



REPUBLIKA E SHQIPËRIË

ENERGY REGULATORY AUTHORITY

BOARD

DECISION

No. 89, Dated 31.03.2021

ON THE PROPOSAL OF THE TRANSMISSION SYSTEM OPERATOR (TSO) COMPANY “ON THE ALBANIAN ELECTRICITY BALANCING MARKET RULES FROM 1 APRIL 2021”

Based on articles 16,19,62,98,99 and 100 of Law no.43/2015 “On Power Sector”, as amended, article 22,point 5 of Law no. 7/2017 “*On promoting the use of energy from the renewable resources* ” as well as article 26 of the “*Rules on ERE organization, operation and procedures*”, approved with ERE Board Decision, no. 96, dated 17.6.2016, ERE Board on their meeting dated 31.03.2021,after reviewing the report Protocol no.39/7 dated 26.03.2021 and the additional report Protocol no. 39/9, dated 30.03.2021, prepared by the Technical Directories, “On the proposal of the Transmission System Operator (TSO) Company on the Albanian Electricity Balancing Market Rules from 1 April 2021”,

Observed that:

- ERE Board with decision no. 275, dated 28.12.2020, “On the request of TSO company to extend the term for the entry into force of ERE Board decision no.106, dated 02.07.2020”, among others decided:

- To partially accept the request of TSO company to extend the term for the implementation without financial effects (DRY RUN) of the Albanian electricity balancing market rules, approved with ERE Board Decision no. 106, dated 02.07.2020, “On approving the Albanian electricity balancing market rules” by the electricity market participants, until 31.03.2021.

- TSO company and electricity market participants shall continue to apply the DRY RUN period until 31.03.2021.

- TSO company with official letter Protocol no.1917, dated 18.03.2021, addressed at ERE, presented as follows:

- **The Registration Process in the Balancing Market**

TSO company proposed that, after 1 April 2021, until the approval of the previously proposed amendments, the unchanged forms shall be used and the sections which can not be completed, shall be left blank (using a dash).

-The calculation of the guarantee

TSO company proposed that after 1 April 2021, until the approval of the previously proposed amendments, the methodology for the calculation of the guarantee shall be applied based on the practice applied so far, in accordance with TSO proposal.

- 15 minute resolution

TSO company proposed that after 1 April 2021, until the completion of the platform upgrade for processes of the balancing market, the 1 hour resolution shall continue to be applied....”

• As submitted by TSO company in official letter Protocol no. 1917, dated 18.03.2021, ERE evaluates that:

- Regarding the registration process in the Balancing Market

Considering the fact that the registration process operated and was included by TSO company in the reports during the DRY Run period where some balancing service providers were prequalified as well as all the parties responsible for the balancing have participated in the DRY Run process, this process has not affected the functioning of the balancing market for the DRY RUN period. In these conditions TSO company shall continue with the registration of the market participants with the current forms in force which were also used during the DRY RUN period.

In each case TSO company must apply the same form as well as the same agreements for all the balancing market participants. There shall be no discrimination and application of different forms or different agreements for the balancing market participants.

In this regard, it is considered that the commencement for the first time on 1 April 2021 of the operation process of the Balancing market in our country is a novelty for the power sector, consequently, during 1 April 2021 until 30 June 2021 TSO company shall review the proposals for further improvements during the operation of the balancing market in real terms and make relevant proposals to ERE, if it shall be necessary.

In these circumstances, from 1 April 2021 until 30 June 2021, TSO company shall continue with the registration process for the participants in the balancing market using the unmodified forms, as applied during the DRY Run period. The sections which can not be completed, shall remain empty arguing the reasons why these sections cannot be completed.

- Regarding the calculation of the guarantee.

Taking into account the fact that TSO company proposed to use the current mechanism set out in the “Transitional Rules for the electricity balancing mechanism”, approved with ERE board decision no. 193, dated 24.11.2017, it is considered that for a period of time of several months to explore the opportunity of applying this mechanism also with the balancing market rules approved with ERE Board Decision no.106, dated 02.07.2020.

Given that TSO company is the balancing market operator as well as the proponent of this mechanism of financial guarantees for the participants in the balancing market, it must guarantee the process for the settlement of imbalances and the financial obligations for all the parties that participate in the balancing market from 1 April onwards, where the balancing rules approved with ERE board decision no. 106, dated 02.07.2020 shall be applied.

This period shall serve to identify the effectiveness of this mechanism based on this 3 month application of the financial guarantee mechanism set out in the Rules of Temporary Balancing Mechanism, approved by ERE Board decision no. 193, dated 24.11.2017.

- Regarding the 15 minute Resolution

The metering system of TSO company performs electricity measurements with an interval of 15 minutes and consequently with hourly interval, the issue identified by TSO company is mainly related to the interface of this system with the electronic platform for the realization of nominations and respective calculations with a time interval of 15 minutes.

The application of the time interval of 1 hour since 2017 until today has brought no disadvantages for the participants and consequently it can be used for a limited time. This shall bring opportunities regarding the application of ERE board decision no.106 / 2020 and also for the disciplining / operating of the balancing market participants in relation to the new rules with financial effects.

- ERE also informs, in terms of interests that third parties may have in relation to this regulatory act, it is clarified that the relevant documentation is published on ERE official website, www.ere.gov.al, in the section entitled consultations with the purpose that each interested party shall have prior information regarding this document, or any party who may have a legitimate interest to express their position regarding its content, shall be able to consult the document and submit at ERE an opinion within the deadlines provided in Law no. 146/2014 “On notification and public consultation”, in relation to what is proposed by TSO company.

- Also, it is evidenced that, regarding the “Incentive Component” until the completion of the review regarding the proposal for amendment submitted by TSO Company at ERE, the definitions on "Incentive component", remain those defined in the Albanian Electricity Balancing Market Rules” approved with ERE board decision no.106, dated 02.07.2020, specifically the initial value is € 0 / MWh, as defined in point 3.5, letter "a" on the annex of these rules.

TSO company on 30.03.2021, held an online discussion session with the interested parties, regarding the commencement of the application of the balancing market rules with full effects from 1 April 2021, based on ERE board decision no. 275, dated 28.12.2020, which extended the period of implementation of the rules approved with ERE board decision no.106, dated 02.07.2020, without financial effects until 31.03.2021. This online session was attended by representatives from the Albanian Power Corporation (KESH company), Albanian Power Distribution Operator (OSHEE company) Free Market Supplier (FTL company) Universal Service Supplier (FSHU company) Albanian Association of Electricity Suppliers (AAES), Albanian Renewable Energy Association (AREA) and Devoll Hydropower.

- In this session, TSO company presented the progress of the DRY Run period where it noted that following the progress of this period, but also based on the provisions of the balancing rules approved with ERE board decision no. 106/2020, the incentive component shall be applied at the beginning of the application of the rules, with financial effects at zero value.

- AAES embraced the initiation of the balancing market for the first time since the entry into force of law no. 43/2015 "On Power Sector", as amended, taking into account that the costs of this service shall be as minimal as possible and TSO company shall be in neutral position regarding the costs of the electricity balancing market. At the same time AAES stated that supports the application of the incentive component with zero initial value.

- KESH company raised the concern that, as a Balancing Service provider, maintaining zero incentive component is not in the interest of Balancing Service Providers and consequently expressed disapproval of applying the zero incentive component.

- In this regard, the Electricity Balancing Market Rules approved with ERE board decision no.106, dated 02.07.2020, in Annex 12.4, point 3.5, determine that:

- 3.5. Incentive component

- a) Initial value: € 0 / MWh

- b)) Adjustments of incentive component

- 3.5.b.1. TSO shall adjust the incentive component on the basis of objective criteria according to a procedure determined and published by the TSO on its website.

- 3.5.b.2. The actual value of the incentive component will be published by TSO company on its website.

- 3.5.b.3. ERE has the right to review at any time the procedure for the adjustment of the incentive component and if necessary to request TSO company to submit this procedure at ERE for approval as well as to include it as part of the ABM rules.

- Taking into account these provisions of the Rules, above mentioned, it is estimated that TSO company in determining the incentive component at the value of 0 EUR / MWh, is in accordance with the Rules of the balancing market approved with ERE board decision no. 106/2020. In any case TSO company must use, in accordance with the rules of the balancing market, the incentive component only to discipline the electricity balancing market to eliminate the misuse of this mechanism.

- AREA during the meeting, among others, stipulated that TSO company did not include the priority producers in the project for the "Implementation of Electricity Balancing Market Rules", and also the priority producers have not received any information on the implementation of the dryer run test, thus be informed of what expected financial effects the balancing of their production shall have.

- Regarding what was discussed by AREA, TSO company informed that on their official website a section was opened for the DRY Run process, as well as the fact that TSO company informed the Free Market Supplier (FTL) which aggregates and sends schedules to TSO company for effect of the priority producers of electricity and consequently TSO company recognizes as responsible for balancing Free Market Supplier (FTL) in this process. TSO company also encouraged a meeting to set up balancing groups to minimize the costs that may come due to balancing.

- Regarding the claims of AREA in the online meeting of 30.03.2021 and what was presented in its official letter Protocol no. 1810/98 dated 29.03.2021 submitted at ERE via e-mail ,dated 29.03.2021, official letter Protocol no. 1810/99 dated 30.03.2021, official letter Protocol no. 1810/100 dated 30.03.2021,official letter Protocol no. 1810/101 dated 30.03.2021, official letter Protocol no. 1810/102 dated 31.03.2021, as well as regarding the requests of the companies; (i) AGE Sunpower company with official letter Protocol no. 144 dated 30.03.2021 “On balancing responsibilities, (ii) SONE company with official letter Protocol no. 36 dated 30.3.2021 “On balancing responsibilities” (iii) AED Solar company with official letter Protocol no. 35/1 dated 30.3.2021 “On balancing responsibilities: and official letter Protocol no. 506 dated 30.03.2021, "On Balancing responsibilities" (iv), Free Market Supplier (FTL) company with official letter Protocol no. 935 dated 31.03.2021, “On the implementation of the Albanian electricity balancing market rules from 1 April 2021 ”(v), Seman 1 Solar company with official letter dated 30.03.2021“ On balancing responsibilities ”(vi), Seman 2 Sun company with official letter Protocol no. 3019 dated 30.03.21“ On Balancing responsibilities ”(vii) Seman Sun Power company with official letter Protocol no. 16 dated 30.3.2021“ On balancing responsibilities ”, it is evaluated that:

- ERE Board with decision no. 106, dated 02.07.2020, decided to “approve the Albanian Electricity Balancing Market Rules”. This decision defines the first phase of the implementation of these rules in the DRY RUN process, until 31.12.2020, this phase was extended with a second period until 31 March 2021. The process for approving the balancing market rules has initiated

since 2019. TSO company based on law no. 43/2015 "On Power Sector", as amended, through official letter Protocol no. 3053 dated 07.05.2019, protocolled at ERE with Protocol no. 330 dated 09.05.2019, submitted for reviewal and approval the relevant draft of the "Albanian Electricity Balancing Market Rules".

- ERE Board with decision no. 118, dated 22.07.2019, decided to open the procedure to approve the "Albanian Electricity Balancing Market Rules", with the relevant annexes, proposed by TSO company.

- Following decision no. 118, dated 22.07.2019, the interested parties were informed through official letter Protocol no. 330/2 dated 31.07.2019, in order to discuss some aspects of the provisions of these rules and to obtain the opinion of the interested parties. Among others through this letter the Ministry of Infrastructure and Energy (MEI), Competition Authority (CA), OSHEE company, KESH company AAES, Foreign Investors Association of Albania (FIAA), AREA were requested to give their opinions.

- ERE on 10.10.2019 held a hearing session with the interested parties, where AREA was also present.

- Law no. 43/2015 "On Power Sector", as amended in article 99 point (1) clearly states that: "Each participant of the electricity market is responsible for the electricity balance."
- Point 2 of the same article stipulates that: "Electricity market participants may arrange their balance responsibility by concluding a balance responsibility contract with the Transmission System Operator, thus acquiring the status of a balance responsible party, or by signing a contract on transferring the balance responsibility to another balance responsible party, thus becoming a member of the balancing group of this balance responsible party, in accordance with the market rules."
- As evidenced above, the law defines the liability for balancing responsibility as well creates conditions for a direct involvement as a balance responsible party or even as a balancing group. Parties, including priority producers, must assess for themselves which of the forms permitted by law, that of creating a balancing group or that of being a balance responsible party is at the lowest possible cost to them.
- Also, Law no.7 / 2017 "On promoting the use of energy from renewable sources" in Article 22, point 5 specifically states that: "*Until the creation of the balance market, but not later than 31st December 2022, the existing priority producers shall not be responsible for the costs of the caused disbalance. These costs are taken into consideration by ERE on the electric energy distribution fee. Existing priority producers shall notify to the Distribution System Operator the production schedule, in accordance with the electric energy market rules.*"

- In each case it should be emphasized that, the operator or the balance responsible party, shall apply the legislation into force regarding the way of settling the imbalances caused by market participants.
- At the same time” Contract for electricity sale-purchase between OSHEE company and the electricity priority producers “ approved with ERE board decision no.101,dated 23.06.2016, as amended by decision no. 147, dated 30.09.2016,as amended by decision no. 255 dated 24.12.2018, in article 5 (Delivery Schedules), point 5, determines that: "The deviations from the submitted schedules shall be handled in conformity with the Electricity Market Rules or any other act approved by ERE for this purpose.” This contract is signed by these producers as a direct party and it is also applied.
- Regarding the claim for non-calculation of imbalance costs, it should be mentioned that the imbalances market and the calculations are made in ex post, it is impossible to make calculations ex ante of imbalance costs as the market is dynamic and with costs which vary on an hourly and daily basis.

For all of the above mentioned ERE Board,

Decided:

- 1.TSO company shall continue with the registration process of the participants in the balancing market with the unchanged forms as applied during the DRY RUN period. The Sections which can not be completed shall remain empty arguing the reasons why these sections cannot be completed.
- 2.The mechanism of financial guarantees that TSO company shall apply for the balancing market participants shall be the one defined in the Transitional rules for the electricity balancing mechanism approved with ERE board decision no. 193 dated 24.11.2017.
- 3.Until 30 June 2021, the time period of the processes, including the nominations and the respective calculations of the imbalances, shall be performed with a time interval of 1 hour.
4. TSO company shall report and document on a monthly basis the progress of the implementation of the Albanian Electricity Balancing Market.
5. Legal Directory shall inform TSO company, the Ministry of Infrastructure and Energy (MEI), Competition Authority (CA), OSHEE company, KESH company, Free Market Supplier (FTL) company,Universal Service Supplier (FSHU) company,AAES, Foreign Investors Association of Albania (FIAA), AREA, AGE Sunpower company,Sone company,AED Solar company,Seman 1 Solar company,Seman 2 Sun company, Seman Sunpower company and Energy Community Secretariat about ERE Board Decision.

This decision enters immediately into force

This decision shall be published on the Official Gazette.

For this decision may be complained the review within 7 calendar days and shall also complain on Tirana Administrative Court, within 30 calendar days from the publication in the Official Gazette.

ERE CHAIRMAN

Petrit AHMETI