

elering **AST** 
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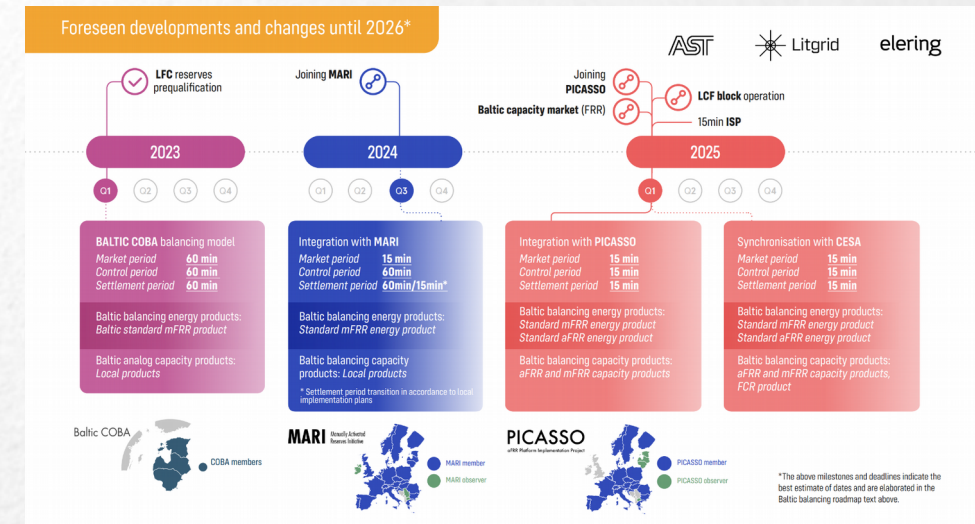
BALANCING CAPACITY COST SETTLEMENT

AST

2024 | www.ast.lv

WHEREAS AND MOTIVATION

- Starting from joining MARI platform Baltic TSOs won't have a common settlement methodology;
- From the synchronization with CESA Baltic TSOs will operate common **Baltic balancing capacity market (BBCM)** to procure necessary balancing reserve;
 - Marginal pricing;
 - Procurement for every 15min MTU;
 - Settlement with BSPs and between TSOs;



- Considering the **variability and amount of the procurement costs** and **high unpredictability** of market operations, settlement of balancing costs through **tariff is not a suitable solution after launch of BBCM.**
- Balancing capacity costs is a balancing cost that cannot be implemented to imbalance price.**
- Baltic TSOs have worked on solutions. **Most appropriate approach currently is considered the settlement of the balancing capacity costs with BRPs.**

WHEREAS

EBGL "3. Each *TSO may develop a proposal* for an additional settlement mechanism separate from the imbalance settlement, *to settle the procurement costs of balancing capacity* pursuant to Chapter 5 of this Title, administrative costs and other costs related to balancing. The additional settlement mechanism *shall apply to balance responsible parties*. This should be preferably achieved with the introduction of a shortage pricing function. If TSOs choose another mechanism, they should justify this in the proposal. Such a proposal shall be subject to approval by the relevant regulatory authority."

ISHM "Each TSO may develop a proposal for an additional settlement mechanism with BRPs separate from imbalance settlement to settle the procurement costs of balancing capacity pursuant to the Chapter 5 of the Title V of the EB Regulation, administrative costs and other costs related to balancing in accordance with Article 44(3) of the EB Regulation."

ELERING CASE

Elering has sent to Estonian NRA for approval "The unified methodology for determining the balance service price".

According to this methodology, Elering shall forecast the **capacity costs**, and recover them via €/MWh **tariffs applied to each BRP based on the total measured consumption and production in the BRP's portfolio.**

Implementation must coincide with the capacity market go-live in February 2025. The new tariffs must be published with reasonable advance notice, which we consider 6 months (by August 2024).

Benefits:

- Portfolio based costs can be easily transferred by BRPs to both - consumers and producers based on amount generated/consumed – **polluter pays principle**;
- **Incentivize market participants** to participate in balancing capacity market and can cover its cost;
- Balancing is not directly a grid service and therefore, balancing costs should not be included in the grid tariff.

AST CASE

Proposal is under discussion in AST;

Current proposal is:

- To include 100% of capacity costs in settlement with BRPs;
- Costs are allocated based on portfolio of BRP (sum of load and generation);

Benefits:

- Capacity costs are settled in the relevant period ('*post-factum*');
- Incentivize market participants to participate in balancing capacity market;
- Portfolio based costs can be easily transferred by BRPs to both - consumers and producers based on amount generated/consumed;

LITGRID CASE



Proposal is under discussion in LITGRID and will be presented to NRA Q2;

Alternatives discussed:

- To include 100% or part of capacity costs in settlement with BRPs;
- Costs to be allocated based on a) portfolio of BRP (sum of production and consumption) or b) based on BRPs deviations from schedule or c) combination of both

Benefits:

- Incentivize market participants to participate in balancing capacity market;
- Portfolio based costs can be easily transferred by BRPs to both - consumers and producers based on amount generated/consumed (currently only consumers pay via grid tariff, producers do not participate)

SUMMARY

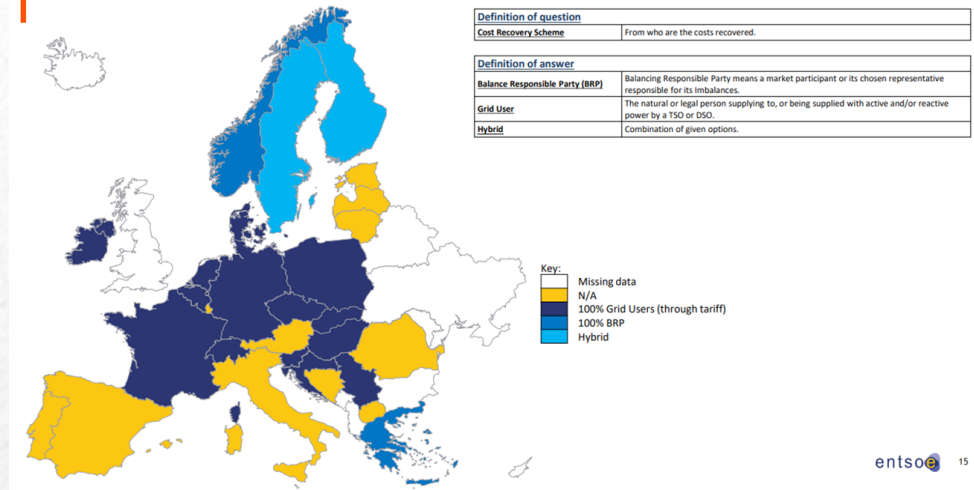
	Elering	AST	Litgrid	Fingrid
% of capacity costs applied to BRPs	100% (excluding Kiisa)	100% (excluding BESS)	100% or less	100% FCR and aFRR, 80% mFRR reserve capacity costs
Portfolio/imbalance/tariff	Portfolio	Portfolio	Portfolio/imbalance/tariff	Portfolio
Post factum/ short-term forecast/ flexible forecast period/...	Flexible forecast period	Post factum	Forecast/post factum	Short-term forecast
Status	Submitted to NRAs; Implemented from: 02.2025.	Under development in TSO; Implemented from: 02.2025.	Under development in TSO Implemented from 02.2025	Implemented (2023)

OTHER TSOS

Finland: 100% FCR and aFRR, 80% mFRR reserve
 capacity costs are settled with BRP according to their
 actual amount of generated and consumed energy with
 a fixed price of 1.5 EUR/MWh;
 Sweden: 1.6 EUR/MWh;
 Norway: 0.21 EUR/MWh;

Historically in central Europe it has been included in
 grid tariff.

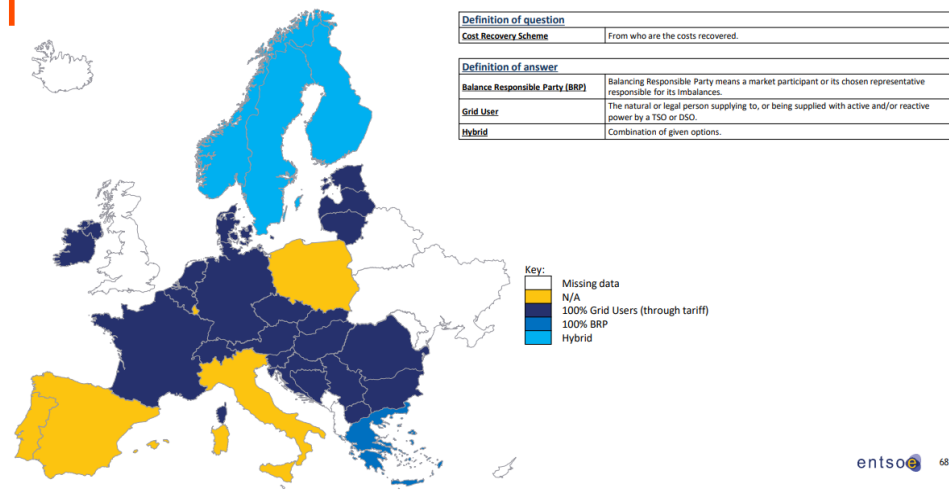
Frequency Containment Reserve – Capacity – Cost Recovery Scheme



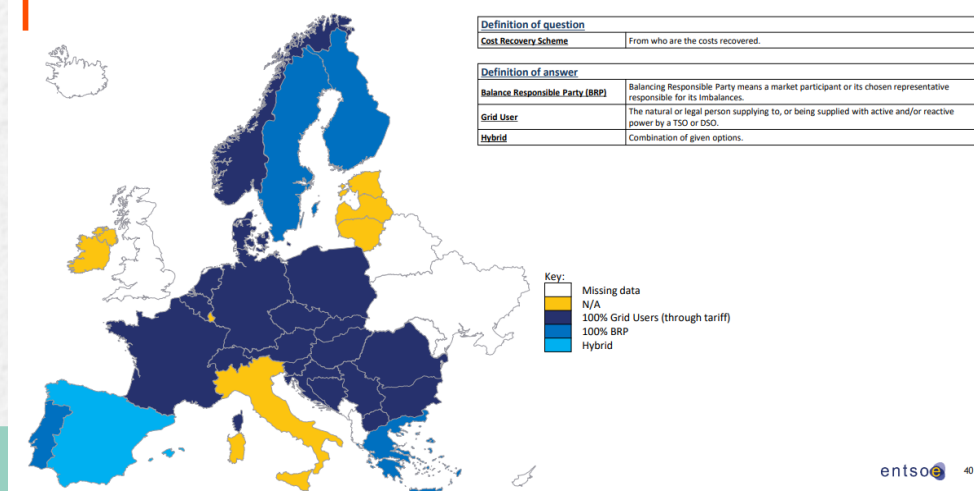
Frequency Restoration Reserve (Manual) - Capacity - Cost Recovery Scheme

Key:

- Missing data
- N/A
- 100% Grid Users (through tariff)
- 100% BRP
- Hybrid



Frequency Restoration Reserve (Automatic) - Capacity - Cost Recovery Scheme



- Baltic TSOs foresee that currently there is no need to harmonize the balancing capacity cost settlement considering that it does not influence the operations of regional capacity market;
However, it would add uncertainty due to time constraints in the market before its opening in February 2025;
- The proposed settlement is different in each of Baltic TSOs but have a similar approach;
- The approach in each TSO is based on local specifics and is appropriate for the cause;
- Harmonization could be considered in future;

Discussion:

- *NRA opinion on capacity cost recovery model?*
- *What level of harmonization and timeline of it does NRA see appropriate?*
- *Is there any additional materials that TSOs shall prepare for NRAs to base their decision on (where applicable)?*
- *Any questions to TSOs?*

THANK YOU

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