

Nordic Balancing Model - Revised roadmap

*Summary of the stakeholder consultation,
including TSOs answers how to consider the
feedback*

November 2019

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1 Introduction

On 28 May 2019 Statnett, Svenska kraftnät, Fingrid and Energinet presented a revised roadmap proposal for the Nordic Balancing Model for [public consultation](#) until 19 August 2019.

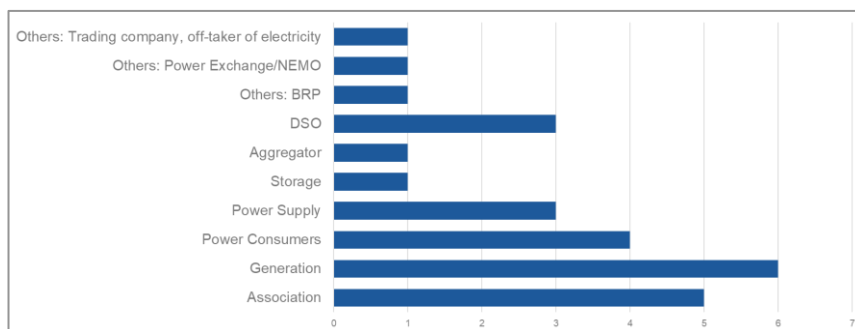
This document summarizes the responses from the public consultation and describes the TSOs plan of how to answer and consider stakeholder feedback in the NBM roadmap.

The Nordic TSOs are thankful for the contributions and feedback from the consultation participants.

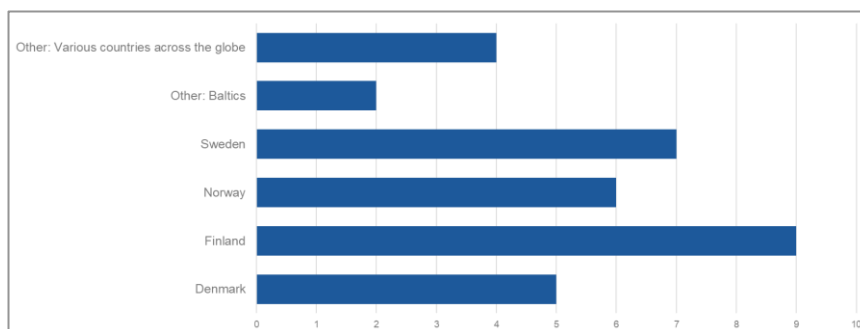
More information regarding consultation and NBM can be found at the [NBM webpage](#).

2 Consultation responses

The consultation was responded by 16 parties. The respondents are from different parts of the power industry field, including one NEMO, several associations, producers, consumers and service providers. All the Nordic countries are covered.



Type of organization represented.



Location of the organizations. (Note: the respondents may have chosen more than one of the given answers or written their own answer.)

2.1 General feedback

Questions:

1. *Have the Nordic TSOs described the most important issues from your perspective for changes towards the Nordic Balancing Model? What should possibly be kept/added/deleted?*
 - a. *Is the level of the details for the presented roadmap and milestones adequate?*
 - b. *Have the TSOs possibly in your view missed some explanations or milestones?*
 - c. *Are there any undefined dates in the current roadmap that in your opinion are crucial to be added as soon as possible? Please explain the reasoning.*
2. *Any views or comments on how the Nordic TSOs should approach uncertainty with respect to timing in the roadmap? What are of importance to you?*
3. *Any other views or comments related to the presented roadmap and milestones?*

Summary of the responses:

In many responses there is feedback on having more detailed level information of the markets. This includes pricing of balancing energy and imbalances. Respondents see that the presented timelines should be realistic rather than overly ambitious. Also, NRA processes and main risks should be visible in the roadmap. Exact implementation dates of (at least) 15 min ISP and Single price model should be added as well.

In general, more information is asked for the concrete effects for stakeholders and their IT-systems, business processes and business strategies. As in example respondents want to have more knowledge of how they will communicate with the balancing platforms. Also, product descriptions of the balancing energy markets are wanted.

Better reasoning and analysis are in the respondents view necessary to better understand why so long delays are needed, why certain choices are made and how the delays will affect to socio-economic gains. More visibility to costs and budget of the NBM program is also requested.

There are even some concerns regarding if the TSOs have a right plan to go for new Nordic markets and why not go directly for European solutions (MARI, PICASSO).

There are also several specific issues and questions. For example:

- How will the balancing and imbalance pricing rules be?

- Role of DK1.
- NBM phase 2 timeline.
- More real-time market information is needed, facilitation of self-balancing and shorter gate closure times supported.
- Any changes to ramping restrictions?
- Why isn't FCR in the scope of the roadmap?
- It has been recognized that in Finland the implementation of datahub is crucial for implementing 15 min ISP.

TSOs answer how to consider feedback:

- The structure of the roadmap has been changed. The main roadmap document focuses on the (high level) time table and planned milestones.
- The TSOs have included more detailed steps and timelines to the roadmap. Each building block now has a specific timeline and detailed steps.
- Defined topics will be explained in more detail in separate memos. This is done to be able to elaborate the explanations on the defined topics and to have the opportunity to update these memos individually. For several topics more analysis, experience and dialogue is needed before it is possible to give a detailed explanation. Two memorandums have been prepared:
 - [Process for activating products](#)
 - [Connection to European platforms](#)
- TSOs have improved the [frequently asked questions](#) section on the NBM webpage.
- The plan for DK1 has been clarified in the roadmap.

2.2 Nordic aFRR capacity market

Question:

- 4. The Nordic TSOs have submitted an aFRR capacity market proposal for NRA approval. These have already been subject to public consultation according to EBGL. The TSOs expect the go-live of the Nordic capacity market in Q1/2020. Any views or comments related to the expected go-live date of the Nordic aFRR capacity market?*

Summary of the responses:

The support for implementation of the Nordic aFRR capacity market is wide, but many respondents have concerns regarding cross border transmission capacity reservation methodology.

Some respondents are generally against reservation, others would like to see some improvements.

In several responses quick implementation of the marginal pricing is supported. Many of the responders also make a reference to their previous answers to aFRR capacity market consultations arranged by the TSOs and the Nordic NRAs.

TSOs answer how to consider feedback:

- Nordic regulators have submitted a Request for Amendment to TSOs on 2019-10-17. TSOs have started the work to amend the proposed methodology based on the Request for Amendment and the stakeholder feedback.
- TSOs published news on [aFRR capacity market on 2019-10-23 at NBM webpage](#). Common Nordic aFRR capacity market is expected earliest on Q3 2020.

2.3 Nordic mFRR capacity market

Question:

5. *The Nordic TSOs plans to postpone the market design and IT implementation until the result of the regulatory process related to the aFRR capacity market is known and therefore the go-live is expected to be during Q3 2021. How high priority do you see the Nordic mFRR capacity market in the overall NBM roadmap?*

Summary of the responses:

The Stakeholders in general thinks that implementation of Nordic mFRR capacity market should not be prioritized. Swedish market parties would like to ensure the proposed timeline of implementation of mFRR capacity market. Many of the stakeholders would like to see at least harmonization of current national mFRR capacity markets. They are also asking for a mFRR down-regulation market.

Norwegian consumer highlights the need to keep the features of current Norwegian mFRR products that enables large participation from consumption.

TSOs answer how to consider feedback:

- TSOs plan to introduce common Nordic mFRR capacity market later than in the initial roadmap. The target date for go-live is not defined, but it is expected to be after

implementation of 15 min ISP, which is prioritized. The TSOs will publish a plan during Q3 2021. The plan includes information about how and when the implementation takes place.

- Some TSOs have needs to update their national mFRR capacity market before the Nordic mFRR capacity market, and will inform nationally on this.
- mFRR products will be developed nationally based on the national needs and existing measures to ensure enough available reserves. TSOs will co-ordinate the development aiming to have a harmonised development of the market design.

2.4 Single price model

Questions:

6. *The switch to the single imbalance model and single imbalance pricing is expected to require only very small adjustments to the settlement data reporting from market participants to TSOs. Do you agree on this statement?*
7. *There are two high level alternatives for implementation. Either early implementation Q1 2021 or together with 15 min ISP Q4 2022*
 - a. *Do you agree on the advantages and disadvantages described for the alternative implementation plans?*
 - b. *What is of importance to you and how can this be met?*
 - c. *Which of the two alternatives do you prefer? Please explain the reasoning.*
 - d. *Do you see some other alternative implementation plans or gradual implementation alternatives? Please elaborate.*
8. *Any other views or comments related to common Nordic imbalance pricing?*

Summary of the responses:

Quick implementation of the Single price model is generally supported. It is stated that a Single price model will create only small adjustments for the stakeholders to be implemented early in the roadmap. Therefore, stakeholders' preference is that implementation is completed in accordance with EBGL (Q1-Q2 2021) and simultaneously in all the Nordic countries. It is also commented that a Single price model potentially will reduce transaction costs and administrative burdens.

On the other hand, there is even one highly critical view from the Finnish energy user association that explains why the Single price

model will maybe harm the balance of the market power seriously in the Nordic markets.

Respondents are widely in the opinion that a Single price model should not be implemented at the same time with 15 min ISP, as the preference is to implement one thing at a time.

There is also feedback from several respondents that requests to have visibility and explanations to the analysis of the TSOs operational concerns and operational situations in some geographical areas that are referred to in the roadmap.

Many of the responders also asked for details of the planned changes to imbalance pricing principles.

TSOs answer how to consider feedback:

- Considering the stakeholder feedback, TSOs have [decided to implement single pricing in default timeline](#) by Q2 2021. The model is based on an approach where single pricing is used normally but dual pricing is still applied on ISPs with divergent regulations. The number of balances will be one, instead of the current separate production and consumption balances.
- TSOs have published [the document](#) which was used as background material for the decision.
- The details of the imbalance pricing and the conditional dual pricing are still to be defined. TSOs will publish a discussion paper on imbalance pricing details during Q4 2019.
- The updated roadmap includes planned steps for the implementation.

2.5 15 minutes time resolution

Questions:

9. *Go-live of 15 minutes time resolution is planned to take place during Q4 2022. What is your opinion of the timeline proposal? Is the proposed timeline acceptable to make necessary changes to your business processes and IT solutions?*
10. *What are the crucial preconditions for the implementation of 15 minutes time resolution in the national and in the Nordic level? Please explain the reasoning.*

Summary of the responses:

Generally, a postponement to Q4 2022 is seen as being reasonable to make the necessary preparations in an orderly way. It is stressed that

the date for implementation of 15 min ISP should be firm. There is also a proposal to avoid big changes close to holidays.

More details are asked for on precise deadlines for different program deliveries and what the expectations are for the market participants' readiness on those deadlines.

The respondents were asking for details for different program deliveries. They would also like to know what the readiness looks like in the different markets.

From the DSOs perspective coordination with developments of the datahubs are necessary. This feedback comes especially from the Finnish respondents. In their view the roadmap timeline should take into consideration risk scenarios where several DSOs are delayed or the datahub implementation is not ready in time. One Swedish DSO also had concerns regarding the implementation timeline and proposed postponement until 2025.

It is encouraged to have discussions in depth both on a Nordic and European level with the market coupling operators for having 15 minutes' products available at least in intra-day markets, but preferably also in day-ahead markets when Nordic bidding zones shift to 15 min ISP.

Requirements for meters raise concerns on how many/connection size limit where 15 min measurement are required.

TSOs answer how to consider feedback:

- The updated roadmap includes a planned go-live time (Q2 2023) for the 15 min ISP (subject to NRA approval). TSOs have extended the timeline which was proposed in the draft roadmap to reduce uncertainty regarding the timeline. The automation of the Nordic mFRR energy activation market needs to happen before the go-live of 15 min imbalance settlement period. The needed automation and new balancing process is a major change for the TSOs and sufficient time to develop and introduce the change is important. Therefore, a stepwise implementation approach is needed, as well as a parallel operation period.
- The process for applying for a later go-live date than required by EBGL has been started during autumn 2019. The go-live date will be finally confirmed as a part of the NRA decision.
- Some clarifications as asked for in consultation are included in the revised roadmap. Also, the updated [frequently asked questions](#) section at the NBM webpage includes answers to some questions raised.

2.6 mFRR balancing process automation

Questions:

11. *In the first phase, only scheduled mFRR activation will be part of Nordic markets. When there is a need for direct mFRR activation it will be handled locally. This might also lead to a local calculation of the imbalance price in those situations. What is your opinion of this approach?*
12. *At the time for the introduction of 15 min time resolution, some features of the European mFRR standard product will be introduced. Before the Nordic TSOs join the MARI platform the remaining features of the standard product shall be implemented. Is the order of the implementation of the product features in your opinion feasible or is there some very important features that should be introduced earlier?*
13. *The go-live is expected at the same time as 15 min ISP (Q4 2022). What is your opinion of the timeline proposal?*
14. *The TSOs plan to continue current practice where mFRR energy bids can be also used for congestion management. Any views or comments related to congestion management?*
15. *The TSOs plan to implement bid filtering functionality on some bidding zones of Nordic markets. Any views or comments related to bid filtering functionality?*

Summary of the responses:

In many responses it is stated that the standard products that will be introduced should be described as early as possible. The market participants' interaction with the TSO is also in general a point of interest.

For the products there are several views:

- It is not opposed to the described process of stepwise harmonization between mFRR product in the NBM program and standard European mFRR products as long as there is full harmonisation between NBM and the European platforms when the latter are put into operation.
- Some respondents raise concern that an intermediate product deviating from the upcoming European standard products not should be introduced.
- To ensure the participation of large industrial consumers in the balancing market in the future too, there should be

products with a longer maximum delivery duration (e.g. 60 minutes) available in the mFRR energy market.

There is as a proposal to have better explanation of what bid filtering is. It is also stated that bid filtering effectively limits access to the market and therefore the stakeholder considers that bid filtering within bidding zones should be avoided as much as possible. If such filtering is done the filtering and the reason for the filtering must be fully transparent to the whole market. One respondent even asked for a compensation if some bids are “skipped” because of bid filtering.

Some of the responders considers that congestion management should not impact imbalance prices. Some producers also stated that only scheduled activation should be used. And not direct activation.

It is also stated that the mFRR balancing processes automation and AOF’s functioning needs to be described and discussed in more detail. At the moment, there is not enough information. Example:

- What different functions are there in AOF?
- In what way will the AOF be built, which are the work packages?
- What’s the budget for AOF in total?
- What are the AOF expected to do and what will be shifted to European platforms and what will remain as individual TSOs responsibility?

One stakeholder gave feedback that this timeline is too late. Also, there are arguments from Swedish producers that the current praxis for special regulation methodology should be improved, for example by creating a separate market for congestion management.

TSOs answer how to consider feedback:

- The TSOs have created two separate memorandums to answer comments and questions related to mFRR balancing process automation and new mFRR energy market. The memos are:
 - [Process for activating products](#)
 - [Connection to European platforms](#)
- These memos are on high level for the time being. The memos will be updated and elaborated when new information is available, based on dialogue with stakeholders, analyses and experiences during implementation.

2.7 Outlook for energy activation markets

Question:

16. Alignment of the balancing processes and products in order to be able to efficiently join the European platforms is one of the targets for the planned changes in the new Nordic Balancing Model. Do you have any views or comments related to the described outlook?

Summary of the responses:

There is support in many responses for European balancing markets and platforms. Several respondents are asking for the NBM roadmap to be designed in such a way that there is a seamless transition between the NBM platforms for aFRR and mFRR activation products and the similar European platforms when the latter are implemented.

There are also views that the European market model should be implemented in the Nordics with the same schedule as in the rest of the relevant EU Member States. Shorter gate closure time (25 min) was asked for mFRR market, to secure an equal playing-field for Nordic companies compared to the rest of Europe. It is commented that the roadmap does not describe harmonization and integration processes in sufficient detail. The roadmap should also comprise implementation deadlines for the second generation NBM, as this is where full integration with European markets is expected.

Another request is to have a detailed level description of the cross-border marginal pricing model for the aFRR energy activation market. It is also requested to analyze the need for having non-standard mFRR-products to avoid unnecessary limitations which might exclude flexibility from faster or slower resources.

TSOs answer how to consider feedback:

Answers to this section are as for section 2.6 above.

2.8 Stakeholder involvement

Question:

17. Any views or comments related to the presented stakeholder involvement?

Summary of the responses:

Respondents are satisfied with the gradual increase of stakeholder involvement that they have experienced so far. Future expectations includes for example more webinars and video conferences, as well as continuous updates to the plans on the websites.

TSOs answer how to consider feedback:

- Nordic TSOs will continue to have regular meetings in the Nordic stakeholder reference group. This group will meet quarterly, and for these meetings the Nordic TSOs will inform on the progress based on the roadmap milestones. The material prepared for the stakeholder reference group meetings will be available for all stakeholders on the NBM webpage. The [webpage](#) will contain general and more specific information. Defined topics will be explained in more detail in separate memos. The memos will be updated and elaborated based on dialogue with stakeholders, analyses and experiences during implementation.
- In addition to this we will prepare webinars on general and specific topics that also will be available from the NBM webpage.