

Energy Traders Europe response to ARERA consultation on TIDE consolidation phase update and FERX implementation

Brussels, 22 April 2025

4. Extraordinary modulation service

#4b. Determination of energy subject to modulation and the resulting effects on imbalances

Q1. Which of the hypothesized options for determining the quantity E_u^{mod} for the consolidation phase for UPs powered by non-programmable renewable sources is considered preferable?

The determination of the E_u^{mod} depends on the typology of the UPs powered by non-programmable renewable sources:

Type of unit	Preferred Option	Justification
UPs that coincide with a UAS or UnAP	Option A: unit's base schedule ("programma base")	The schedule resulting from the BRP/BSP nomination can be used, not requiring a third party (like the GSE) to estimate generation.
UPs included in UVN or UVZ	Option B: producible energy calculated by the GSE	This method provides a more accurate baseline than using pre-modulation injections - which may not reflect true production due to renewable variability - and helps reduce imbalances for market participants delivering the modulation service. Under this option, GSE should ensure greater transparency in how producible energy is calculated.

CONSULTATION RESPONSE

Q2. Do you agree with the Authority's guidelines regarding the determination of the quantity E_{umod} for the consolidation phase for UPs not powered by non-programmable renewable sources?

The determination of the E_u^{mod} depends on the typology of the UPs not powered by non-programmable renewable sources:

Type of Unit	Preferred Option	Justifications
UPs that coincide with a UAS or UnAP	Option A: unit's base schedule ("programma base")	The base schedule from the BRP/BSP nomination is the most accurate reference for estimating the energy the unit would have produced without modulation (and therefore the calculation of the energy subject to modulation)
UPs included in UVZ or UVN	Custom baseline declared ex-post by the BRP/BSP	Using injected energy from the previous ISP is not representative due to variability. An ex-post baseline specific to the unit is more appropriate, as long as it does not exceed the unit's maximum power and aligns with the base schedule of the UVZ/UVN for the relevant ISP.

4c. Remuneration of the extraordinary downward modulation service

Q3. Do you share the Authority's approach regarding the remuneration of the extraordinary downward modulation service for units powered by non-programmable renewable sources starting from the consolidation phase?

In principle, **the extraordinary modulation service should be treated as a last-resort measure**, activated only when balancing market resources are insufficient.

While we support the introduction of a remuneration component (in addition to cost compensation) for all non-dispatchable renewables under Resolution 128/2025/R/eel, we partially disagree with the current approach to remunerating the extraordinary downward modulation service and we propose the following improvements:

- Include dispatchable units in the remuneration mechanism

- b. Apply rewarding valuation that reflects the operational costs and effort involved. In fact, if priced at zonal price (P_z), there are risks of inadequate compensation in case of activations during overgeneration (when P_z is low or zero), as well as potential favouring of extraordinary modulation over standard balancing

For the **instantaneous modulation service ("telescatto")**, we propose nodal or sub-zonal competitive procedures with:

- a. An upfront payment (€/MW) to value optionality.
- b. A per-event payment (€/MW/event) to cover the operational costs of disconnection and restart
- c. Optionally, a growing remuneration based on frequency of activation.

6. Incorrect execution of the movements requested on the MBR

Q6. Do you share the Authority's approach regarding the suspension of the qualification for UAS and UVA that do not correctly carry out the movements requested on the MBR?

We partially disagree with the proposed approach and we propose the following improvements:

- a. **Do not introduce additional penalties for BSPs** - The current financial penalty under Art. 3-22.2 of the TIDE is already a sufficient incentive for correct execution of dispatch instructions on the MBR. An added penalty (such as suspension from the MBR) is excessive.
- b. **Avoid disproportionate penalties for new renewable units** - The proposed suspension from MBR, combined with loss of incentive payments (as outlined in point 7.37 of the consultation), is too severe for non-dispatchable renewable units that are mandatorily enabled under the transitional FER X Decree. This could raise operational risk and increase requested incentive levels in auctions.
- c. **Clarify that performance checks are quarterly, not rolling** - Request confirmation that the 70% performance threshold for MBR compliance is verified within each individual quarter (with reset at the start of the next), not on a rolling basis over multiple quarters.

7. Qualification of plants covered by the support mechanism defined by the transitional FER X decree

7b. Procedures for qualification to the MBR

Q8. Do you agree with the creation of a new type of unit to avoid mixing units benefiting from the support instruments defined by the transitional FER X decree and enabled on the MBR with other units and UC?

We agree with ARERA proposal, as it allows to manage production units subject to FERX independently from the other production units that would have been aggregated together despite not having the same obligations.

7e.2. Curtailment of production - downward offers on the MBR for redispatching and balancing

Q14. Do you share the Authority's approach regarding the downward offer obligations established by the transitional FER X decree?

We consider that Terna's current practice of communicating critical ISPs to the market within 30 minutes prior to the MSD offer submission deadline is too restrictive. For other mechanisms, such as the notification of peak hours in the Capacity Market and the communication of Fast Reserve hours, Terna provides in advance the time periods during which selected resources are required to meet their obligations. Accordingly, we request that the communication of critical ISPs should be made with sufficient advance notification, i.e. between 12:00 and 15:00 on D-1.

Furthermore, we ask ARERA to apply the following improvements to the proposed approach:

- a. **Ensure incentive payments are always based on producible energy, not actual injection** - Even in the case of downward dispatch for global ancillary services during non-critical ISP periods, the incentive under the FER X Decree should be calculated on the basis of producible energy. Using actual injected energy could discourage market participants from offering downward flexibility outside critical ISPs.
- b. **Increase transparency on dispatch motivations** – Market participants cannot verify whether payments are calculated correctly (i.e., based on producible vs injected energy) since they are not informed of Terna's reason for dispatch (e.g., balancing or redispatch). Terna should clearly communicate the purpose behind each activation.

CONSULTATION RESPONSE



Q15. Do you share the Authority's approach regarding the suspension of payments by GSE in the event of suspension of MBR qualification?

In line with our response to Q6, **we disagree with the proposal to suspend payments in case of MBR disqualification**. We consider it an unjustified operational risk for market participants and could lead to higher incentive bids in auctions. The existing TIDE framework is deemed sufficient to ensure compliance with dispatch orders under the FER X transitional support scheme.

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