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Energy Traders Europe response to ARERA consultation on TIDE consolidation phase

Brussels, 14 April 2025

#2 FCR procurement and Ultra-Fast Frequency Reserve

Q1. Do you agree with the Authority's guidelines regarding the timing of the competitive procedures for the procurement of FCR and the methods of valuing the offers?

We express concern regarding ARERA's proposal to postpone the Gate Closure Time (GCT) to a point after the SDAC, as this could negatively affect market liquidity. Our preferred approach is to retain the current regulatory framework (TIDE Art. 3-15.2.3), which requires Terna to **procure Frequency Containment Reserve (FCR) through a spot market procedure with a GCT set before the Day-Ahead Market (MGP)**, thereby ensuring the proper sequencing of market operations.

At the European level, the FCR Cooperation - the largest FCR market on the continent - currently operates a daily spot market, with the GCT at 8:00 a.m. on D-1 (several hours earlier than the GCT of the SDAC).

The adoption of timing (GCT on D-1 before the SDAC GCT) and remuneration mechanisms (SMP) compatible with those currently used by the FCR Cooperation could facilitate a potential future participation of Terna in this platform, further increasing liquidity through the possible involvement of foreign portfolios, with potential benefits in terms of average procurement costs for the service.

Besides, to minimize the costs of procuring resources for FCR while also facilitating the participation of all available resources in the provision of this service, we propose a number of additional changes to the TIDE concerning the participation modalities and price-setting mechanisms in the competitive market procedures for FCR:

- a) *Allow operators to participate in market procedures on a portfolio basis.* Thanks to this change, compared to a unit-based participation model, the operator gains the ability to reduce the risk of unavailability in providing the service, thereby increasing the volumes made available to Terna and limiting activation costs. In addition, operators should be allowed to submit block bids, characterized by distinct quantities and increasing prices.
- b) If the introduction of a capacity cap (in €/MW) is deemed necessary, potentially differentiated between upward and downward services, we suggest to *align the cap for the upward service always to the maximum price cap in force on the DA Market* (i.e., the price cap applied in

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the Single Day-Ahead Coupling – SDAC), as it best represents the maximum opportunity cost associated with the capacity reservation for FCR provision.

- c) *Maintain an SMP (Single Marginal Price) remuneration mechanism*, ensuring greater transparency regarding market outcomes and thereby facilitating broader participation.

Finally, it is important to stress the need to **implement control and transparency tools**, in order to allow market participants to assess Terna's actions regarding the procurement and activation of the FCR service.

Q2. Do you agree with the Authority's guidelines regarding the definition of an additional need for FCR procured through competitive procedures to favor the effectiveness of their experimentation?

We share the orientations of ARERA regarding the definition of a minimum requirement for the competitive procedures in the Mainland and in Sicily, in order to ensure effective experimentation of the competitive FCR auctions.

Q3. Do you agree with the Authority's guidelines regarding the modification of the schedule defined by the incentive mechanism established by resolution 326/2024/R/eel, as approved by resolution 554/2024/R/eel?

Partially. We encourage ARERA and Terna to **anticipate the full switch to FCR market-based procurement** before the foreseen date of August 2028.

#3 UP mapping

Q4. Do you agree with the Authority's guidelines aimed at providing the possibility of distinction between UP contracted within the Capacity Market and UP not contracted?

We support distinguishing between contracted and non-contracted UPs, keeping classification optional so that the BRP can preserve the original classification.

However, we propose to **anticipate the start of UP mapping from February 1, 2026, to January 1, 2026**. An earlier go-live would be beneficial to align it with the delivery period of the Capacity Market and to limit its distortive effects due to the disaggregation of the portfolios that the market is experiencing already now.

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Q5. Do you agree with the Authority's guidelines of not providing specific provisions for the inclusion of UP contracted within the Capacity Market in aggregates for the provision of ancillary services (UVAZ and UVAN) since any constraints on the composition of such aggregates (e.g., only contracted UP) can be managed at the contractual level between the parties?

Yes, we agree not to impose specific provisions for including Capacity Market UPs in UVAZ/UVAN aggregates. Any constraints should be managed at the contractual level.

Q6. Do you agree with the Authority's guidelines regarding the treatment of electricity withdrawn from storage systems and re-injected into the grid?

The Authority's proposal to amend the TIDE is supported, in order to make access to the mechanism defined by resolution 109/2021/R/eel optional also for storage systems.

We also agree with the need to maintain the mandatory nature of access to resolution 109/2021/R/eel for storage systems which provide ancillary services.

#4 Dispatching contract

Q7. Do you agree with the Authority's guidelines regarding the signing of the dispatching contract?

Yes, we agree with ARERA's proposal in view of the **harmonization** between the TICA, TIDE and the Terna Network Code.

#5 Non-frequency and extraordinary modulation services

Q8. Do you agree with the proposal to modify the TIDE to allow Terna to define flat fees for ancillary services not related to frequency, not only to cover active energy losses?

Yes, we support the introduction of **new remuneration methods for ancillary services** beyond those related to active energy losses.

In fact, the current limit does not allow for adequate remuneration of all services falling under this category - such as voltage regulation and remote tripping services - and it hinders the technological development needed to meet the system's new requirements.

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We call for an extension of procurement through market-based procedures, which is currently limited to the service of instantaneous upward extraordinary modulation (formerly the service “interrompibilità”).

Q9. Do you agree with the submission by Terna of a detailed report on the use of the extraordinary modulation service?

Yes, but **the report on the use of the extraordinary modulation service should be made public** and available to all market participants for transparency.

Q10. Do you agree with the elimination of the obligation for marginal price remuneration in case of procurement through market procedures of the extraordinary modulation service?

n/a

#6 UVAZ and UVAN operations

Q11. Do you agree with the proposal to modify the TIDE to require that, for UVAZ, the baseline be communicated by BSPs to Terna during the offer submission phase on MB?

Yes, we support the requirement for BSPs to send the UVAZ baseline. We believe that the **baseline responsibility should remain with the BSP**, as the previous methodology from Terna was problematic and did not allow consideration of effective production and consumption margins.

Q12. Do you agree with assigning the responsibility for the distribution of feasibility intervals imposed on UVAN to the underlying UVN under the BSP?

Yes, we support enabling BSPs to set feasibility intervals as this would increase flexibility for both BSPs and BRPs.

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Q13. Do you agree with the proposal to allow Terna to define a default method for distributing feasibility intervals imposed on UVAN among the underlying UVN and, if necessary, correct the distribution made by BSPs?

n/a

Q14. Do you agree that BRPs should also be informed of the feasibility intervals related to UVAN and UAS?

Yes, we agree that BRPs should be informed about feasibility intervals related to UVAN and UAS. This is indeed a key aspect to enable scheduling without the risk of incurring penalties for non-compliance with feasibility intervals, due to the lack of an information flow between the two parties, BRP and BSP, if they are not the same entity.

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