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APCS Power Clearing and Settlement AG

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Sent to: office@apcs.at

Dear APCS

Electricity balancing – Consultation process 9 AB-BKO

We appreciate the strong collaboration between APCS and MFT Energy. APCS have requested feedback regarding the proposed changes to the general conditions. Due to our strong collaboration, we welcome this opportunity to share MFT Energy's view on the proposed changes with APCS.

First, we naturally strive to help the power system to be balanced. This is the core of our business. However, it is not possible to perfectly predict the system state for a given 15-minute settlement period at intraday gate closure. Hence, the suggested change will over time possibly have the effect that every pure trading company/member that operates in the APG control area will be ruled out. Consequently, the suggested change will give preferential treatment to those trading participants that are not pure trading companies/members.

The Guideline on Electricity Balancing Article 3 (1) states that the purpose of the EBGL is:

(a) *fostering effective competition, non-discrimination and transparency in balancing markets;*

The suggested change specifically singles out pure trading groups, even if the behavior that is sought ended could just as well be carried out by trading groups that represent physical consumption or production. An unintended consequence of this suggestion could be that the same systematic imbalances would continue to be carried out but hidden in portfolios with intermittent production/consumption instead.

It is our assessment that a termination of a contract with the balancing responsible party is only compliant with the EBGL under the condition that APCS can provide proof that the BRP aggravated the system imbalance purposefully. Based on such burden of proof, APCS risks that the suggested changes will not have the desired effect – if any – but will only cause interpretive uncertainty among the market participants/members.

Second, if APCS observes balancing groups that systematically aggravate the system imbalances, the question that should be raised is whether the imbalance price design correctly incentivizes participants to help the system. Guideline on Electricity Balancing Article 44 (1) states:

"1. *The settlement processes shall:*

(c) *provide incentives to balance responsible parties to be in balance or help the system to restore its balance;"*



We see other European TSO's allowing participants to do imbalances where the system incentivises the participants to help the system balance itself.

Lastly, we assess that APCS would benefit from changing the approach. An alternative to changing the general conditions would be to increase transparency on the current and/or future states of balance. As an example, the German control areas recently published the NRV-Saldo-Ampel which serves to warn the participants in near-real time that the scarcity price component is either close to being relevant (yellow light) or currently relevant (red light). Such instrument could help the market participants/members to not cause imbalances in the future compared to the extent APCS have recorded in the past.

In case APCS finds it useful, we are of course happy to elaborate on the topics and assessments stipulated above.

Best regards,
On behalf of MFT Energy A/S:

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