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**Energinet and Svenska kraftnät's proposal for amendment to the methodology for common and harmonised rules and processes for the exchange and procurement of FCR balancing capacity in accordance with Article 33(1) of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing**

November 30, 2022

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## Whereas

1. This document provides an amendment to the methodology for common and harmonised rules and processes for the exchange and procurement of FCR balancing capacity (hereafter referred to as the "methodology") in accordance with Article 33(1) of Commission Regulation (EU) 2017/2195 of 23 November 2017 establishing a guideline on electricity balancing (hereafter referred to as the "EB Regulation") approved by the Swedish and Danish regulatory authorities in May 31, 2022. This document is hereinafter referred to as the "Amendment".
2. Article 9(1) of the methodology allows balancing service providers (BSPs) the right to transfer their obligation to provide balancing capacity. This requirement is pursuant to Article 34(1) of the EB Regulation. However the transmission system operators (TSOs) can also, based on the same Article, request for an exemption from the requirement. On November 30, 2022, Svenska kraftnät and Energinet applied to the Swedish and Danish national regulatory authorities for an exemption. If the exemption is approved an amendment of the methodology is needed.
3. This Amendment was consulted between October 19, 2022 and November 18, 2022.
4. This Amendment takes into account the general principles and goals set out in the EB Regulation as well as Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation (hereafter referred to as the "SO Regulation"), Commission Regulation (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (hereafter referred to as the "CACM Regulation") and Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity (hereafter referred to as the "Electricity Regulation").
5. Article 5(5) of the EB Regulation requires that the expected impact of the Amendment on the objectives of the EB Regulation is described. The expected impact is presented below.
  - a. This Amendment maintains effective competition, non-discrimination and transparency in balancing markets (Article 3(1)(a) of the EB Regulation). Specifically, it still allows the transfer of balancing capacity obligations within each Control Area, thereby ensuring operational security. The ability to transfer obligations within a Control Area gives potential balancing service providers greater flexibility in managing the risks of being unable to deliver and may encourage greater participation in the market by balancing service providers with limited alternative options for managing this risk within their own portfolio. This greater participation should foster competition in the balancing capacity market. It should also ensure that there is no competitive advantage for balancing service providers having a portfolio across different bidding zones within a Control Area, which might be able to manage the risk of non-delivery by more efficiently transferring capacity obligations within their portfolio.
  - b. The Amendment contributes to the objective of integrating balancing markets and promoting the possibilities for exchanges of balancing services while ensuring operational security (Article 3(1)(c) of the EB Regulation). The FCR capacity activations between bidding zones and cross-border within the Nordic synchronous area are ensured using the Transmission Reliability Margin (Article 2, CACM Regulation) and the geographical distribution is ensured in SO Regulation (Article 119, 163 in the SO Regulation). If cross-border transfer of bid obligations would be allowed the FCR activation cross-border might result in a situation in which these activations could not be fulfilled without violating operational security constraints, thus jeopardising system stability and security.

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SUBMIT THE FOLLOWING PROPOSAL FOR AMENDMENT TO RELEVANT REGULATORY AUTHORITIES WITHIN DENMARK AND SWEDEN:

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## TITLE 1 Amendment

### Article 1 Amendment to Article 9(1) on transfer and repurchase of FCR balancing capacity

1. Article 9(1) in the methodology shall be amended as follows:
  - a. Each BSP is *only* allowed to transfer its obligations *within the connecting TSOs Control Area* to provide balancing capacity pursuant to Article 34 in the EB Regulation. When transferring their obligation to provide FCR balancing capacity, a BSP also transfer their obligation to be fully available for FCR energy activation during the delivery period.

## TITLE 2 Final provisions

### Article 2 Publication and implementation of the Proposal

1. The TSOs shall publish the Amendment without undue delay after a decision has been made by the Danish and Swedish regulatory authorities in accordance with Article 5(3) of the EB Regulation.
2. The Amendment shall be applied at latest at the same time as the common and harmonised rules and processes for the exchange of FCR balancing capacity in accordance with Article 33(1) of the EB Regulation are implemented by the TSOs of Denmark and Sweden.

### Article 3 Language

The reference language for this Exemption shall be English. For the avoidance of doubt, where TSOs need to translate the Exemption into their national language(s), in the event of inconsistencies between the English version published by TSOs in accordance with Article 7 of the EB Regulation and any version in another language, the relevant TSOs shall, in accordance with national legislation, provide the relevant national regulatory authorities with an updated translation of this Exemption.