

---

**Explanatory document to the Energinet, Fingrid, Statnett and Svenska kraftnät proposal for an exemption to disallow balance service providers from transferring their obligations to provide aFFR capacity across bidding zone borders in accordance with Article 34(1) of the Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing**

December 2019

---

## Contents

1. Background.....	3
2. Definitions .....	3
3. Applicability and legal basis.....	3
4. Public consultation .....	3
5. Proposal for exemption .....	4
6. Justification .....	4
7. Consequences if exemption is not granted.....	4
Annex 1. Answers to stakeholder consultation.....	6
Introduction.....	6
Summary of the responses .....	6
TSOs' response .....	7
Actual consultation responses .....	7

## 1. Background

The Nordic TSOs Energinet, Fingrid, Statnett and Svenska kraftnät (hereinafter referred to as “TSOs”) have mutually agreed to propose a common market for aFRR capacity. The TSOs have for that purpose put forward a proposal for “establishment of common and harmonised rules and processes for the exchange and procurement of balancing capacity” as set out in EB GL Article 33 and 38 and a proposal for the “application of a market-based allocation process” as set out in EB GL article 41.

The TSOs aim to procure aFRR capacity one day before the provision of the same capacity and the contracting period is set equal to the day-ahead MTU. The procurement is carried out for each of the eleven LFC areas in the Nordic LFC block and – when economically efficient – transmission capacity between LFC areas is allocated to the market in order to accommodate such aFRR capacity exchange.

## 2. Definitions

EB GL, Article 2.26: ‘transfer of balancing capacity’ means a transfer of balancing capacity from the initially contracted balancing service provider (hereinafter referred to as “BSP”) to another BSP;

## 3. Applicability and legal basis

In accordance with EB GL Article 34(1), the TSOs shall allow BSPs to transfer their obligations to provide balancing capacity within the geographical area in which the procurement of balancing capacity has taken place.

In case the transfer of balancing capacity requires the use of cross-zonal capacity, the transfer is conditional on the requirement that the cross-zonal capacity is already available in the previous allocation process or via the probabilistic approach in outlined in EB GL Article 33(6).

The concerned TSOs may, however, propose an exemption from the obligation to allow transfers of balancing capacity in cases where the contracting period for balancing capacity pursuant to Article 32(2)(b) is strictly less than one week. The proposed Nordic aFRR capacity market fulfils this requirement and therefore the TSOs are entitled to request an exemption from the obligation to allow transfers for the proposed aFRR capacity market.

EB GL Article 5(3) stipulates that such a proposal for exemption shall be subject to approval by all regulatory authorities of the concerned region. This implies that approval is required from the same regulatory authorities scrutinising the proposal for the “establishment of common and harmonised rules and processes for the exchange and procurement of balancing capacity” in accordance with Article 33(1) of EB GL.

## 4. Public consultation

The TSOs held a specific consultation on their proposal for an exemption from the obligation to allow transfers, which opened 21<sup>st</sup> October 2018 and closed 24<sup>th</sup> November 2019.<sup>1</sup> This followed a separate consultation on the TSOs’ proposal for the establishment of common and harmonized rules and processes for the exchange and procurement of aFRR capacity.

The results of the consultation that was specifically on the proposed exemption are included in Annex 1, alongside all of the responses received, and the TSOs’ response.

---

<sup>1</sup> See [https://consultations.entsoe.eu/markets/egbl\\_art\\_34\\_nordic\\_afrr/](https://consultations.entsoe.eu/markets/egbl_art_34_nordic_afrr/)

In light of the responses to the consultation, the TSOs have amended their request so as to limit the scope of the proposed exemption. They will also take steps to enable the transfers of balancing capacity obligations as part of the proposed aFRR capacity market.

## 5. Proposal for exemption

Under the TSOs' revised proposal, transfers of an obligation to provide aFRR balancing capacity (i.e. aFRR capacity bids) would not be permitted *across bidding zone borders*. However, transfers among prequalified BSPs within a bidding zone would be permitted.

## 6. Justification

Accommodating cross-zonal transfers while maintaining operational security would impose a real cost on TSOs but would be unlikely to realise any significant improvement in market efficiency.

The specific concern with cross-zonal transfers is that aFRR capacity may be moved to a bidding zone where there is insufficient cross-zonal capacity available to accommodate the activation of the aFRR capacity. To enable cross-zonal transfers safely, cross-zonal capacity allocations would either have to be amended to support the transfer, or TSOs would have to establish a process through which transfers with unacceptable security impacts could be prevented.

The TSOs believe that amending the cross-zonal capacity allocations determined through the proposed market clearing process to accommodate the later transfer of bids does not make sense. In particular, because BSPs transferring bids across bidding zone borders are not faced with the cost of any changes in the use of CZC, they may well end up substituting bids in different bidding zones that the market clearing process, which does account for CZC costs, had explicitly rejected on the grounds that it would entail a net reduction in social welfare, for example because the change restricts the quantity of cross-zonal capacity that can safely be made available to the energy market.

Alternatively, to facilitate the safe transfer of bids across zones without impacting the energy market, the TSOs would have to develop a process for assessing whether a proposed transfer would harm operational security unacceptably and a process for receiving and approving transfers in line with these assessments. The development and administration of these processes would impose a real cost on the Nordic TSOs and possibly delay implementation of the aFRR capacity market and the realisation of the efficiency and operational security benefits that it is expected to bring.

In our estimation, the possible gains from supporting cross-zonal transfers will be small, owing both to the fact that within zone transfers will anyway be allowed and the short duration transfer window under the proposed D-1 aFRR market design. The limited scope of the proposed exemption still allows BSPs to reoptimise the allocation of aFRR capacity provision amongst themselves within a bidding zone in response to changing market conditions following the clearing of the aFRR capacity market. However, the transfer window is so short, lasting less than 24 hours, that the value of this reoptimisation is likely to be relatively small and not substantially increased by allowing cross-zonal trade.

## 7. Consequences if exemption is not granted

If the proposed exemption is not granted, the Nordic TSOs would need to develop additional processes and procedures to support such transfers and make suitable revisions and additions to the legal framework and IT system being developed to support the aFRR capacity market. This would impose additional costs for the TSOs and BSPs and would potentially delay the implementation of the aFRR capacity market, delaying both the efficiency gains and improvements to operational security that it is expected to bring.

Accommodating cross-zonal transfers would be particularly challenging, since this would necessitate the development of processes to approve or reject proposed transfers based on the operational security impact within the tight window available for such transfers.

## Annex 1. Answers to stakeholder consultation

### Introduction

A separate consultation specifically on the Article 34 exemption was held using the ENTSO-E consultation hub between 21 October 2019 and 24 November 2019.<sup>2</sup> A total of eight responses were received from the following organisations: Danish Energy, Energi Norge, Finnish Energy, Fortum Power and Heat Oy, Nord Pool AS, Statkraft Energi AS, Swedenergy and Uniper Global Commodities SE.

### Summary of the responses

A summary of these responses is contained below. The actual responses are included at the end of this section.

#### Benefits of enabling the transfer of aFRR capacity obligations

All of the respondents could envisage situations in which the holders of an aFRR capacity obligation would seek to transfer this obligation, notably in the event of a technical failure. Other potential reasons cited for wishing to transfer an obligation included hydro-regulation limits, license conditions, weather-related conditions and commercial optimisation of the asset providing aFRR. These triggers are the same irrespective of whether any subsequent transfer is within or across LFC areas.

The benefits of enabling transfers identified by the respondents included:

- More efficient delivery (since BSPs would be free to optimise delivery);
- Potentially greater participation by providers that are only able to commit to the market close to delivery (PV, wind and batteries were cited); and,
- A lower risk of BSPs defaulting on their obligations (since BSPs could use transfers to manage risks around defaulting on their capacity obligations), which in turn would:
  - Expose the TSOs to a lower risk of under-delivery (increasing security of supply) and
  - Expose the BSPs to more manageable risks, thereby enabling lower pricing (due to the lower risk margin), reducing in the market's implicit bias in favour of portfolio providers and encouraging broader participation in the market.

None of the respondents attempted to quantify these benefits. A couple of respondents noted that the absolute social welfare gains were unlikely to be large. However, one did point out that the effects, in terms of reducing potential default risks, could be significant for individual players.

#### Influence of the trading window

Some of the respondents acknowledged that a shorter window would limit the opportunities and therefore potential gains from such transfers. However, it was also pointed out that:

- Even short windows would allow for some benefits;
- Market participants were used to trading in similarly tight windows already, for example in the intraday market;
- Many of the market's participants would be regularly re-optimising their portfolios such that transfers might occur even within windows or a few hours; and
- Even if the benefits were small in absolute scale, this was insufficient justification for an exemption.

---

<sup>2</sup> See [https://consultations.entsoe.eu/markets/egbl\\_art\\_34\\_nordic\\_afrr/](https://consultations.entsoe.eu/markets/egbl_art_34_nordic_afrr/)

## Obligations under the EB GL

One respondent pointed out that the EB GL imposes a general obligation to allow the transfer of balancing capacity among BSPs and that therefore the burden of proof for an exemption rested with the TSOs.

## Distinction between transfers within and across LFC areas

Several respondents expressed confusion as to why the distinction between transfers within or across LFC areas was relevant.

## TSOs' response

In response to responses received, the TSOs have decided to reduce the scope of the proposed exemption such that BSPs will be able to transfer their obligations within a bidding zone. This change is expected to allow for the potential benefits highlighted by respondents, while nevertheless avoiding the serious challenges that the TSOs would face in administering or responding to transfers across bidding zone borders. Specifically, as discussed in sections 6 and 7 above, the TSOs are concerned that unregulated transfers across bidding zone borders would harm efficiency, because such transfers would not account for the impacts on the required allocation of CZC, and potentially jeopardise operational security, because CZC constraints might hamper the TSOs' ability to activate the obligated capacity. Enabling cross-zonal transfers while seeking to limit these risks would impose significant costs on the TSOs in terms of developing and operating a process to assess possible transfers and then accept or reject them within the short window available for such transfers. In trading-off these costs and benefits, the TSOs believe the current proposal is likely to represent the most efficient outcome.

The timing of the aFRR market will be D-1, which will limit the length of the transfer window. This is in line with stakeholders' general desire to hold the market as close to real-time as possible and the legal requirements imposed by Article 6(9) of Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity.

## Actual consultation responses

Question 4: Can you envisage a situation in which BSPs would transfer their obligations to provide aFRR capacity? Under what circumstances would this occur within an LFC area? ...across LFC areas?

Danish Energy:

OVERALL:

TSO should allow transfer of balancing capacity obligations as the default solution according to Electricity Balancing Guideline (EBGL) article 34. TSOs should only be granted exemptions from EBGL requirements, and thus from European harmonization, if their need is thoroughly justified. We urge TSOs to provide an elaborated answer for the need to deviate from the EBGL requirements. In the absence of a detailed justification, we do not see reasons to grant TSOs exemption from the requirements in article 34 and therefore would recommend NRAs to reject this request.

ANSWER TO Q4:

BSPs may experience operational constraints, including outages, for assets providing aFRR capacity. Such situations are best handled by transferring the capacity obligation to another BSP. By disallowing such transfers, the TSOs are artificially restricting the market, reducing transparency and increasing risk for market participants. If aFRR obligation transfers are not allowed, for instance in case of outages, the TSO will make its own compensation procurement, as per the current procurement rules, and pass those costs on to the BSP – even if the BSP could have found a better solution in a secondary market. If TSOs expect to have sufficient time to make an additional aFRR procurement in case of outages, market participants should have the same opportunity.

Such transfer of aFRR obligations could be relevant both within and between LFC areas and without a more detailed justification we see no reason to distinguish the two in this matter. A secondary market, in the form of a BSP-BSP market, should therefore be enabled. The existence of the possibility to transfer aFRR obligations should not lead to any delays in the implementation of the common Nordic aFRR capacity market by Q3 2020 as foreseen in the NBM Roadmap.

Energi Norge:

Yes, If a BSP with a aFRR obligation for some reason loses its ability to deliver. This could occur under several circumstances, both within and across LFC areas. As stated in the explanatory document, opening up for transfer of obligations, especially across LCF areas, will bring complexity and cost, but it is questionable if it will impose any significant market efficiency.

**Finnish Energy:**

Situations where BSP for some reason finds it difficult or impossible to provide the aFRR capacity. With the possibility for transfer there could be available a more cost-efficient alternative.

In principle there's no difference whether within or across LFC areas (subject to available transmission capacity).

In general, we would like to understand better, what are the complexities related to a possibility to transfer obligations.

**Fortum Power and Heat Oy:**

Could be needed e.g. due to failures (grid and/or generation plant), hydro regulation limitations and license conditions, weather related conditions (e.g. frazil ice), and optimization of the generation fleet. Both within an LFC area and across LFC areas, depending on the situation.

Economical impacts of allowing transferring obligations should be taken into account, not only technical.

**Nord Pool AS:**

First of all Nord Pool considers that implementation of an energy activation market for aFRR is crucial for a well-functioning market to ensure that

- Activation of aFRR volume is done in price order
- Secure access to maximum aFRR volume in an energy market (e.g. BSPs cannot offer full available volume at D-2/1 for the whole 24h) increasing security of supply
- Enables usage of aFRR energy price in settlement of imbalances (e.g. as a component in ISP)
- Reduces the "dead-band" with no volatility in imbalance settlement price which is otherwise increased if aFRR capacity market volumes increase

Implementing such an aFRR EAM could be done using existing continuous markets with short time to market if either pan-European or Nordic aFRR EAM platforms would see unfortunate delays. On the other this would mean that the aFRR capacity market would rather result in obligations to enter orders into the aFRR EAM.

Yes, there could be a variety of situations where a BSP would wish and seek to transfer their obligation to another eligible BSP or another regulation object of the BSP holding the obligation. For instance, in case of changing market price signals, sudden malfunctioning or unavailability of the power plant or load flexibility capability offered as aFRR capacity. In our understanding any aFRR capacity as such would be offered by BSPs on a single Bidding Zone/LFC area basis, but provided that the TSOs intend to utilize it also for purposes across (between) LFC areas then among others the noted reasons for need/wish to transfer aFRR capacity obligations would still be applicable.

**Statkraft Energi AS:**

Yes. If a BSP with an aFRR obligation loses its opportunities to deliver under this obligation due to technical conditions within or across LFC areas. Probably more likely for participants with limitation in alternative supply alternatives.

**Swedenergy:**

BSPs may experience operational constraints, including outages, for assets providing aFRR capacity. By disallowing such transfers, the TSOs are artificially restricting the market, reducing transparency and increasing risk for market participants. If aFRR obligation transfers are not allowed, for instance in case of outages, the TSO will make its own compensation procurement and pass those costs on to the BSP – even if the BSP could have found a better solution in a secondary market. If TSOs expect to have sufficient time to make an additional aFRR procurement in case of outages, market participants should have the same opportunity.

The transfer of aFRR obligations could be relevant both within and between LFC areas and a secondary market should therefore be enabled. However, the existence of the possibility to transfer aFRR obligations should not lead to any delays in the implementation of the common Nordic aFRR capacity market by Q3 2020 as foreseen in the NBM Roadmap.

**Uniper Global Commodities SE:**

We can envisage this.

- Unplanned Unavailabilities of aFRR-prequalified assets would be a trigger
- Changed economics e.g. costs to deliver aFRR can spur interest to transfer obligations between different BSPs

For both cases transfers within LFC and across LFC areas could be possible. Allowing it within a price area would be a good option already.

**Question 5: How would your answer to Question 4 be influenced by the choice of the transfer window as described in section 5.2 of the explanatory document?**

**Danish Energy:**

No. It's a fundamental principle that TSOs should not unduly restrict the markets. A D-2 clearing at 20:00 will result in a transfer window of 27-51 hours, while a D-1 clearing at 9:00 will reduce this to 14-38 hours. Market participants are used to similarly short trading windows in other markets, for instance the current intraday market. The length of the transfer window should not justify a ban on the transfer of aFRR obligations.

**Energi Norge:**

A reduction of the transfer window will reduce the potential for transfer of obligations and will probably affect the interest to seek this possibility by market players.

**Finnish Energy:**

TSOs should not unduly restrict the markets.

**Fortum Power and Heat Oy:**

Choice of the transfer window would not have impact on the answer. The longer the transfer window, the better (more flexibility leading to higher benefits). However, any kind of possibility to transfer obligations would be better than not allowing the transfer at all.

**Nord Pool AS:**

As a general rule the longer the permitted transfer window is the higher the ability and efficiency in transfer of aFRR capacity obligations from one BSP to another would be. Also many market participants have generally speaking normally big capabilities and needs to re-adjust their supply/demand delivery portfolios on short notice so even fairly short transfer windows, e.g. limited to a few hours, would still enable them to provide efficient transfer of aFRR capacity obligations.

Furthermore, different approaches to transfer windows will allow different types of assets to take part in such balancing activities, and in general the more competition you have the lower the price of the activity.

**Statkraft Energi AS:**

Reduction in the transfer window reduces possibility to transfer obligation and thus also the interest to participate in an aFRR capacity market for participant that see this as a way to reduce risk for not fulfilling possible commitments.

**Swedenergy:**

As market participants are used to short trading windows in other markets, the length of the transfer window should not justify a ban on the transfer of aFRR obligations. However, a fundamental prerequisite is that the transfer of obligation should not restrict the allocation of cross-zonal capacity to the day-ahead energy market.

**Uniper Global Commodities SE:**

The closer the gate closure of a potential secondary market to delivery the better.

### Question 6: What benefits, if any, are secured by enabling the transfer of aFRR capacity obligations within an LFC area? How large are these benefits likely to be?

**Danish Energy:**

The possibility to transfer aFRR obligations will allow BSPs to trade aFRR capacity obligations and thus ensure a cost-effective provision of aFRR capacity. It will also allow BSPs to better manage operational and market risks which translates into more competitive pricing of aFRR capacity bids to the TSOs. We have not attempted to quantify these benefits.

**Energi Norge:**

The possibility to transfer aFRR obligations within an LFC area might make it more attractive for some players to participate in the aFRR capacity market. Not able to quantify.

**Finnish Energy:**

The possibility for transfer could be used as risk-management tool and enable more market participants to provide LFC capacity.

**Fortum Power and Heat Oy:**

- 1) TSOs would get the aFRR capacity also when BSPs cannot fulfil their obligation as originally planned (e.g. due to failures and other situations listed in Q4)
- 2) Market participants would avoid penalties/costs for not providing the capacity
- 3) Lower risks and risk premiums when offering aFRR capacity due to possibility to transfer obligation if needed
- 4) Entry barriers to the market would be lower (connected to the previous point) => more liquidity in the aFRR market, new entrants to the market
- 5) Increased flexibility

Benefits depend on the situation. If transfer of obligations is not allowed => zero benefits, if transfer of obligations is allowed => benefits listed in points 1)-5) above => well functioning market (unlimited benefits)

**Nord Pool AS:**

In principle at least as big, or likely even bigger, than the benefits of the initially offered aFRR capacity by BSP A that then would be transferred to BSP B. The reason being that the replacement by BSP B of the for BSP A lost ability to supply the given aFRR capacity will render similar Security of Supply (SoS) benefits for the power grid, and in addition the allowance to transfer an obligation (possibly subject to penalties if not upheld) will in competitive markets result in lower price (cost) for the offered obligation, thus added overall welfare.

From another perspective, providing the freedom envisaged by EBGL could enable more different types of assets to take part as they would not be fixed to the D-2 obligation and could for example take on an obligation closer to delivery when for example PV or wind production or battery levels are better known. This would naturally be facilitated by the proposed aFRR EAM as well.

Additionally, the proposed introduction of an aFRR EAM would bring even increasing benefits to SoS and overall welfare as explained above.

Statkraft Energi AS:

Possibility to transfer aFRR capacity obligation may make it more attractive for some participants to participate in the aFRR capacity market. We are not able to quantify the benefits, also since Statkraft is more likely to be a buyer than seller of aFRR capacity obligation.

Swedenergy:

The possibility to transfer obligations will allow BSPs to trade aFRR capacity obligations and thus ensure a cost-effective provision of aFRR capacity. It will also allow BSPs to better manage operational and market risks which translates into more competitive pricing of aFRR capacity bids to the TSOs. We have not attempted to quantify these benefits.

Uniper Global Commodities SE:

- Benefits are probably rather small for total social welfare but might be significant for individual players to prevent potential penalties for non-delivery for instance.
- aFRR suppliers like us would certainly welcome a secondary market

Question 7: What benefits, if any, are secured by enabling the transfer of aFRR capacity obligations across LFC areas? How large are these benefits likely to be?

Danish Energy:

See answer above.

Energi Norge:

See answer to Q6

Finnish Energy:

See answer to question 6.

Fortum Power and Heat Oy:

Same as Q6:

- 1) TSOs would get the aFRR capacity also when BSPs cannot fulfil their obligation as originally planned (e.g. due to failures and other situations listed in Q4)
- 2) Market participants would avoid penalties/costs for not providing the capacity
- 3) Lower risks and risk premiums when offering aFRR capacity due to possibility to transfer obligation if needed
- 4) Entry barriers to the market would be lower (connected to the previous point) => more liquidity in the aFRR market, new entrants to the market
- 5) Increased flexibility

Benefits depending on the situation. If transfer of obligations is not allowed => zero benefits, if transfer of obligations is allowed => benefits listed in points 1)-5) above => well functioning market (unlimited benefits)

Nord Pool AS:

Refer back to answer to previous question (6) as well as (4), e.g. in essence at least similar benefits apply if the transfer is linked to aFRR capacity obligations applicable within or across (between) LFC areas.

Nord Pool also views that this should be seen in relation to the proposed EAM for aFRR products.

Statkraft Energi AS:

Ref Q6

Swedenergy:

See answer above.

Uniper Global Commodities SE:  
- Hard to access

### Question 8: How would your answers to Questions 6 & 7 be influenced by the choice of transfer window as described in section 5.2 of the explanatory document?

Danish Energy:  
It would not be influenced by the choice of transfer window. We consider the possibility to transfer aFRR obligations relevant regardless of the length of the transfer window.

Energi Norge:  
Shorter transfer window will reduce the attractiveness/value of providing ability to transfer aFRR obligations.

Finnish Energy:  
TSOs should not unduly restrict the markets. The more the transfer window is limited, the less possible benefits emerge.

Fortum Power and Heat Oy:  
Choice of the transfer window would not have impact on the answer. The longer the transfer window, the better (more flexibility leading to higher benefits).  
However, any kind of possibility to transfer obligations would be better than not allowing the transfer at all.

Nord Pool AS:  
Refer back to previous answer to question (5).

Statkraft Energi AS:  
Shorter transfer window will probably imply less benefits.

Swedenergy:  
We consider the possibility to transfer aFRR obligations relevant regardless of the length of the transfer window. However, the transfer of obligation should not restrict the allocation of cross-zonal capacity to the day-ahead energy market or delay the implementation of the common Nordic aFRR capacity market.

Uniper Global Commodities SE:  
The closer the gate closure of a potential secondary market to delivery the better.

### Question 9: What impact would preventing the transfer of aFRR capacity bids have?

Danish Energy:  
BSPs would have to price in the risk of paying TSO compensation (non-capped and equivalent to TSO costs of replacement procurement) in case of outages. In addition, this could potentially discriminate between BSPs with a large portfolio, who can transfer aFRR capacity obligations internally to other assets, and smaller BSPs with few or alternative assets. Together, this would result in less competitively priced aFRR capacity bids and ultimately higher aFRR capacity costs for TSOs.

Energi Norge:  
For market players this would mean losing an opportunity, which overall value is not known.  
More importantly the impact for the aFRR capacity market would - based on the explanatory document - certainly be possible delays and additional cost and with unclear benefits from allowing transfer of obligations.

Finnish Energy:  
The risk for not being able to provide is priced into the bids and there could be less participants providing aFRR capacity.

Fortum Power and Heat Oy:  
Benefits listed in Q6 and Q7 would be lost, leading to:  
1) TSOs would not always get the aFRR capacity they have procured  
2) For market participants: Higher risks leading to higher risk premiums when offering aFRR capacity (due to no possibility to transfer obligation if needed)  
3) Higher entry barriers to the market (connected to the previous point) => less liquidity in the aFRR market, less market participants  
4) Inefficient market

**Nord Pool AS:**

It would reduce the overall SoS since less aFRR capacity would be available than originally procured, and in addition on average lead to increased price (costs) for aFRR capacity because if there is no chance for a BSP in need to transfer such an obligation to another BSP it will lead to a higher risk premium for the offered aFRR capacity.

**Statkraft Energi AS:**

For Statkraft probably only possible lost business opportunity.

**Swedenergy:**

BSPs would have to price in the risk of paying TSO compensation (non-capped and equivalent to TSO costs of replacement procurement) in case of outages. In addition, this could potentially discriminate between BSPs with a large portfolio, who can transfer aFRR capacity obligations internally to other assets, and smaller BSPs with few or alternative assets. Together, this would result in less competitively priced aFRR capacity bids and ultimately higher aFRR capacity costs for TSOs.

**Uniper Global Commodities SE:**

- It would probably increase prices somewhat as aFRR suppliers will have to account for higher risks in their bidding

**Question 10: How would the impacts described in response to Question 9 differ if within-zone transfers were allowed, subject to informing the relevant transmission system operator(s) in advance?**

**Danish Energy:**

We believe the transfer should be allowed both within and between bidding zones, subject to the availability of transmission capacity.

**Energi Norge:**

Based on the explanatory document, within-zone transfers of obligations is more realistic to accommodate, since it is less complex for the TSOs to accommodate than across-zone transfer of obligations.

**Finnish Energy:**

TSOs should not unduly restrict the markets. The more the transfer option is limited, the less possible benefits emerge.

**Fortum Power and Heat Oy:**

Allowing within-zone transfers (assuming that within-zone means within an LFC area) subject to informing relevant TSOs would bring similar benefits as listed in Q6. The more flexibility, the higher the benefits.

**Nord Pool AS:**

As a general (economic/operational) principle the more pre-requirements or limits placed on market parties providing a product/service the higher the price (cost) of delivery would be, since added requirements add risk premiums. In other words, not permitting transfers of aFRR capacity obligations that TSOs have procured for usage also across (between) Bidding Zones/LFC would on the margin reduce SoS and increase the price (cost) of offered aFRR capacity, but still to at least allow transfer of aFRR capacity obligations only activated within and for the needs of one Bidding Zone/LFC area would decrease the more severe negative impacts of total disallowance. That being said it is a bit difficult for us to understand why specifically aFRR capacity procured also for usage across the across (between) Bidding Zone/LFC areas would be disallowed to be transferred between BSPs. Finally, it has been our basic assumption that regardless of the scope of allowances to transfer aFRR capacity obligations, they would always be subject to notification to the relevant TSO(s) in advance by the BSP and/or the market operator facilitating the mechanism to transfer aFRRs.

Nord Pool additionally notes that there is no foreseen need for TSOs to develop markets for capacity obligations but rather provide a facility where the exchange of such obligations could be notified to the TSO for the purpose of imbalance settlement. This should lower the overall impact on TSO IT development as the possibility to transfer capacity obligations is the minimum requirement (for which exception is not requested) in EBGL.

**Statkraft Energi AS:**

Then some of the business opportunity is still possible.

**Swedenergy:**

We believe the transfer should be allowed both within and between bidding zones, subject to the availability of transmission capacity and not restricting the nomination of cross-zonal capacity to the day-ahead energy market.

**Uniper Global Commodities SE:**

[No response]

