



DELIBERATION NO. 2018-229

Deliberation of the French Energy Regulatory Commission of 14 November 2018 on the decision to grant a derogation until 1 January 2025 to switch to a 15 minute imbalance settlement period in France

In attendance: Jean-François CARENCO, President, Christine CHAUVET, Hélène GASSIN, and Jean-Pierre SOTURA, Commissioners.

1. CONTEXT AND AUTHORITY OF THE CRE

Regulation (EU) 2017/2195 of the Commission of 23 November 2017 establishing a guideline on electricity balancing ("*Electricity Balancing*" regulation, referred to hereafter as "EB regulation") entered into force on 18 December 2017. The EB regulation "*sets out rules for the procurement of balancing capacity, the activation of balancing energy and the financial settlement of balance responsible parties. It also requires the development of harmonised methodologies for the allocation of cross-zonal transmission capacity for balancing purposes*". In accordance with the provisions of Article 53(1) of the EB regulation, transmission system operators (referred to hereafter as "TSOs") shall apply an imbalance settlement period of 15 minutes in all zones, within three years after the EB regulation comes into force, i.e. by 18 December 2020. The relevant regulatory authorities can nevertheless grant, at their own initiative, a derogation to defer the introduction of a 15 minute imbalance settlement period to a later date, as provided for in Article 62(2)(d) of the EB regulation. In accordance with the provisions of Article 62(9) of the EB regulation, this derogation can be granted until 1 January 2025.

When assessing a request for a derogation to introduce a 15 minute imbalance settlement period later than December 2020, the regulatory authority "shall consider the following aspects", listed in Article 62(8) of the EB regulation

- a) *the difficulties related to the implementation of the concerned provision or provisions;*
- b) *the risks and the implications of the concerned provision or provisions, in terms of operational security;*
- c) *the actions taken to facilitate the implementation of the concerned provision or provisions;*
- d) *the impacts of non-implementation of the concerned provision or provisions, in terms of non-discrimination and competition with other European market participants, in particular as regards demand response and renewable energy sources;*
- e) *the impacts on overall economic efficiency and smart grid infrastructure;*
- f) *the impacts on other scheduling areas and overall consequences on the European market integration process.*

In this case, the Energy Regulatory Commission (CRE) has studied the introduction of a 15 minute imbalance settlement period in France at different periods from 2021 to 2025. The purpose of the present deliberation is to make a decision on granting a derogation until ¹ January 2025 to introduce a 15 minute imbalance settlement period in France.

2. ANALYSIS CONDUCTED BY THE CRE AND OPINION OF THE CRE ON GRANTING A DEROGATION FOR THE INTRODUCTION OF A 15 MINUTE IMBALANCE SETTLEMENT PERIOD IN FRANCE LATER THAN 2021.

2.1 Background to the analysis of a suitable calendar to introduce a 15 minute imbalance settlement period in France

The harmonisation of 15 minute imbalance settlement periods features among the changes to facilitate European market integration. An imbalance settlement period defines the detail with which balance responsible parties are given financial incentives to balance their perimeter (injections and purchases of electricity must be equal to withdrawals and sales in the settlement period). Currently, this period is set at 30 minutes in France.

Considerable work has been undertaken over the last few years in France and more generally, in Europe, prior to adopting the EB regulation, to prepare the changes contained in it. In France, the green paper on a roadmap for balancing the French electricity system¹, published by RTE in July 2016 and the deliberation of the Energy Regulatory Commission of 22 June 2017 on guidelines for the French electricity system balancing roadmap² are part of this process. In Europe, Frontier Economics carried out a cost-benefit analysis on imbalance settlement periods for ENTSO-E which was published on 26 April 2016³.

These various studies were supplemented by numerous discussions with market operators. The latter were able to express their views on the subject of switching to a 15 minute imbalance settlement period in France when the CRE held a public consultation on the balancing roadmap on 16 December 2016 to 20 January 2017. Most operators⁴ agreed to introduce this change using the latest possible timeframe, as proposed by RTE in its green paper. By contrast, two players favoured a speedy introduction of this change, based on the findings of the cost-benefit study carried out by Frontier Economics. Furthermore, many operators highlighted that calendar issues should be addressed objectively by considering several factors, including:

- anticipated approaches by neighbouring countries to implement a 15 minute imbalance settlement period;
- deadlines required for changes to information systems for all operators;
- the envisaged calendar for introducing 15 minute products on the intraday market.

Also, given all the changes required to switch to a 15 minute imbalance settlement period, it was considered that a 3 year period of notice prior to any change should be adhered to. Finally, in its deliberation on the balancing roadmap, the CRE pointed out that any change made to the imbalance settlement period could only occur after mid-2021 and by 2025 at the latest, based on a calendar and conditions to be defined after research into the matter.

It was in this context that the CRE engaged an external consultant in February 2018 to conduct a study on an appropriate calendar for the introduction of a 15 minute imbalance settlement period in France.

2.2 Study on an appropriate calendar to introduce a 15 minute imbalance settlement period in France

2.2.1 Aims of the study

The aim of the study on an appropriate calendar to switch to a 15 minute imbalance settlement period in France was:

- to enable the CRE to identify the right year, between mid-2021 and 2025 to switch to a 15 minute imbalance settlement period in France and to provide the CRE with information allowing it to study the suitability of granting a derogation to RTE on the date foreseen by the regulation;
- to establish a comprehensive vision of regulatory effects incurred by a switch to a 15 minute imbalance settlement period in France, as well as an introduction schedule enabling all operators to prepare for the necessary changes to regulations.

The consultant delivered their report in July 2018, which is appended to the present deliberation.

When conducting the study, the consultancy firm interviewed the key stakeholders in the French electricity system. Twenty operators, including two grid operators, RTE and Enedis, subsequently answered questionnaires sent to them by the consultant.

¹ [The RTE green paper provides a roadmap for rebalancing the French electricity system](#)

² [The CRE's deliberation of 22 June 2017 on guidelines for the French electricity system balancing roadmap](#)

³ [Cost-benefit analysis by Frontier Economics on changes to imbalance settlement periods in Europe](#)

⁴ [Non-confidential responses to the CRE's public consultation on the French electricity system balancing roadmap](#)

2.2.2 Main findings from the study

After a discussion period with market and network operators on categorising estimated costs and benefits connected to switching to a 15 minute imbalance settlement period, the consultant carried out a cost-benefit analysis.

2.2.2.1 The benefits linked to this change will not occur until 2023

The consultant's analysis shows that the ensuing benefits from switching to a 15 minute imbalance settlement period, likely to result in a more efficient mobilisation of balancing resources in the French electricity system, cannot be easily quantified.

It appears that the reform of the imbalance settlement period mainly equates to transfers between operators rather than intrinsic gains. The anticipated benefits of the reform are mainly linked to the transfer of part of RTE's responsibility to balance the system to balance responsible parties. This is consequently linked to a greater mobilisation of balancing reserves by the balance responsible parties rather than by RTE.

The study highlights that the benefits can only be accrued if the French electricity system operators have the time to make the necessary changes to switch to an imbalance settlement period of less than 30 minutes. However, most of them said they were not able to make the required changes before 2023.

2.2.2.2 Introducing a 15 minute imbalance settlement period in France before 2023 would be costly

Estimated costs gathered by the consultant account for a lower range of costs likely to be incurred by reforming the imbalance settlement period in France. In fact, all the French operators were unable to provide a quantitative response to the consultant's questionnaire. Furthermore, some cost items were not quantified by the respondents.

The consultant's study emphasises that there are two kinds of costs related to the introduction of a 15 minute imbalance settlement period, direct and indirect.

In terms of direct costs, estimated at between 35.4 and 42.7 million euros according to the year when the change is introduced, the study shows that these are mainly borne by RTE and Enedis. Most of the other respondents were unable to provide estimates of their costs. Indeed, the network operators must make investments to adapt their imbalance scheduling and settling activities, as well as their counting procedures. The costs required to make the switch to a 15 minute imbalance settlement period in France are all the more significant as this switch is rapid and therefore requires changes to be duplicated to certain information systems and to develop intermediate, non-permanent solutions.

In terms of indirect costs, the study shows that they are due to stranded costs and loss of opportunities generated by the need to prioritise IS changes to accommodate the switch to a 15 minute imbalance settlement period and therefore to delay other previously agreed IS upgrades that may have generated benefits. These indirect costs disappear when the imbalance settlement period is scheduled from 2023. This amended timeframe allows the operators and market players to make the planned IS changes for the new imbalance settlement period without having to delay other IS projects that were planned to take place at the same time.

The costs linked to this reform are therefore higher if it is introduced quickly.

The consultant concludes that:

- the reform of a 15 minute imbalance settlement period in France should be deferred until 2023, to leave the operators time to prepare for the necessary changes and limit the related costs;
- the costs are minimised if the reform is introduced in 2025.

2.2.2.3 A reasonable period to introduce the changes is 5 years

The introduction of a 15 minute imbalance settlement period in France requires numerous regulatory and contractual changes to be made on a large range of subjects.

The consultant estimates that amendments to rules on scheduling, the balancing mechanism and the balance responsible parties system, and the granularity of metering constitute a key stage in the reform of the imbalance settlement period. Indeed, switching to a 15 minute imbalance settlement period requires revisiting the cross-border scheduling step, the period for the control of activated volumes and imbalances calculation.

Other amendments to the rules also appear desirable to support the introduction of a 15 minute imbalance settlement period, particularly a reduction in the interconnector scheduling period to 15 minutes, which is vital for exchanging products of this granularity on the day ahead and intraday integrated European markets.

The consultant deems that it will take 5 years for each operator to plan and properly incorporate all the necessary issues into the electricity system. This is a reasonable timescale that would include the following sequences: a consultation stage and regulatory changes (approx. 24 months), IS changes at configuring profiles (approx. 24 months) and a dry-run operating period (approx. 12 months).

2.3 The CRE's position

2.3.1 Analysis by the CRE on the date to introduce the reform

The CRE has considered all the aspects mentioned in Article 62(8) of the EB regulation to analyse the suitability of a derogation and its duration.

The CRE shares the consultant's view that it is not advantageous to institute the reform to a 15 minute imbalance settlement period in France before 2023. All the technical and regulatory works to be undertaken with the network operators and the market players to support this change will not realistically be completed before this date.

Although the European market integration process calls for a rapid harmonisation of the imbalance settlement period, the CRE notes the wide range of options made by the various scheduling zones concerning the date to introduce this reform. The CRE considers that, in France, the overall economic effectiveness requires a derogation to be granted to defer the introduction of the 15 minute imbalance settlement period.

Indeed, the CRE judges that an introduction of the 15 minute imbalance settlement period after 2023 would enable the various operators and market players to better prepare themselves for this change, which would maximise related benefits.

Furthermore, the CRE highlights that the regulatory tasks that come with introducing the 15 minute imbalance settlement period in France are quite considerable. As such, introducing the reform in 2024 or 2025 would enable:

- changes to IS systems and procedures to be made with considerable flexibility;
- the dry-run operating period to be extended from one to two years, which would likely maximise benefits when the reform is made.

Given the difficulties related to introducing this change, as well as the actions to be undertaken to facilitate it, the CRE is subsequently justified in agreeing to a derogation for the implementation of the 15 minute imbalance settlement regulation until 1 January 2025.

Based on the information stated above, the CRE therefore agrees to a derogation for the introduction of the 15 minute imbalance settlement regulation until 1 January 2025. This timetable exceeds the three-year notice period established by the CRE in its deliberation on a balancing roadmap for the French electricity system. It gives network operators and market players the chance to develop the appropriate tools for a 15 minute imbalance settlement period so that the potential benefits of this change can be secured. It facilitates the switch to a 15 minute imbalance settlement period by allowing for a dry-run period of one to two years, as appropriate.

To keep to this timetable, the network operators and the CRE must now launch the various technical and regulatory revision tasks required.

2.3.2 CRE guidelines on forthcoming consultations

2.3.2.1 Concerning the granularity of products proposed on the intraday timeframe

To harness the benefits of reducing the imbalance settlement period, it is vital that the market players are offered products of an identical time period to that of the imbalance settlement period, on the intraday timeframe, as a bare minimum. Also, by 2025, the market players should be able to access 15 minute products, identical to the duration of the imbalance settlement period.

To boost the efficiency of the intraday market, the 15 minute products should be able to be exchanged at borders with zones where the imbalance settlement period is also 15 minutes. To achieve this requires a change in interconnector management. By 2025, the interconnector scheduling process period (currently set at 1 hour at the borders with Belgium, Spain, Italy and the UK and 30 minutes with Germany and Switzerland) must be reduced to 15 minutes.

2.3.2.2 Concerning changes required to allow exchanges of 15 minute balancing products as early as possible

This development is, in any case, also desirable to help optimise the exchange of replacement reserve and restoration reserve balancing products, as permitted by the introduction of the MARI⁵ and TERRE⁶ European exchange platforms. When the TERRE platform is up and running in late 2019, only constant volume exchanges between countries over the whole interconnector scheduling period (30 minutes or 1 hour subject to borders) will be possible, although market players and network operators can respectively offer products and state their balancing requirements at a granularity of 15 minutes.

When the MARI platform is launched in the fourth quarter of 2021, 15 minute period scheduled products will be exchanged, which will require a 15 minute scheduling period.

RTE is already committed to overseeing and introducing the balancing platforms in accordance with the EB regulation. Nevertheless, the CRE asks RTE to:

- work on reducing the interconnector scheduling period at borders taking part in the TERRE project to 15 minutes by the third quarter of 2020;
- make a 15 minute interconnector scheduling period workable at all France's borders, by the time the MARI platform is launched or by the fourth quarter of 2021, at the latest.

2.3.2.3 Concerning timetable consultations

The CRE asks network operators to begin consulting with various stakeholders on technical and regulatory tasks at their earliest opportunity. As such, the network operators could present a work programme by early 2019 to the Market Access Commission. The Commission must consider the following three topics as a bare minimum:

- the management and balancing of the system (amendments to rules on scheduling, the balancing mechanism and the balance responsible parties system, especially sections addressing the time step for the control of activated volumes on the balancing mechanism or the production scheduling step for production assets);
- network access (granularity of metering, quality of supply, load curves for the transport and distribution of electricity);
- market operations (changes to interconnector rules, the introduction of new products on the day ahead and intraday markets, amendments to capacity mechanism rules).

The CRE wants network operators to organise a progress report exercise by mid-2019 at the latest. This will feature a timetable for all the work tasks scheduled until 1 January 2025 to pave the way for the introduction of an imbalance settlement period of 15 minutes in France.

⁵ The MARI platform (*Manually Activated Reserves Initiative*) is a pan-European trading platform for the exchange of balancing energy from manually activated restoration reserve.

⁶ The TERRE platform (*Trans European Replacement Reserves Exchange*) is an exchange platform of balancing energy from replacement reserve that will be launched at France's borders with Spain, Italy, the UK and Switzerland, subject to authorisation by the European Commission.

DECISION OF THE CRE

In accordance with the provisions of Article 53(1) of (EU)Regulation 2017/2195 of the Commission of 23 November 2017 establishing a guideline on electricity balancing for the electricity system ("Electricity Balancing" regulation, referred to hereafter as "EB regulation"), the TSOs must introduce an imbalance settlement period of 15 minutes in all zones, within three years of the EB regulation coming into force, i.e. by 18 December 2020. The relevant regulatory authorities can nevertheless grant, at their own initiative, a derogation to defer the introduction of a 15 minute imbalance settlement period to a later date, as provided for in Article 62(2) of the EB regulation. In accordance with the provisions of Article 62(9) of the EB regulation, this derogation can be granted until 1 January 2025.

Based on the findings of the external consultant's study on the appropriate schedule for the switch to a 15 minute imbalance settlement period in France and analysis by the CRE taking into consideration the aspects mentioned in Article 62(8) of the EB regulation, the CRE agrees on a derogation for the introduction of a 15 minute imbalance settlement period until 1 January 2025. By providing some clarity on the timetable to introduce a 15 minute imbalance settlement period in France, this derogation helps plan for all future changes and to organise the related work tasks that must start as quickly as possible.

The CRE asks the network operators to programme consultation exercises from January 2019 with all stakeholders to define in greater detail the target models connected to various activities affected by the reduced imbalance settlement period.

The CRE asks that the network operators organise a progress report exercise by mid-2019 at the latest. This will feature a timetable for all the work tasks scheduled until 1 January 2025 to pave the way for the introduction of a imbalance settle period of 15 minutes in France.

The present deliberation is published on the CRE website. RTE has been notified of the deliberation which has also been sent to the European Commission and the Ministry of Energy.

Paris, 14 November 2018

For the Energy Regulatory Commission,

The Chairman

Jean-François CARENCO

ANNEX

Consultant's report on an appropriate timetable to switch to a 15 minute imbalance settlement period in France (non-confidential version)