

Stakeholder questions and comments from the meeting regarding the topic: Future Imbalance Price Design with MARI and PIASSO

1. Stakeholder question:

What will be the key driver for netting between two areas before using counter activation?

Nordic TSO response:

This is a design choice which has been made in the implementation frameworks for MARI and Picasso. MARI will only net if economical, while Picasso will always net before any activation takes place. It is not always economical to net, it depends on the bid prices. This is then differently handled by MARI and Picasso. Nordic Libra, which will be used in mFRR EAM, is based on the same logic as MARI. Direct activation demand will never be netted, but "solved one by one". Again, this is the design of the MARI platform.

2. Stakeholder comment:

Hard to understand why to go away from multi-bidding zone netting and common imbalance price as long as there are no congestions between the given bidding zones and since the Nordics is a synchronous grid.

Nordic TSO response:

We refer to our answer above. The demand in the case below may or may not be netted. The demand will also be identified in a sequential manner (not shown in the illustration). In the case area A is fully netted, the imbalance price will be based on the so-called Value of Avoided Activation, which is a design choice. In a more "true case", with several bidding zones and taking into account the sequential manner of the balancing process, both up- and down balancing energy prices is likely during an ISP (imbalance settlement period), the bidding zone will have a balancing energy price for its direction. Also, depending on how to take into account several balancing energy prices (with MARI and Picasso at least one scheduled activation price and 225 aFRR prices will be set per 15 min ISP), this can also "drive" different imbalance prices per bidding zone. In case of use volume-weighted average, a different imbalance price should be expected always, even for areas that have the same dominating direction.

2) Dominating direction shall be set per bidding zone based on (satisfied) demand

NBM
Nordic Balancing
Model



Bidding zone A and B are both net-regulated 50 MW in direction up

- Today, bidding zone A and B will get the same imbalance price. In the future, it is likely that the areas will get different imbalance prices (at least if there is a balancing energy price in both directions)
- Also, bidding zones with the same dominating direction may get different imbalance prices, depending on how the imbalance price is set

3. Stakeholder comment:

Please remember that TSOs have stated that they will connect to MARI and PICASSO at the same time.

Nordic TSO response:

The Nordic TSOs have not stated that they will connect to MARI and PICASSO on the same date. The Nordic TSOs have previously communicated that we will connect to the platforms uniformly, meaning that the four Nordic TSOs will connect to MARI on the same date, and the four Nordic TSOs will connect to PICASSO on the same date. However, we have written in our individual national request for derogations for connection to MARI and PICASSO, that we have requested for maximum derogation, meaning connection to both platforms latest by 24 July 2024. We also wrote that we expect to connect to MARI before that date. Else we refer to our latest communication on the roadmap, see: [NBM roadmap – assessing the results of new flow-based time plan – nordicbalancingmodel](#).

4. Stakeholder question:

Can Value of Avoided Activation (VoAA) end up being different for two adjacent Nordic bidding zones while there is no congestion between the bidding zones and the bidding zones had the same day-ahead price? If so, that is really not understandable for me as considerations linked to netting indicated in the slide about dominating direction.

Nordic TSO response:

Yes, VoAA can theoretically be different for two adjacent Nordic bidding zones. But it can also be designed in a way that they have the same VoAA. It is a design choice that we will make and we will go into more detail about this topic with stakeholders next year. VoAA has to be based on a bid price or bid prices (note that a cross-border marginal price is also a bid price).

5. Stakeholder comment:

Continue using Incentivizing Component to set the VoAA equal to day-ahead price makes sense and is understandable.

Nordic TSO response:

The current VoAA is set based on bid prices according to requirements, but it is correct that we use the incentivizing component to get the final imbalance price for ISPs with no dominating direction to the day-ahead price. This is linked to our current mFRR pricing rules, where the day-ahead price is a floor and roof for the mFRR price. The mFRR price of a direction without activation is also set to the day-ahead price. The current use of the incentivizing component is to align the imbalance price with the mFRR price in case of no dominating direction. The dominating direction is also set based on the uncongested area today, based on an exemption rule which the Nordics is applying. Please see the market design documents from the Single Price project: [Single price model – nordicbalancingmodel](#). When we connect to MARI, the current pricing connection to day-ahead will be removed. We will return to this topic later.

6. Stakeholder question:

Has there been any analysis done between being a proactive TSO vs. reactive TSO? My understanding is that on the continent the reactive behavior is most common with very small amount of mFRR activated and using netting between bidding zones with PICASSO.

Nordic TSO response:

To our knowledge the Nordic TSOs have not done such an analysis. A reactive TSO balancing strategy requires a mature aFRR market with a high liquidity of balancing capacity and bids. Currently the Nordic TSOs do not have plans to change their balancing strategy. To our understanding, it is normal that TSOs with a reactive balancing strategy also need to active significant volumes of aFRR.

7. Stakeholder question:

Can the articles referred to in the meeting that suggests netting and common pricing between multiple bidding zones is disallowed be shared after the meeting?

Nordic TSO response:

- The legal basis for the different design areas; establishing the direction of system imbalances, establishing the imbalance price, establishing the Value of Avoided Activation (VoAA) and additional components is thoroughly described in the published NBM document [here](#).
- See article 8 of the [Imbalance Settlement Harmonisation methodology](#) in conjunction with article 7 and 9 on establishing the direction of system imbalances (dominating direction) and how to set the imbalance price.
- See article 6 (6) of the [REGULATION \(EU\) 2019/943 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 5 June 2019](#) where it is defined that the imbalance price area shall equal the bidding zone.

8. Stakeholder question:

Is it still possible to propose and argue for other imbalance pricing design computations than the referred to MAX, combined, and volume-weighted average (VWA) approach? To me there are some alternatives worthy to consider.

Nordic TSO response:

If proposals are within the allowed legal legislation, then alternative proposals are welcome. Please send such proposals to Erica Arberg at ear@energinet.dk