

Response to the assessment review of the Imbalance Settlement Harmonisation Methodology

Brussels, 07 September 2026

Key messages

- While implementation has progressed, we see opportunities to improve practical application and focus on the progress of harmonisation. We are concerned about TSOs taking different approaches with specific and increasingly complex solutions. We encourage TSOs to find solutions aligned with the European methodology and common principles.
- Coherence and transparency are key; we support TSOs' recommendations for clarification within the text to make interpretation and implementation more coherent across Europe.
- As recommended in our flagship report, Integrate by 28¹, more can be done based on the methodology and implementation with very different price structures across Europe. We advocate for a truly harmonised imbalance pricing methodology implemented in Europe, with the real cost faced by customers when electricity is not delivered is well reflected in the price. This needs the coordination of ACER and National Regulatory Authorities based on a TSOs' proposal.
- This call for harmonisation is about finding the best practices and having them be replicable and clearly have system differences accounted for via explicit flexibility. Harmonisation is not just relevant to market participants active in several markets but to anyone active in cross-border trading for achieving a level playing-field.
- On the study itself, we note missed opportunities to include market participants in the feedback process. We invite, for future and upcoming considerations, an objective

¹ <https://www.energytraderseurope.org/integrate-by28>

assessment conducted by a third party that could also clearly outline implementation and adaptation consequences, and the next steps.

- We also reiterate our support for single imbalance pricing, compared to dual pricing, which makes Renewable Energy Sources integration more costly. We are concerned and against a proposal to extend dual pricing as an option within the ISHM.
- Looking forward, we see a link with the upcoming reform of the Electricity Balancing Guideline, where the Imbalance Settlement Harmonisation Methodology shares key principles. We highlight the need for consistency and completeness with both regulatory texts, without inducing delays in either process. Rather, we urge for an efficient use of the time allocated to scoping and analysing needs for a thorough assessment. Concurrently, we would also be interested to see an updated analysis from Compass Lexecon in the final ISHM Assessment report in July 2027, integrating the changes with new balancing platform accessions and implementation of missing elements.

Detailed comments

4. Do you have any general observations regarding the TSOs' Assessment of the Imbalance Settlement Harmonisation Methodology (ISHM)?

We welcome the exercise of assessing the ISHM implementation and see room for improvements to be achieved. We generally agree with the objective to further clarify definitions and concepts for more coherent implementation and see that the scoping of the assessment should include all the core definition related articles with concrete suggestions in the final report (including Articles 3 to 6 of the ISHM). Should there be concrete proposals on how to clarify and establish common understandings of imbalance methodology definitions and concepts, market participants should also be invited to the process to provide feedback on potential practical impacts.

We recognise the work realised by the TSOs and Compass Lexecon with this first milestone in the assessment process. There is an opportunity to use the remaining time until the final

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report to dig deeper into causal aspects, other missing elements, and to look into deviations from current implementation and what it should have been from a clearly formulated regulation. For example, we would be interested in exploring the impact of specific balancing products, as well as the share between these specific products and standardised balancing products.

On the study itself, the quantitative evaluation is restricted to a few Key Performance Indicators that are evaluated per TSO and presented for clusters of TSOs only. The aggregation of KPIs is probably done over all of the relevant TSOs regardless of the size. It is acknowledged that the evaluated KPIs, e.g. imbalance ratio, are subject to other factors like zone size, generation mix and Renewable Energy Source share and at best one can observe correlation but not causality. Nevertheless, a number of conclusions are drawn from these studies.

Dedicated studies of relevant aspects are missing. For example, the level of convergence of imbalance prices for an uncongested area could have been measured, as a prerequisite for cross-border trading. Also, the excess cashflows generated by additional components, compared to balancing remuneration, could provide insight into the state of TSO financial neutrality.

It is unclear why an impact of imbalance settlement harmonisation towards intraday market evolution is rejected. Similar to the other KPI studies, a clear correlation between traded volumes and adoption of the ISHM can be identified.

Qualitative statements are based on TSO survey responses, self-assessing their ISHM compliance and need for further harmonisation. The outcome of the study is expected. We invite for the final report to include an objective review of ISHM compliance and an assessment of the required level of harmonisation necessary. Market participants can also participate in providing qualitative feedback, and quantitative feedback in a confidential manner.

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Furthermore, we welcome the finding that the ISHM has been broadly implemented across Europe. However, implementation should not be conflated with harmonisation. The key question is not only whether the methodology has been transposed, but whether imbalance settlement arrangements produce sufficiently consistent cross-border price signals in an increasingly integrated balancing market. The coexistence of multiple design choices suggests that further convergence of imbalance price formation remains worth assessing.

Notably, we see one of the major reasons for a non-coherent and poorly harmonised application of the methodology stemming from a lack of a truly common understanding of concepts and interpretation differences. We see opportunities to identify and converge towards best practices that can be replicated across Europe.

The imbalance settlement and its price should reflect the value of electricity in real-time and provide the correct incentives to Balancing Responsible Parties to balance their positions or to support the system balance by becoming active in trading. There is also a fundamental role of the imbalance price in the price formation for all preceding time horizons (back-propagation). With prices for balancing energy from the European platforms determining the imbalance prices and hence supporting cross-zonal trading, these **incentives need to be aligned**. The heterogeneous definitions of the imbalance settlement methodology need to be **revised and harmonised**.

By harmonisation, we mean that it should progressively lead to more coherent imbalance price signals across interconnected balancing areas. While harmonisation will not necessarily result in identical prices, balancing energy activated through common European platforms should increasingly lead to comparable imbalance pricing outcomes where no material system constraints justify divergence.

Today, there are a lot of artificial components present in the imbalance price calculation to reinforce self-balancing incentives towards BRPs. The actual costs for balancing constitute only a share of the final imbalance price. Generally, the balancing system should be self-contained, and correct incentives should be created by balancing energy pricing. We

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emphasise the need to carefully consider any additional components, with clear justifications indicating proportionality and reinforcement – rather than distorting – market-based signals. Additional components could significantly increase imbalance risk and deter market participants from taking positions supporting the system, accompanied by potential reduction in liquidity and market responsiveness.

We are increasingly concerned that European TSOs are pursuing divergent approaches to imbalance pricing and balancing cost recovery, moving the market away from a common harmonised framework.

In Poland, PSE is considering an additional Alpha coefficient that would apply supplementary imbalance charges during periods of significant system imbalance, effectively layering a further penalty on top of existing imbalance prices.²

In Sweden, Svenska kraftnät is exploring an all-volume Volume Weighted Average plus Value of Avoided Activation approach with national boundary conditions, rather than the more standard ISHM methodology. While both proposals are intended to address legitimate national challenges, they represent materially different approaches to imbalance settlement.

A growing number of market-specific solutions risks increasing complexity for participants operating across multiple jurisdictions, reducing transparency and undermining the long-term objective of a consistent European balancing framework. We would encourage TSOs and regulators to prioritise solutions that remain as closely aligned as possible with common European imbalance pricing principles.

It is important to ensure that the benefits of single imbalance pricing should not be undermined by additional non-compliance charges applied at the national level. Such charges should remain transparent, proportionate and appropriately linked to the conduct

²Polish PSE proposal considering introduction of additional penalty mechanism "Alpha" ([Montel Markets | Montel Markets](#))

and costs concerned, as particularly onerous charging mechanisms may significantly increase the financial exposure of market participants and adversely affect overall efficiency of imbalance settlement.

The Italian framework, *Testo Integrato Dispacciamento Elettrico – TIDE*, provides a relevant example with the “additional charge for non-compliance with dispatch instructions” applied to Balancing Service Providers in case of non-compliance with a dispatching order. A price spike associated with a very short activation and limited volume may determine the non-compliance fee applied to a significantly larger undelivered volume, potentially resulting in a highly penalising.

Financial neutrality at the TSO, as a zero-sum between balancing energy remuneration and imbalance settlement, should be re-installed, instead of just utilising additional revenues at the TSO to reduce grid fees. To this end, the pricing methodology and the application of balancing energy prices from the European platforms should be reviewed.

To achieve consistent trading incentives, a single symmetrical imbalance price per ISP should be applied. If the imbalance price is to reflect the value of electricity delivered in real time, a single price is the better solution, while dual pricing becomes an artificial penalty. Dual pricing is making integration of fluctuating resources (RES) more expensive, as any forecast error will be penalised, regardless of its contribution to the system state. Each BRP must bear full financial responsibility for its position, but there should not be any contradicting financial and regulatory incentives.

5. Do you have any specific input regarding any particular article?

Single Pricing

Energy Traders Europe consistently supports implementing single imbalance pricing across Europe. We emphasise that it is the default design in the methodology and that it reflects the value of electricity delivered in real time.

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We support reinforcing the common understanding of core concepts, addressing divergences stemming from interpretation differences. This would further reinforce a harmonised implementation of the methodology. We also underline the importance of an imbalance settlement design that delivers the best incentives.

Article 7 has several concepts that the TSOs have identified as needing additional clarification. We agree with the recommendation and note the following elements.

There is a missed opportunity in starting clarification between TSOs and including market participants. Ambiguities and different understandings of ISHM regulations could have been raised and discussed at ENTSO-E level, including European stakeholder groups. The different interpretations and differences in implementation should be stated more clearly in the report, and also proposals for clarification of the ISHM should have been made. A feedback round, for example, in an Electricity Balancing Stakeholder Group session, could contribute to tabling a concrete proposal for the report and to ACER.

More specifically on the inconsistencies with activated balancing energy and satisfied balancing energy demand, we observe the following. The term “activated balancing energy” is used three times in Articles 9(1) and 9(2) for determination of the imbalance price (once) and resolution of the boundary condition (twice), always in conjunction with “based on the prices and respective volumes listed in paragraphs 3 and 5”. In our view, it is pretty clear that in Art. 9(1) “positive activated balancing energy” is merely used to attribute the balancing direction (“positive”) to the application of the volumes and prices explicitly outlined in Art. 9(3) and 9(5), respectively, when calculating the imbalance price for negative imbalance. The same holds for Art. 9(2), using prices for the negative balancing direction for pricing of positive imbalances.

Concerning Article 9 on additional components, we reiterate the messages above, with the need for incentives to be aligned to support cross-zonal trading and avoid contradictions in the types of incentives implemented. Any consideration for additional components should be carefully reviewed, accounting for proportionality, market efficiency and participation

incentives, and have clear justification. The effectiveness of imbalance price formation should not be assessed in isolation. Imbalance pricing, balancing energy remuneration, and TSO activation strategies jointly influence market participant behaviour and the willingness of flexibility providers to participate in balancing markets. Future assessment should consider these interactions alongside imbalance settlement design. We also support re-introducing financial neutrality as a principle for imbalance settlement and balancing energy remuneration.

Dual pricing

As stated above, we have a preference for single imbalance pricing as the default option. To achieve the real value of electricity, single pricing is preferred compared to dual pricing, as it would become an artificial penalty, notably on the integration of RES by penalising every forecast error. We are concerned with Article 11 and the possible extension of dual pricing as an option to all TSOs.

The report from the TSOs states situations where dual price could avoid or mitigate operational issues. However, this is not demonstrated with real examples. Moreover, TSOs recognise a lack of conclusion from the Compass Lexecon Report related to this matter. In this context, the TSOs propose the following:

(a) Maintaining the current possibility to apply a hybrid pricing single-dual.

(b) Introducing a new possibility to directly apply dual pricing irrespective of the operational conditions. This option was explicitly supported by Spain, Portugal and the Netherlands during the webinar. The reasons backing this proposal are: (i) the existence of security studies prior to real time; (ii) changes in line flows caused by BSP, both at national and local level; (iii) the need to freeze BRP positions for congestion management purposes that could create redispatch costs and be operationally challenging.

Both proposals raise concerns from our side:

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(a) The hybrid approach should be transitory and periodically assessed in the jurisdictions applied. Quantitative analyses of operational conditions should be provided in the NRA consultation prior to the approval of the extension/implementation of the methodology. This should be reflected in the ISHM text.

(b) The option of full application of dual price should not be introduced in the ISHM. Operational tools from the TSO's side are actually aimed to allow free dispatch to the maximum extent for the sake of efficiency. Real-time security analyses are performed for every TSO according to the SO GL and should evolve to adapt to the electricity system of the future instead of proposing restrictive rules from the Balancing Service Providers/Balancing Responsible Parties side. Moreover, a proper design of system services adequately remunerated on a market-based basis with technological neutrality can effectively contribute to system security.

The Dutch experience suggests that an increased prevalence of dual pricing diminishes incentives for market participants to balance their positions. Because participants face uncertainty about the system state in which their trades will ultimately be settled, the expected value of balancing actions becomes less predictable, leading to reduced engagement in intraday balancing activity and thus has an adverse effect.

Lastly, we are particularly cautious regarding proposals linking dual pricing to internal congestion. Congestion management and balancing serve distinct purposes and should continue to rely on separate price signals. Market participants cannot efficiently react to congestion-related adjustments that only become visible after the Imbalance Settlement Period has ended.

Core definitions and implementation

As iterated above, we believe that the scope of the assessment should also consider the core definitions and concepts-related articles of the methodology. We recognise the TSOs' recommendation to clarify these different concepts for a more coherent application across Europe, which is a central reason for all the differences and lack of harmonisation in the

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sense of implementing fully the current framework. We strongly encourage that discussions on concepts clarification be tackled with market participants, for example, in a roundtable discussion within the EBSG framework.

We do note in retrospect that the ambiguities could have been raised and discussed at European level with ENTSO-E and the EBSG.

While not in the review scope, we point out to Article 4. Cost-reflectivity is pointed out as a key principle for imbalance settlement in the ENTSO-E assessment report. A quantitative analysis of the current state, however, is lacking in the study. The shares of the imbalance price settlement, comprising the cost for balancing energy and additional components, should have been examined.

Related to Article 8, it would be ideal if everything is aligned across different legislations, which implies coordination in text revisions and a longer timeline. On the TSO recommendation to keep Article 8(3)'s list of volumes for the Nordics that have yet to accede to the balancing platforms, we emphasise the need for delayed accession to be completed as soon as possible. There is also a question of whether this list can be revised, perhaps during the EBGL revision process that opens annex files like imbalance settlement to reflect the state of full accession of all TSOs. It would be insightful to see the first experiences of the fully functioning platforms and the interactions with imbalance pricing.

Value of Avoided Activations

For the Article 10 TSO proposal, we wonder how the corner cases will look like and whether, before the final report, we could get illustrative examples.

Beyond clarification of the corner cases, we would welcome a discussion on the principles governing the calculation of the VoAA. As a boundary condition, VoAA should remain exceptional and should not evolve into a systematic mechanism that dampens scarcity signals or weakens the link between imbalance prices and balancing energy markets.

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Currently, in Sweden, Svenska kraftnät is exploring an all-volume VWA plus VoAA approach with national boundary conditions, rather than the more standard ISHM methodology. We encourage that any VoAA considerations be made coherent with the ISHM, as we see differences in interpretation and applications at national level as one of the reasons for slower progress on imbalance harmonisation.

6. Do you have any other comments?

Imbalance prices are the prices market participants pay when they fail to deliver or withdraw the volumes they have committed to. How these prices are calculated matters, because it determines how strong the incentive is to remain in balance or contribute to overall system balance. The imbalance price settles metered volumes, compared to other prices settling contracted volumes, which makes it the basis for price formation in all market segments. Imbalance pricing therefore strongly influences the willingness to trade across all markets ahead of real time. At present, the methodology designed to harmonise imbalance prices remains underdeveloped, and imbalance price structures vary significantly from one country to the other.

By the end of 2028, a truly harmonised imbalance pricing methodology should be fully implemented across the EU– the real cost faced by customers when electricity is not delivered. This needs to be driven by ACER and NRAs based on a proposal from TSOs.

Our call for harmonisation is about finding the best practices and have them be replicable and clearly have system differences accounted via explicit flexibility. Harmonization is not just relevant to market participants active in several markets but anyone active in cross-border trading for achieving a level playing-field.

Related to the Compass Lexecon study, we see a missed opportunity in interviewing market participants on BRP experiences with imbalance settlement in different and across European countries. We invite for future and upcoming considerations to have an objective assessment conducted by a third party that could also clearly outline implementation and adaptation consequences, and the next steps.

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More generally, on any missing data and answers from one country (i.e. Bulgaria), we inquire if there is a way to incentivise their participation and information sharing so we may have the most accurate EU view on the markets and balancing timeframes, either through bilateral meetings or stakeholder forum participation.

Energy Traders Europe would support a renewed assessment of harmonisation needs following completion of balancing-platform accession and additional implementation experience. The current assessment should be viewed as a milestone, rather than the end point of the harmonisation process. Looking forward, we see a link with the upcoming reform of the EBGL, where the ISHM shares key principles. We highlight the need for consistency and completeness with both regulatory texts, without inducing delays in either process. Rather, we urge an efficient use of the time allocated to scoping and analysing needs for a thorough assessment.

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