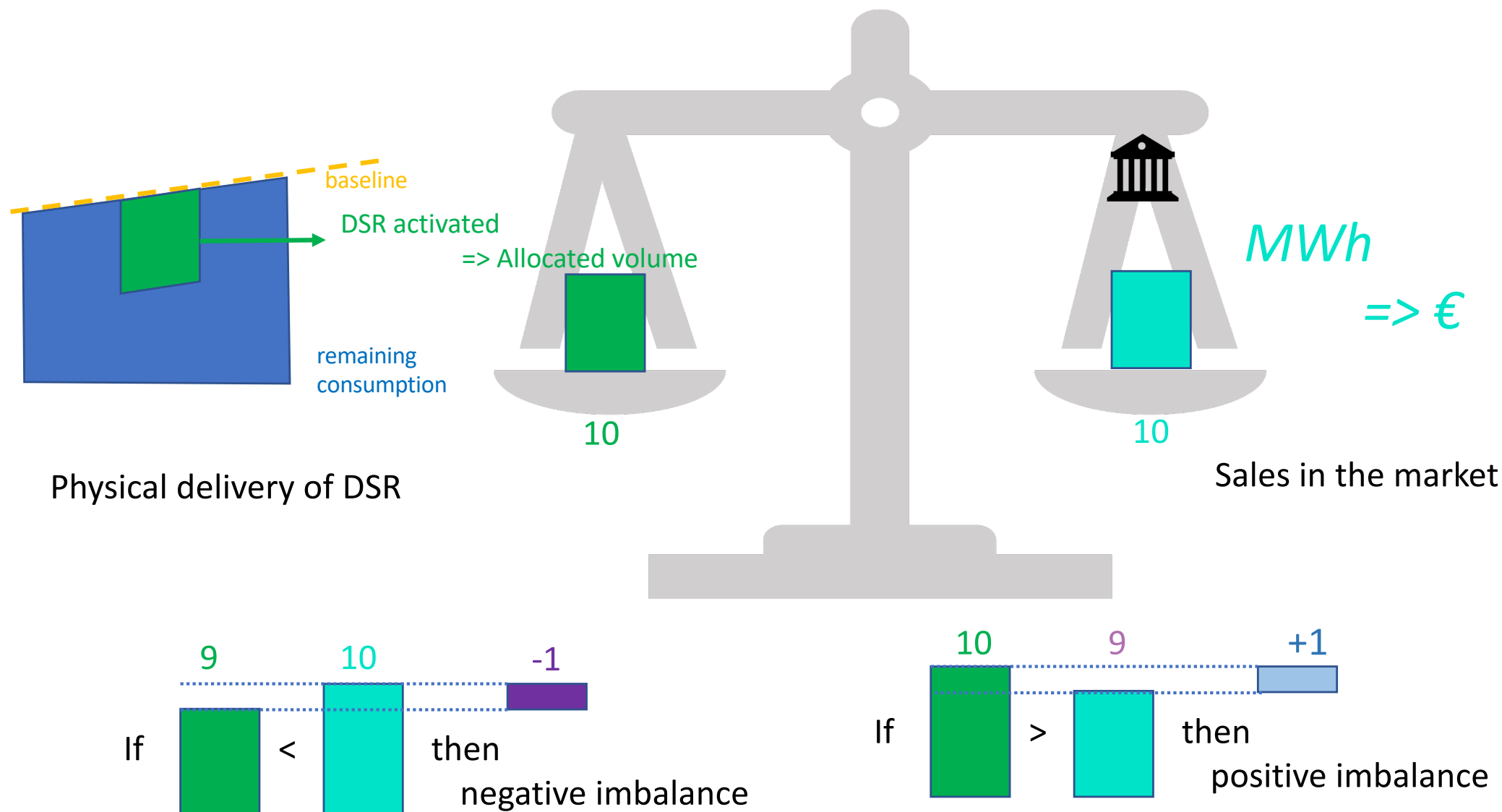
- One grid
- No free rider
- DR aggregators on a level-playing field with generators
  - Compete with generators in all electricity markets
  - Same physical impact in case of failure to deliver
  - Same balance responsibility

## ✓ A clear framework from EU legislation...

- Directive 2019/944, particularly art.17 – 3 (d)
- Regulation 2019/943, particularly art.5, *recital 15*
- *Commission regulation 2017/2195 on electricity balancing,*
  - *Art. 2, definitions (8), (9), (14) & (15)*
  - *Possible adaptations for DR: to be discussed*

... to be implemented in Member States

# Balance responsibility of DSR aggregators: *to deliver volumes sold, no less, no more*



# Balance responsibility of suppliers

- General rule for all market participants

- art. 5 of the Electricity Regulation of the CEP

1. All market participants shall be responsible for the imbalances they cause in the system ('balance responsibility'). To that end, market participants shall either be balance responsible parties or shall contractually delegate their responsibility to a balance responsible party of their choice. Each balance responsible party shall be financially responsible for its imbalances and shall strive to be balanced or shall help the electricity system to be balanced.

- Further provisions in Commission regulation 2017/2195 (EBGL)

(8) 'imbalance' means an energy volume calculated for a balance responsible party and representing the difference between the allocated volume attributed to that balance responsible party and the final position of that balance responsible party, including any imbalance adjustment applied to that balance responsible party, within a given imbalance settlement period:

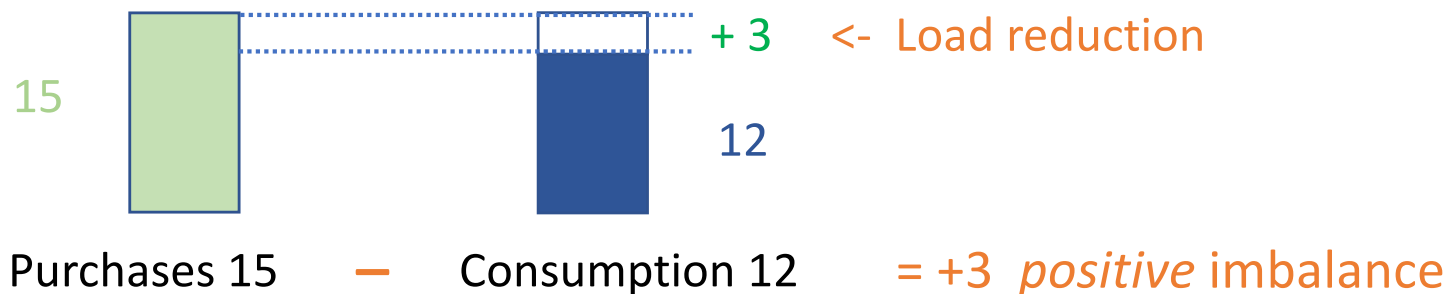
(9) 'imbalance settlement' means a financial settlement mechanism for charging or paying balance responsible parties for their imbalances;

- New for DR as per EMD recital 39 (*to clarify the intention of articles*)

(39) All customer groups (industrial, commercial and households) should have access to the electricity markets to trade their flexibility and self-generated electricity. Customers should be allowed to make full use of the advantages of aggregation of production and supply over larger regions and benefit from cross-border competition. Market participants engaged in aggregation are likely to play an important role as intermediaries between customer groups and the market. Member States should be free to choose the appropriate implementation model and approach to governance for independent aggregation while respecting the general principles set out in this Directive. Such a model or approach could include choosing market-based or regulatory principles which provide solutions to comply with this Directive, such as models where imbalances are settled or where perimeter corrections are introduced. The chosen model should contain transparent and fair rules to allow independent aggregators to fulfil their roles as intermediaries and to ensure that the final customer adequately benefits from their activities. Products should be defined on all electricity markets, including ancillary services and capacity markets, so as to encourage the participation of demand response.

# (1) “Where imbalances are settled” also called uncorrected models

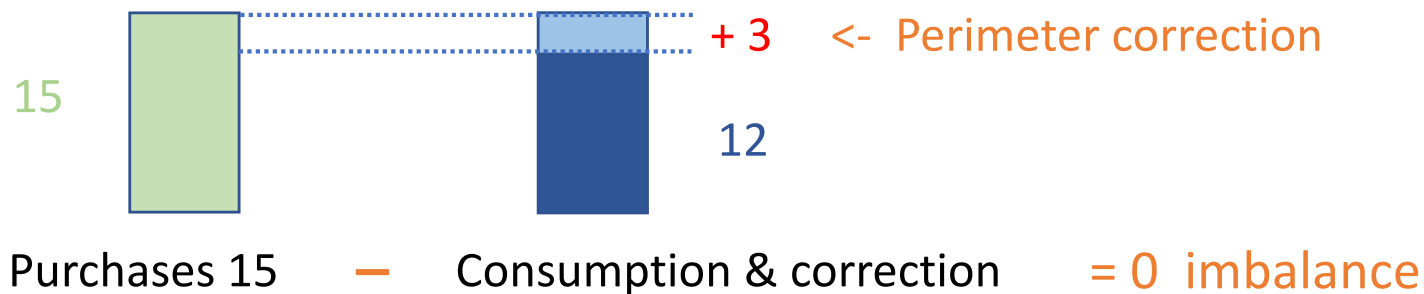
Accounting for imbalance of a supplier with curtailed consumers



- DR => positive imbalance for supplier of curtailed consumers
- Imbalance settlement => supplier ('s BRP) paid for positive imbalance
- Price depending on national rules, EBGL promotes single price  $\sim$ spot  $\pm \delta$

## (2) “*with perimeter correction*” also called *corrected models*

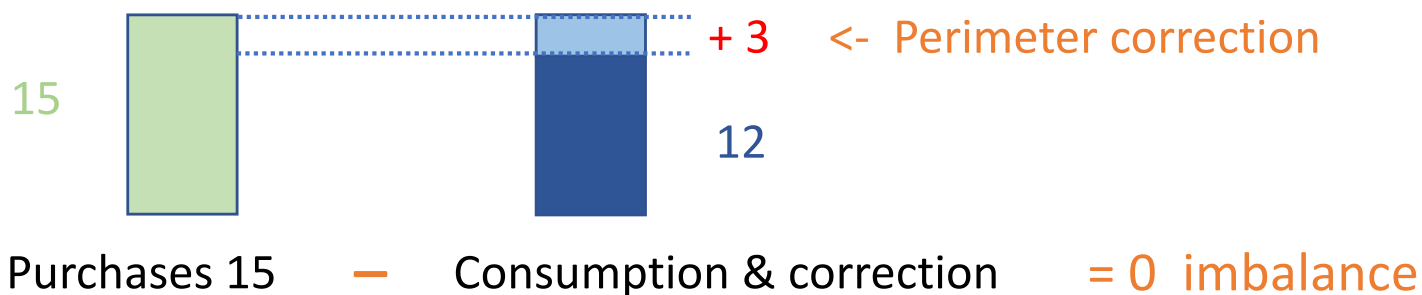
Accounting for imbalance of a supplier with curtailed consumers



- DR => no impact on imbalances of supplier ('s BRP)
- Issue of compensation for supplier who buys 15 and bills 12

# Variations on “corrections”

Accounting for imbalance of a supplier with curtailed consumers



- This is the *perimeter correction* of the imbalance account of the BRP
- Different from *load correction* used for billing consumers, which in turn relates to the discussion of the compensation
  - Who should receive compensation, at which price
  - Who should pay



# Summary on models for the balance responsibility of suppliers

## Imbalances are settled

- Simple and straightforward
  - No change in BRP rules, nor IT systems
  - “Neutral”: same for suppliers and their BRPs whether consumers reduce their load spontaneously or in order to sell DR in the market
- Payment to BRP for imbalances
  - Justified?
  - Appropriate price?
  - Issue of compensation to TSO/settlement entity, thus shared among BRPs

➤ *Simplest approach to start*

## Perimeter correction

- Need to assess volume of DR per BRP
  - TSO/settlement entity need to know
  - split DR volumes totalled per BRP (all aggregators, all customers)
    - data
- BRP is deprived of positive imbalance and related payment
  - “Neutral” or “cost of correction”?
  - Compensation for correction?

➤ *If these issues are properly solved, may be viewed as long term solution*

Member States to choose among these models ... yet comply with CEP

=> we'll have to assess them when discussing compensation, data, etc.

# Balancing Responsibilities of Suppliers

DR operating in the electricity wholesale market (e.g. day ahead)

*Other topics coming later = not today*

- *‘Compensation’: paid to whom, paid by whom*
- *Data needed*
- *DR in the balancing market*
- ...

*Now Q&As, comments welcome!*

# Q&A on Balancing Responsibilities of Suppliers

## Questions

*1. Could you explain the distinction/ relationship between perimeter correction and transfer of energy.*

No energy to be transferred, not in CEP; only notion in CEP: perimeter correction

*2. Is an uncorrected model essentially ruled out by the Art 17 ED due to the requirements for (independent) aggregator balancing responsibility, or are there any examples of it in Member States?*

Uncorrected model => imbalances are settled, ok for CEP

Used in France for years (at the time, only balancing market)

*2. ...Put another way, is it possible for the supplier (or their BRP) to maintain balance responsibility for the connection at all times?*

Supplier ('s BRP) responsible for actual load (as is today), or corrected; both are "neutral"

*3. ...*