

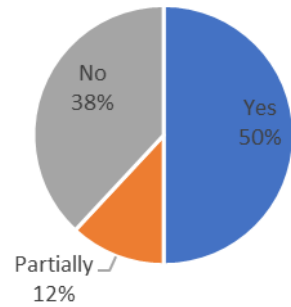
ACER Decision on the amendment of the pricing methodology

MESC meeting
09 March 2022

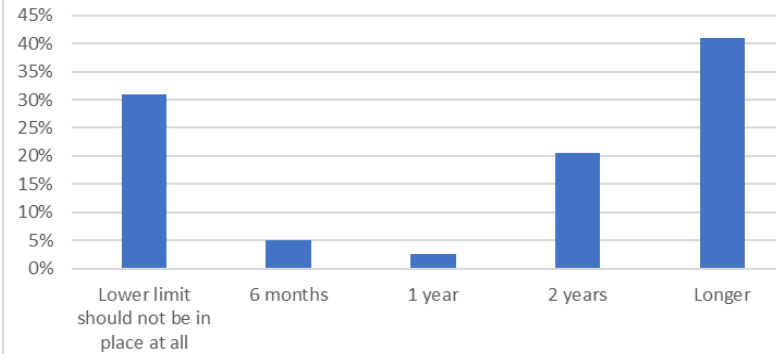
- **The following amendments were proposed:**
 - **Technical price limits for balancing energy**: from -/+ 99,999 €/MWh to -/+ 15,000 €/MWh
 - **Adjustment mechanism**: if the **single intra-day coupling** harmonised maximum price limit is reached the maximum limit for balancing energy shall be set to 5,000 €/MWh higher than the harmonised maximum clearing price for **single intra-day coupling**.
 - **Report on limits**: by **January 2026** all TSOs shall prepare a report to **justify** whether these technical price limits should be maintained or amended (stakeholders will submit comments); **final report to ACER by July 2026**.
 - **Annual reporting**: All TSOs shall include in the European report (Article 59 of the EB Regulation) an analysis of the **impact of these technical price limits on the functioning of the market** (if TSOs identify that the technical price limits hinder the efficient functioning of the market, they shall trigger the assessment mentioned above).

- “*due to developments and observations on balancing energy markets across Europe, all TSOs identified that technical price limits are needed for the efficient functioning of the market.*”
- TSOs raised fundamental risks which result from applying the [marginal pricing principle](#) in the balancing energy market and from [the characteristics of the balancing markets](#) (repeated auctions, oligopolistic supply side, single buyer TSO).
- TSOs also outlined the transitory risks related to connection to the European Platforms as a result of:
 - [Limited number of TSOs](#) joining the European balancing platforms at the legal deadline, thus the competition could be limited at beginning;
 - [Changes](#) to the local balancing energy market designs and adaption phase for all market participants as well as TSOs implementing the [new market design nationally and cross-border](#).
 - As a result of these changes, there could be [increased vulnerability to errors](#) which could lead to high prices not correlating with the real-time-value of energy (artificial scarcity situations).

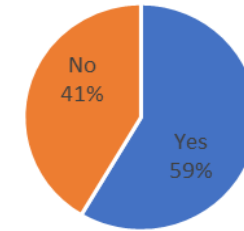
TOPIC 1: Could a reduction of the balancing technical price limits as proposed by the TSOs be justified **on the grounds of a more efficient functioning of the market?**



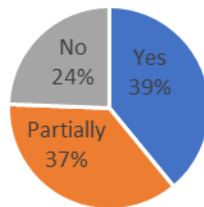
TOPIC 2: **How long** in your view shall the lower technical price limit remain in place after the start of the operation of European platforms



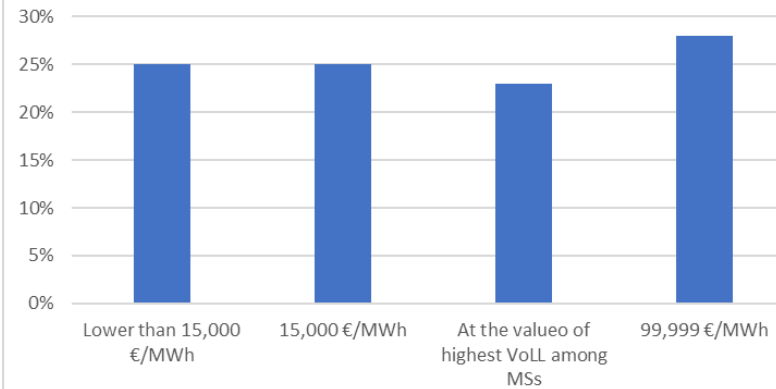
TOPIC 3: Do you agree there shall be a transparent **mechanism to adjust automatically** the technical price limits if set limits in the balancing timeframe are expected to be reached?



TOPIC 2: Would the lower price limit during the implementation of the integrated European balancing platforms until more TSOs connect to the European platforms **would provide a safeguard for secure implementation?**



TOPIC 2: **At what level** in your view shall the lower technical price limit be set?



- **Regarding fundamental risks:**
- ACER disagrees with TSO reasoning and considers that the design elements used in the External study as the reasons for the alleged inefficient functioning of the market and a need for lower technical price limits have either been elements of national balancing market design or are inherent to all electricity markets.
- ACER considers that market concentration and potential market abuse issues raised by TSOs in the explanatory note shall mainly be dealt with within the scope of competition law and REMIT Regulation.
- **Regarding transitory risks:**
- ACER agrees to allow for a transitional price limit for a limited period of time in order to ensure a smooth and successful transition towards integrated and harmonised European balancing markets and to provide more confidence to the parties involved in the connection to the European balancing platforms.

1. Keeping the technical price limit at the **existing level (at +/- 99,999 €/MWh)** of in accordance with ACER Decision 01/2020
2. Transitory price limit in place in order to address TSO's transitory concerns for the first 48 months (24 months until the expiration of all the derogation + additional 24 months to monitor, report and re-submit a proposal):
 - transitory price limit set to **15,000 € /MWh** for **all 48 months**;
 - transitory price limit is increased if the maximum ID limit is increased, in line with the TSOs' proposal;
3. **Assessment to be performed by TSOs** 3 years after the implementation of the European platforms in order to investigate **whether different technical price limits are needed for efficient functioning of the market** (new paragraph 6 added to Article 3 of Annex I).
4. **'Quarterly reporting'** and **'incident reporting'** obligations required by the TSOs.

2022					2023					2024					2025					2026																					
Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Go-Live of the EU Platforms																																									
Existing technical price limit of 99,999€/MWh in place																																									
Transitional limit of 15,000 €/MWh in place (4 years) Transitional limit is adjusted if ID limit is adjusted (to always be 5,000 €/MWh higher/lower than ID limit)																																									
Maximum period to apply for a derogation to connect to the EU Platforms (2 years)															TSOs to perform an assesment and submit the proposal to ACER, if needed					ACER to go through regulatory approval, if needed																					
Quarterly reporting obligations on TSOs (and 'incident-based' reporting following the occurrence of CBMP reaching 50% of transitional price limit)																																									