



Sekretariatet for Energitilsynet

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ENERGINET

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MODHANDELSMODEL JF JOINT DECLARATION PÅ DK1-DE

Dato:
19. april 2018
Forfatter:
LIN/KBP/JBU

Kære Mads Lyndrup,

Energinet har siden september 2017 analyseret forskellige modhandelsmodeller for at imødekomme forpligtelserne fra fælleserklæringen imellem det tyske økonomiministerium, det danske energi-, forsynings- og klimaministerium, det tyske energitilsyn og Energitilsynet ("Joint Declaration"). Analysen er udarbejdet i tæt samarbejde med TenneT TSO GmbH, og TSOerne har involveret danske, nordiske og europæiske markedsaktører igennem to workshops og ved flere bilaterale snakke. Resultaterne fra analysen blev publiceret i en fælles DK1-DE Impact Assessment rapport¹ 1. december 2017.

På baggrund af disse resultater har Energinet besluttet at fortsætte med Special Regulering som modhandelsmodel. Special Regulering er beskrevet og godkendt under Markedsforskrift C2 for Balancemarkedet og Balanceafregning. Energinet vil også i situationer med begrænsede frivillige op- og nedreguleringsbud i DK1 og DK2 afholde kapacitetsauktioner ud fra principperne godkendt i Markedsforskrift C2.

Da Energinet fortsætter med en beskrevet og godkendt metode vil Energinet ikke indsende et nyt metodeforslag til godkendelse. Dette brev vil derfor være den endelige beslutning fra Energinets side angående en modhandels model jf. Joint Declaration.

Begrundelsen for Energinets beslutning er beskrevet i vedhæftede høringsmateriale fra februar-marts 2018 (DK1-DE Joint Declaration Consultation of Countertrade Model).

HØRING

Energinet gennemførte i perioden 15. februar – 16. marts en høring af beslutningen om at fortsætte med Special Regulering, og Energinet modtog 7 høringsvarer. Høringsvarene er ved-

¹ <https://en.energinet.dk/About-our-news/News/2017/12/01/Energinet-and-TenneT-publish-final-impact-assessment-of-different-countertrade-models-for-DK1-DE>

hæftet i en rapport (DK1-DE Joint Declaration Collected Consultation Report March 2018), som Energinet snarest vil offentliggøre.

TRANSPARENS

En af de gentagende kommentarer fra markedsaktørerne angående Special Regulering er manglende transparens af priserne for op- og nedregulering. På nuværende tidspunkt offentliggør Energinet de samlede mængder for Special Regulering, men, efter Energitilsynets beslutning, offentliggør Energinet ikke priserne. For at øge transparensen og imødekomme markedsaktørerne inviterer Energinet Energitilsynet til en drøftelse af den nuværende beslutning og muligheden for at publicerer priserne fremadrettet.

VEDHÆFTEDE FILER

Følgende filer er vedhæftet dette brev:

- DK1-DE Joint Declaration Consultation of Countertrade Model
- DK1-DE Joint Declaration Collected Consultation Report March 2018

Hvis I skulle have spørgsmål til ovenstående, er I velkomne til at kontakte undertegnede.

Med venlig hilsen

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CONSULTATION REPORT

DK1-DE COLLECTED CONSULTATION REPORT

In the period from 15th of February 2018 to the 16th of March 2018, Energinet asked all interested parties for feedback on the justification and selection of the countertrade model for up- and downward regulation in Energinet's control area following the requirements from the Joint Declaration between the Danish and German Ministries.

Energinet received 7 responses from the following participants: Aalborg Energi Holding A/S, Danmarks Vindmølleforening, Ørsted, Vattenfall AB, Swedenergy, Danish Energy and Nordenergi.

This report presents all the received consultation responses and Energinet's response to the questions and concerns raised. The consultation responses are presented in the language used by the individual respondents (Danish or English as the case may be). All Energinet responses are in English.

Comment no.	Reviewer (Organisation)	Comments received	Energinet response
1	Aalborg Energi Holding a/s	Indledningsvist vil vi gerne takke Energinet for muligheden for at give vores mening til kende. Endvidere vil vi gerne kvittere for en god og struktureret proces med stor involvering af aktørerne.	Energinet appreciates the response from Aalborg Energi Holding and your participation in the process.
2	Aalborg Energi Holding a/s	Vi anerkender, at problemstillingen er kompleks og at ingen af de foreslæde løsningsmuligheder er uden ulemper. Det er dog vores klare opfattelse, at Energinet har valgt den rette løsning med indstillingen om at fortsætte med anvendelse af specialregulering som modhandelsmodel. Modellen er velforprøvet og fungerer i praksis, ligesom at den ikke kræver opbygning af nye omkostningsfulde systemer for hverken aktører eller TSO'er.	Energinet takes notice on the recommendation from Aalborg Energi Holding.
3	Aalborg Energi Holding a/s	Fokus på at forberede transparens på den eksisterende løsning er den rette vej frem i forhold til at skabe et velfungerende marked. Rådighedsmarkedet for nedreguleringsreserver er efter vores opfattelse en effektiv og simpel måde at afhjælpe problemstillingen vedrørende det scenarie, hvor de frivillige bud i nedreguleringsmarkedet ikke er tilstrækkeligt til at imødekomme forpligtelsen i forhold til modhandel.	As written in the consultation material section 2.5, Energinet is investigating the possibility to publish the prices for special regulation, and Energinet has initiated a dialog with DERA in order to change current practice. Energinet will only run the capacity auction if there are not sufficient voluntary bids in the regulating power market, and Energinet appreciates Aalborg Energi Holding recommendation.
4	Aalborg Energi Holding a/s	De alternative løsninger som har været overvejet er komplekse, uprøvede, kræver store implementeringsinvesteringer for både TSO og aktører. De åbner i øget grad op for muligheden for at spekulere i at flytte energimængder mellem Day-ahead, Intraday og regulerkraftmarkedet med arbitrage for øje. Denne arbitrage vil potentielt kunne underminere intentionen i minimumskapaciteterne aftalt i Joint Declaration. Dette bør efter vores opfattelse være det mest tungvejende argument for ikke at anvende en af de alternative metoder til modhandel.	Energinet is also of the opinion that the current methodology limits the risks of arbitrage between the different markets as written in section 2 of the consultation material. Energinet will continuously evaluate the model to identify any possible misuse or unwanted effects on the current electricity markets.
5	Danmarks Vindmølleforening	Danmarks Vindmølleforening takker for muligheden for at afgive høringssvar til Energinet's høring af den fortsatte brug af specialregulering.	Energinet appreciates the response from Danmarks Vindmølleforening and your participation in the process.
6	Danmarks Vindmølleforening	Foreningen støtter forslaget om den fortsatte anvendelse af specialregulering, som metode for håndtering af modhandel på forbindelsen mellem Jylland og Tyskland.	Energinet takes notice on the recommendation from Danmarks Vindmølleforening.
7	Danmarks Vindmølle-	Foreningen ser det dog som en forudsætning, at der bliver gennemført	Energinet has investigated the possible effects on the electricity

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	forening	<p>en omfattende evaluering af anvendelsen af modhandel og dens indvirkning på elmarkedet i Vestdanmark.</p>	<p>market during the analysis of possible countertrade models¹, and it is based on this analysis, that Energinet recommends to continue the use of special regulation as it will have the least effect on the electricity market.</p> <p>One way to increase transparency in the market is to publish prices, as written in the consultation material in section 2.5. Energinet is investigating the possibility to publish the prices for special regulation, and Energinet has initiated a dialog with DERA in order to change current practice.</p>
8	Danmarks Vindmølleforening	<p>Ifølge Energinet's årsopgørelse over brugen af specialregulering i 2017 er andelen leveret fra termiske værker steget fra 25 % i 2015 til 64 % i 2017.</p> <p>I kraft af, at specialregulering oftest aktiveres i timer med moderat eller høj vindproduktion bør det derfor undersøges om der ligger spekulative bud bag den voksende andel af specialregulering fra termiske værker.</p> <p>I perioden fra 1. november 2017, hvor den garanterede kapacitet på DK1-DE forbindelsen steg til 400 MW, til 28. februar 2018 har den gennemsnitlige afregningspris for vindenergi i Vestdanmark været 15 % lavere end den gennemsnitlige spotpris. I de øvrige måneder af 2017 var den gennemsnitlige afregningspris for vind 10 % lavere end den gennemsnitlige spotpris.</p> <p>Danmarks Vindmølleforening vil derfor foreslå, at Energinet gennemfører en analyse til Energitilsynet af konsekvenserne af den omfattende brug aktivering af specialregulering og indvirkningen på elmarkedet i Vestdanmark specielt med fokus på timer med høj vindproduktion og omfattende aktivering af specialregulering fra termiske værker.</p>	<p>Energinet recognises the development in the amount and prices for downward regulation as published on Energinet website²</p> <p>Energinet is continuously monitoring the market, and as written in the above comment, Energinet is investigating the possibility to increase transparency in the market in order to eliminate the risk of market abuse.</p> <p>As for now, Energinet has not seen any evidence of market abuse, and the development in the market is seen as a general increase in flexibility from thermal power plants, electricity boilers and other units as the general amount of special regulation has increased.</p> <p>Energinet takes notice on the comment raised by Danmarks Vindmølleforening, however Energinet does not consider that further analysis is required for now. Energinet has already tools for continuous monitoring of the market and the behaviour of market participants.</p>
9	Danmarks Vindmølleforening	<p>Det bør undgås, at aktivering af specialregulering medfører en række uhensigtsmæssige incitamenter, som underminerer prisdannelsen i spotmarkedet i timer med høj vindproduktion til skade for afregningsprisen for de danske vindmøller. Før anvendelsen af specialregulering øges</p>	<p>As written in the consultation material and the impact assessment, Energinet stresses that the special regulation limits the risks of arbitrage between the different markets.</p>

¹ <https://en.energinet.dk/About-our-news/News/2017/12/01/Energinet-and-TenneT-publish-final-impact-assessment-of-different-countertrade-models-for-DK1-DE>

² <https://energinet.dk/EI/Nyheder-som-systemydelser/Specialregulering>

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		yderligere bør det derfor kunne påvises, at den samlede påvirkning af elmarkedet i Vestdanmark ved den omfattende modhandel samlet set er positiv, set i lyset af de eventuelle forridninger af prisdannelsen i markedet ved aktivering af specialregulering.	<p>The impact analysis shows that none of the considered counter-trade models do fully secure all criteria evaluated, especially limiting the arbitrage effect, but countertrade close to operational hour and the requirements of physical delivery inherent to special regulation might have a dampening effect on the possibility of arbitrage between markets. In addition special regulation is already implemented and its extended usage only needs a few modifications in Energinet's system.</p> <p>Energinet will continuously evaluate the model to identify any possible misuse or unwanted effects on the current electricity markets.</p>
10	Danmarks Vindmølleforening	I forhold til forslaget om indførelse af kapacitetsreserver i form af indkøb af nedreguleringsreserver bør dette ikke ske før Energinet har lavet en analyse til Energitsynet af den tilgængelige mængde nedreguleringsbud i regulerkraftmarkedet. Indkøbet af nedreguleringsreserver bør kun foretages, hvis der kan påvises en reel mangel på nedreguleringsressourcer. Energinets eventuelle indkøb af nedreguleringsreserver i situationer med høj vindproduktion kan forventes at være unødvendig, da en meget stor del af de danske vindmøller tilbyder nedreguleringsbud til Energinet. Ved høje niveauer af vindproduktion i det vestdanske marked kan der derfor forventes et højt niveau af nedreguleringsbud fra vindmøller.	The use of capacity auctions is only foreseen in the rare situations where there are not enough voluntary bids in the regulating power market, and Energinet appreciates the high flexibility of Danish wind power indicated from Danmarks Vindmølleforening.
11	Danmarks Vindmølleforening	Et eventuelt indkøb af nedreguleringsreserver bør også vurderes i forhold til den negative [mangler der noget fra høringsvaret?] dette har på spot-priserne i timer med høj vindproduktion. Indkøbet bør designes så det tillader indkøb på timebasis og giver vindmøller mulighed for at deltage.	<p>Energinet takes note on this comment from Danmarks Vindmølleforening. Energinet understands the risks and perhaps limitations for wind turbines to participate in the auctions, however, the purpose of the auction is to ensure sufficient firm bids in the regulating power market to control the congestion at the border.</p> <p>As written in the above comment, Energinet will only run the capacity auctions in the rare situations with too few voluntary bids in the regulating power market.</p>
12	Danmarks Vindmølle-	For at sikre den mest velfungerende konkurrence i elmarkedet bør Ener-	Energinet appreciate the recommendation by Danmarks Vindmølle-

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	forening	<p>ginet sikre det højest mulige grad af transparens i indkøbet af specialregulering. Derfor bør Energinet offentliggøre marginalprisen for den aktiverede mængde specialregulering i hver time, da dette vil sikre en mere lige konkurrence ved at sidestille små og store aktører i forhold til informationer om prisdannelsen i markedet.</p>	<p>forening, and as written in the above comments, Energinet is investigating the possibility to publish the prices for special regulation, and Energinet have initiated a dialog with DERA in order to change current practice.</p> <p>The price for special regulation is according to pay-as-bid and not according to pay-as-cleared as indicated in Danmarks Vindmølleforening's consultation answer.</p>
13	Ørsted	<p>Thank you for the opportunity to comment on Energinet's Memo:"DK1-DE Joint Declaration consultation of countertrade model". We appreciate the professional and involving process up to this consultation.</p>	<p>Energinet appreciates the response from Ørsted and your participation in the process.</p>
14	Ørsted	<p>The intention of the Joint Declaration is to secure a day-ahead price effect in DK1 as if there were no physical constraints in Germany. The most efficient way to provide that effect is by purchasing all the physical volumes for the necessary downward regulation in DK1 as close to the operational hour as possible.</p> <p>We therefore agree on Energinet's decision on continuing with the special regulation methodology.</p> <p>The special regulation methodology has proven operational and price efficient even with large countertraded volumes and system security has not been under pressure. Special regulation as a methodology may therefore be applicable to other European cross-border congestion challenges in order to release more interconnector capacity to the market.</p>	<p>Energinet takes notice on the recommendation from Ørsted.</p> <p>Energinet will continuously evaluate the model to identify any possible misuse or unwanted effects on the current electricity markets.</p>
15	Ørsted	<p>We support Energinet's suggestion to add capacity auctions to the methodology in the rare cases where there might not be enough amounts in special regulation.</p>	<p>Energinet takes notice on the recommendation from Ørsted.</p>
16	Vattenfall AB	<p>Vattenfall welcomes the opportunity to comment the proposal.</p> <p>In the specific case of the Danish-German border, Vattenfall regrets that the proposal in fact is a prolongation of the existing practice.</p> <p>Vattenfall has encouraged the referred TSOs to apply a combination of</p>	<p>Energinet appreciates the response from Vattenfall and your participation in the process.</p> <p>As written in the consultation material section 1, Intraday opening and closing auctions face the difficulty of the parallel European approval processes of Intraday cross zonal gate opening and closure</p>

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		<p>the following three marketplaces to handle the regulatory needs:</p> <ol style="list-style-type: none"> 1. Opening (pan-Europe) ID auction 22:00 in the evening D + 1. 2. <i>If available</i> a regional opening balancing auction. Place after the continuous trading period for each traded product has closed and before the delivery period starts. 3. Special regulation during the operating time frame. <p>By combining these three markets, the TSOs should have the opportunity to enlarge the market and thus handle the regulatory requirement at a low cost. The TSOs would also be able to adjust its strategy continuously to minimize market manipulation, arbitration risk, etc.</p>	<p>(IDCZGT) proposal and Intraday cross zonal capacity pricing methodology (CZIDCP), which currently would delay the implementation of these models on the DK1-DE border substantially, perhaps as late as 2019. For the intraday opening auction, the implementation process would have to follow the European process and for the closing auctions, a completely new regional auction methodology would have to be initiated with limited chances for approval, as this model is not completely in line with CACM regulation and the currently suggested European models for intraday auctions. Due to this development, Energinet cannot recommend these models.</p> <p>Energinet acknowledges the comment regarding the limited market size, however as written in section 2.1 in the consultation material it is currently neither feasible nor desirable for the other Nordic TSOs to enable the participation of these bids in the special regulation market.</p> <p>Evaluation of the pilot phase has, however, shown increasing volumes of bids available for downward regulation in DK1, thus indicating sufficient liquidity for handling the countertrade also for higher amounts of minimum capacities. In case of potential lack of resources these can be solved with the capacity auctions.</p>
17	Vattenfall AB	<p>In our opinion, special regulation via the regulating power market should only be used as a temporary solution, as it to some degree distorts the balance market prices as bidders may anticipate a grid regulation and thus bid as if it is under a “pay as bid” regime.</p>	<p>Energinet takes note on the comment, however as shown in the impact analysis, none of the considered countertrade models do fully secure all criteria evaluated, especially limiting the arbitrage effect, but countertrade close to operational hour and the requirements of physical delivery inherent to special regulation might have a dampening effect on the possibility of arbitrage between markets.</p> <p>Energinet will continuously evaluate the model to identify any possible misuse or unwanted effects on the current markets.</p>
18	Vattenfall AB	<p>In light of Energinet.dk's decision to continue the application of special regulation, Vattenfall strongly argues that the methodology would be improved either through:</p>	<p>The recommendation in the Nordic TSO report “Full Cost of Balancing” is to align the imbalance settlement to a one-price model, and the change of imbalance settlements is expected to be completed as part of the implementation of the European Commission Electric-</p>

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		<p>1. A) Applying a marginal price for the resources used for grid regulation or</p> <p>1. B) Allowing for two prices for the same bid, e.g. bid price + some acceptable margin (e.g. +10%) for a bid if used for grid regulation.</p> <p>2. Publication of activated bid price.</p>	<p>ity Balancing guideline by the end of 2020.</p> <p>Regarding single pricing the Balancing Guideline foresees the use of single pricing, however with an option for derogation. The new Nordic Balancing Concept³ does not foresee to apply any derogation on that matter, and hence the current working assumption is to apply single pricing. It is expected to change into single pricing with the implementation of Imbalance Settlement Period from 60 min to 15 min. in the Nordics. According to the Balancing Guideline the change into 15 min ISP, has to take place at the latest 18/12-2020.</p> <p>As written in the consultation material in section 2.5, Energinet is investigating the possibility to publish the prices for special regulation, and Energinet has initiated a dialog with DERA in order to change current practice.</p>
19	Vattenfall AB	<p>In the event that Energinet.dk considers using capacity auction we encourage the Nordic TSOs to seek a developed methodology that make use of the regional auctions that will be implemented by NordPool later this year. The ambition and driver should be to make efficient use of the full Nordic power system.</p>	<p>Energinet takes notice on the comment provided by Vattenfall, however as the NordPool auction is a pilot project running from April/May until the go-live of XBID (Single Intraday Coupling) expected in June 2018, it is not feasible to rely on this model as a fixed countertrade model.</p>
20	Vattenfall AB	<p>Finally we think that the concept of “opening balancing” auctions, taking place after the close of continuous intraday trading for each trade time frame, needs to be investigated more. We therefore encourage the Nordic TSOs to initiate a stakeholder discussion around the concept as soon as possible.</p>	<p>Energinet takes notice on the comment by Vattenfall, and Energinet will bring this recommendation to the Nordic TSOs for further discussion.</p>
21	Danish Energy	<p>Danish Energy welcomes the consultation on the countertrade model under the Joint Declaration.</p> <p>We are pleased with the open and involving stakeholder process undertaken in the efforts to investigate the pros and cons of various suggested countertrade solutions.</p>	<p>Energinet appreciates the response from Danish Energy and your participation in the process.</p>

³ https://consultations.entsoe.eu/markets/common-proposal-for-determination-of-the-lfc-block/supporting_documents/Explanatory%20document%20LFC%20block%20proposal%20Nordic%20synchronous%20area.pdf.

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22	Danish Energy	<p>Our main concern regarding the significant curtailment on the DK1-DE border has been the distortive impact it has on both the short-term market prices in the wholesale market and the long-term investment signals for generators, consumers, TSOs and other stakeholders.</p> <p>We therefore underline that the chosen countertrade solution should aim to remove this distortive impact to the highest degree possible.</p> <p>Intuitively, it seems that the use of balancing market resources for countertrade would give the least distortive impact on the day-ahead price as it arguably leaves less room for arranging bids according to expected volumes of downward regulation.</p>	<p>Energinet takes note on the comment by Danish Energy and refer to the conclusions from the impact assessment developed by TenneT and Energinet.</p> <p>The impact analysis shows that none of the considered countertrade models do fully secure all criteria evaluated, especially limiting the arbitrage effect, but countertrade close to operational hour and the requirements of physical delivery inherent to special regulation might have a dampening effect on the possibility of arbitrage between markets.</p> <p>Based on this result, Energinet agrees that special regulation is the preferred model.</p>
23	Danish Energy	<p>We therefore regret that it has not been of interest for the Nordic TSOs to engage in the use of the entire Nordic balancing market to secure the relevant downward regulation for the Joint Declaration. Such a model could have secured a broader resource base to draw upon for downward regulation while also benefitting from the higher transparency of the Nordic balancing market.</p>	<p>Energinet acknowledge the comment regarding the limited market size, however as written in section 2.1 of the consultation material it is currently neither feasible nor desirable for the other Nordic TSOs to enable the participation of these bids in the special regulation market.</p> <p>In the near future, the Electricity Balancing Guideline provide provision for a common European platform for providing upward and downward regulation, and Energinet anticipate these platform will be used for providing countertrade from the beginning of the 2020ies.</p>
24	Danish Energy	<p>On this basis we support a special regulation countertrade model with inbuilt measures to increase transparency as proposed by Energinet. We consider it a step in the right direction in the absence of a more complete Nordic balancing model for down regulation. We would however like to highlight the need for increased transparency by publishing prices for special regulation.</p>	<p>Energinet takes notice on the recommendation from Danish Energy.</p> <p>As written in the consultation material in section 2.5, Energinet is investigating the possibility to publish the prices for special regulation, and Energinet has initiated a dialog with DERA in order to change current practice.</p>
25	Danish Energy	<p>Despite the limitations in market size that the special regulation model provides, we are pleased to see increasing volumes of bids available for downward regulation in DK1 as the demand for downward regulation increases.</p>	<p>Energinet takes notice on the comment raised by Danish Energy.</p>

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26	Swedenergy	<p>Swedenergy, representing 400 companies, is the Swedish joint association for producers, distributors and suppliers of electricity, district heating and cooling.</p> <p>Swedenergy welcomes the opportunity to comment. Our view is that cross border countertrading models will be an area of growing importance for the internal European energy market.</p> <p>Swedenergy's general position is that any solution should preferably use:</p> <ul style="list-style-type: none"> • Existing market places as it entails more efficient handling/lower resource utilization and lower complexity. • Market-based solutions as much as possible, as the use of special regulation has a detrimental effect on the functioning of the balancing market (bidders try to anticipate when grid regulation occurs, implying a pay as bid behavior). • Incentives to market parties executing the counter trade act on a portfolio level, i.e. a link between trade and action. 	Energinet thanks Swedenergy for their response and comments to the consultation.
27	Swedenergy	<p>Swedenergy regrets that the proposal in fact is a prolongation of the existing practice. We would like to encourage the referred TSOs to use/combine the following three marketplaces to handle the regulatory needs:</p> <ol style="list-style-type: none"> 1. Opening (pan-Europe) ID auction 22:00 in the evening D + 1 2. If available an hourly running regional opening balancing auction, taking place after the continues trading period has closed and before the delivery period starts. 3. Special regulation during the operating hours <p>By combining these three markets, the TSOs should have the opportunity to enlarge the market and thus handle the regulatory requirement at a low cost. The TSOs will also be able to adjust its strategy continuously to minimize market manipulation, arbitration risk, etc.</p>	<p>As written in the consultation material section 1, Intraday opening and closing auctions face the difficulty of the parallel European approval processes of Intraday cross zonal gate opening and closure (IDCZGT) proposal and Intraday cross zonal capacity pricing methodology (CZIDCP), which currently would delay the implementation of these models on the DK1-DE border substantially, perhaps as late as 2019. For the intraday opening auction, the implementation process would have to follow the European process and for the closing auctions, a completely new regional auction methodology would have to be initiated with limited chances for approval, as this model is not completely in line with CACM regulation and the currently suggested European models for intraday auctions. Due to this development, Energinet cannot recommend these models.</p> <p>Energinet acknowledge the comment regarding the limited market size, however as written in section 2.1 of the consultation material it is currently neither feasible nor desirable for the other Nordic</p>

Comment no.	Reviewer (Organisation)	Comments received	Energinet response
28	Swedenergy	<p>In our opinion, special regulation via the regulating power market should be used as a temporary solution, as it to some degree distorts the price of the balancing market as bidders may anticipate a grid regulation and thus bid as if it is under a “pay as bid” regime.</p>	<p>TSOs to enable the participation of these bids in the special regulation market. Evaluation of the pilot phase has, however, shown increasing volumes of bids available for downward regulation in DK1, thus indicating sufficient liquidity for handling the countertrade also for higher amounts of minimum capacities. In case of potential lack of resources these can be solved with the capacity auctions.</p> <p>Energinet takes note on the comment, however as shown in the impact analysis, none of the considered countertrade models do fully secure all criteria evaluated, especially limiting the arbitrage effect, but countertrade close to operational hour and the requirements of physical delivery inherent to special regulation might have a dampening effect on the possibility of arbitrage between markets.</p> <p>Energinet will continuously evaluate the model to identify any possible misuse or unwanted effects on the current markets.</p>
29	Swedenergy	<p>Considering Energinet’s decision to continue the application of special regulation, Swedenergy strongly argues that the methodology is improved through:</p> <ol style="list-style-type: none"> 1. Applying a marginal price for the resources used for grid regulation OR allowing for two prices for the same bid, i.e. bid price + some acceptable margin (e.g. +10%) for a bid chosen for grid regulation. 2. Publishing of activated bid price. 	<p>The recommendation in the Nordic TSO report “Full Cost of Balancing” is to align the imbalance settlement to a one-price model, and the change of imbalance settlements is expected to be completed as part of the implementation of the European Commission Electricity Balancing guideline by the end of 2020.</p> <p>Regarding single pricing the Balancing Guideline foresees the use of single pricing, however with an option for derogation. The new Nordic Balancing Concept³ does not foresee to apply any derogation on that matter, and hence the current working assumption is to apply single pricing. It is expected to change into single pricing with the implementation of Imbalance Settlement Period from 60 min to 15 min. in the Nordics. According to the Balancing Guideline the change into 15 min ISP, has to take place at the latest 18/12-2020.</p> <p>As written in the consultation material in section 2.5, Energinet is investigating the possibility to publish the prices for special regula-</p>

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30	Swedenergy	<p>We encourage the Nordic TSOs to seek a developed methodology that make use of the regional auctions that will be implemented by NordPool later this year, to make efficient use of the full Nordic power system. That should in our view imply an excellent opportunity to combine intraday auctions plus direct activations by the TSOs already during 2018.</p>	<p>tion, and Energinet has initiated a dialog with DERA in order to change current practice.</p>
31	Swedenergy	<p>Finally, we think that the concept of 'opening balancing' auctions, taking place after the continuous intraday trading for each time frame, need further investigation. We therefore encourage the Nordic TSOs to initiate a stakeholder discussion around the concept as soon as possible.</p>	<p>Energinet takes notice on the comment provided by Vattenfall, however as the NordPool auction will only be a pilot project until the go-live of XBID (Single Intraday Coupling) expected in June 2018, it is not feasible to rely on this model as a fixed countertrade model.</p>
32	Nordenergi	<p>Nordenergi, the umbrella association of the Nordic electricity industry associations welcomes the consultation of countertrade model on the DK1 – DE border.</p> <p>Nordenergi has followed the issue of cross-border capacity between DK1 and Germany with great interest since this connection represents around 40 % of the total physical interconnection capacity between the Nordic market and CWE. We regard the process that Energinet and Tennet have facilitated as part of the evaluation process as a good example of an open and transparent process.</p>	<p>Energinet thanks Nordenergi for their response and comments to the consultation.</p>
33	Nordenergi	<p>Our purpose in this comment is not to address the evaluation of the different countertrade models as such, but rather to comment one aspect of the chosen method – limited market size:</p> <p>In the memo (Feb 15th), Energinet states (page 5) that "special regulation allows only the use of DK1 bids for countertrade", and further "Currently it is neither feasible nor desirable for the other Nordic TSOs to enable the participation of these bids in the special regulation market". On page 7 in the memo, there is a reference to the existing system operation agreement (SOA), stating it as the prerequisite for utilizing bids located in other areas in the Nordic market than DK1 for special regulation.</p> <p>The current EU-regulation under implementation aims for a development from national and regional markets to pan-european energy markets.</p>	<p>The limited market size has been questioned by Energinet on several occasions. However, based on the responses and comments raised by the market participants during the workshops, there has been an increase of voluntary bids available for downward regulation in DK1 through the pilot period and throughout the years², indicating sufficient liquidity for the countertrade.</p> <p>Energinet will in cases of potential lack of resources ensure that these can be solved with the capacity auctions.</p> <p>For now the other Nordic bids are restricted for use in the Nordic balancing market. Currently it is neither feasible nor desirable for the other Nordic TSOs to enable the participation of these bids in</p>

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		<p>This development challenges both TSO's and market players and creates a need for new thinking and practices. This also creates a need for further update of the SOA.</p> <p>Clearly, since Energinet and Tennet have put up limited market size as an evaluation criteria, one is aware that a broader market will lay the foundation for increased liquidity and a more efficient market solution. It will therefore better serve the interests of Energinet and Tennet to include more resources in the special regulation market. As Energinet and Tennet also are aware, there are available resources for downregulation in the Nordic power market, located in other areas of the market than DK1 and it is possible to use these resources also for the special regulation needs on DE-DK1-border.</p> <p>Nordenergi therefor encourages Energinet and the other Nordic TSOs to re-evaluate the current position of only using bids from DK1 in the special regulation solution, with the aim to include bids from all other areas of the Nordic common power market. The re-evaluation should be performed in a transparent manner, giving market players full insight into the key judgements and eventual outcome.</p>	<p>the special regulation market. Going forward, the Electricity Balancing Guideline provide provision for a common European platform for providing upward and downward regulation, and Energinet anticipate these platform will be used for providing countertrade from the beginning of the 2020ies.</p>
34	Nordenergi	<p>Further, we encourage the respective TSOs to work for having it possible to use coordinated redispatching and countertrading methodology for the Nordic CCR being prepared also on the border DE-DK1.</p>	<p>The Nordic⁴ and the CCR Hansa⁵ (which includes the DK1-DE border), proposals for coordinated redispatching and countertrading do in no way hinder the way hinder the use of special regulation, as these lay out the principles for increased coordination on the border.</p>

⁴ <https://consultations.entsoe.eu/markets/draft-proposal-for-a-coordinated-redisp/>

⁵ <https://consultations.entsoe.eu/markets/coordinated-redispachting-and-countertrading-metho/>