BWE Bundesverband WindEnergie

# Public consultation on “FCR cooperation” - potential market design evolutions

## 1: Introduction

**1: Could you briefly present your company or association and its involvement in the FCR market (volume, technologies…)?**

With some 20,000 members, the German Wind Energy Association (Bundesverband WindEnergie e.V. or BWE) is one of the world's largest associations in the renewables sector. For years, the BWE has been increasingly successful in efficiently expanding wind power in Germany for the long term. Furthermore, our experts work in such international associations as the European Wind Energy Association (EWEA), the Global Wind Energy Council (GWEC) and the World Wind Energy Association (WWEA) in developing wind energy within Europe and worldwide.

Together with our umbrella association- the German Renewable Energy Federation- we will give suggestions for market rules enabling the participation of renewable generation facilities in the provision of FCR for, especially wind energy.

**2: Do you have some general comments on this public consultation?**

We welcome the consultation of the FCR cooperation market design. As the consultation paper rightly points out, it is time to develop market rules for a wider range of market participants. Wind energy, biogas plants and batteries can provide frequency reserve control, with or without pooling. The current market rules are limiting their participation – there is no level playing field. For the transformation of the energy supply system to a decarbonized energy production, it is important that renewable energy technologies can participate in the supply of system services and contribute to the stabilization of electricity supply.

**3: Do you have some comments regarding the consultation process?**

It is understandable that an online survey facilitates the structured evaluation. We are not satisfied with the design of the response possibilities. Due to the compulsory selection of

predefined answers, we could not enter our position correctly, especially at questions 16 and 21. We hope that the comments in the respective commentaries are adequately considered.

## 2: Auction frequency and product duration

**4: Do you prefer changing the auction frequency or keeping the weekly auction?**

Change auction frequency

Explanation:

- Weekly auctions are no longer up-to-date
- Weekly auctions penalize producers who are dependent on forecasts
- A higher frequency of auctions will be helpful

Weekly auctions are not up-to-date in a system with volatile production. With a higher frequency of auctions more market participants who are dependent on wind and temperature forecasts can provide FCR. With decreasing fossil production capacity renewables must participate on the market in order to counteract a decrease in market liquidity.

**5: If you prefer to increase the auction frequency, what frequency would you prefer: daily all days, daily working days only, other...?**

Daily all days

Explanation:

- Auction results: daily all days (calendar days)
- Lead time: previous day or intraday
- Product duration: hourly
- Auction period: daily

We prefer a daily all days auction for the FCR. The auction should be carried out on calendar days for the following day with an hourly product length. Combined with asymmetric products (question 14), the provision of FCR could be optimized with wind forecasts in a much better way than weekly products allow this today.

**6: Do you prefer a short lead time (GCT D-1 or D-2) or a long lead time (GCT D-3 up to D-6)?**

GCT D-1 or D-2

Explanation:

- Short lead time (lower limit: D-1)

A short lead time (GCT D-1) is preferred, as a GCT closer to the delivery period allows for increasing precision of the wind forecast. Today's regulation for the GCT is limiting the given capacity from volatile producers participating in the FCR. In case of shorter lead times between auction and delivery period, the estimation of available capacity can be carried out much better. That is the case for positive as well as negative FCR.

**7: In which case would there be benefits of having a relative long period between GOT and GCT?**

A relatively long period between GOT and GCT allows especially small suppliers to place the offer during office hours. But it is extremely important, that the GCT is close to the delivery period (see question 6).

**8: What are the relevant interdependencies with other markets? What would be the correct sequence according to you?**

There may be interdependencies with the frequency restoration reserve and „non markets“, like instantaneous reserve or the provision of reactive power.

**9: What product duration do you prefer: weekly, weekly peak-off peak, day (24h), 4 hours, 1 hour?**

1 hour

Explanation:

- Preferred product duration: 1 hour

Renewable energies increasingly determine the processes on the electricity markets. When designing a future FCR market it is necessary to take into account the characteristics of renewables and to enable their participation in all markets for system services. Today’s weekly FCR products don`t fit into a market design which in the future will be highly influenced by a more volatile generation. Renewable generation can make a greater contribution to the FCR with significantly shorter product durations. We advise to abolish weekly products and introduce asymmetrical hourly products. A short product duration will also make market pric-

es more volatile. That would lead to price peaks and, thus, new business cases and investment incentives for batteries.

Question 10:

If a shorter product duration would be implemented, would linking of bids in time or having multiple products be an important feature or do you consider that only independent auctions should be implemented? For which product duration does the introduction of linked bids in time make sense to you?

--- no opinion to this question ---

## 3: Bid design possibilities

11: Do you prefer divisible bids only or divisible and indivisible bids?

Divisible bids only

Explanation:

We prefer divisible bids. If the bids are not divisible, the marginal cost structure of a pool cannot be taken into account. The volume in the market will decrease. The result will be increasing overall costs.

12: In case indivisible bids are introduced, what should be the maximum bid size?

There should be no limitation on the maximum bid size. Limitations may lead to the problem that FCR will not be sufficiently allocated or demand cannot be met.

13: Should exclusive offers be allowed or not allowed in the whole cooperation?

No.

Explanation:

If bids are divisible, there is no need for exclusive offers. The complexity of the FCR market would be unnecessarily increased with exclusive offers. An hourly product duration ensures enough flexibility.

14: Do you prefer symmetric bids, asymmetric bids or the possibility for having both?

Asymmetric only

Explanation:

- asymmetric bids are preferred
- Option 2: introduce asymmetric bids in two separate auctions, while not allowing symmetric bids

We think that the introduction of asymmetric bids in the FCR is very important. In today's system with symmetric bids only, the market access for the participation of technologies is limited and a level playing field between all (new and existing) market participants isn't given. From the given three options of the consultation document we prefer option 2, the introduction of an auction with asymmetric bids, while not allowing symmetric bids.

15: If asymmetric bids are preferred, should these be procured in separate auctions for upward and downward FCR or in one auction for both upward- and downward FCR, possibly together with symmetric products?

Seperate auctions

Explanation:

- separate auctions for upward and downward FCR

Separate auctions for upward and downward FCR are preferred, because the allocation of upward and downward capacity may come with different prices and will be delivered by different market participants (wind, biomass, virtual power plants) in the future.

16: In case of separate auctions - which auction should be carried out first? Or should both auctions take place simultaneously?

Downward first

Explanation:

Attention: No option from the mentioned above!

Of the two auctions for upward and downward FCR, the one with the larger number of offers in terms of total capacity, is to be executed first so additional quantities could be opened for the second auction.

Example:
A symmetric bid of 10MW could offer 5 MW upward and 5 MW downward capacity, or as asymmetric bid 10 MW up- or downwards.

17: If asymmetric bids are introduced, would the introduction of energy remuneration and/or BRP imbalance adjustment be necessary?

Yes.

Explanation:

Energy remuneration should be introduced.

18: Is 1 MW minimum bid size sufficient?

Yes, 1MW is sufficient

Explanation:

For the FCR a minimum bid size of 1 MW is sufficient. Pooling of capacity to reach the minimum bid size must be allowed. In the prequalification process, there should be a pool-prequalification and not a prequalification of all single units.

19: If only one of the following three options would be possible – indivisible bids combined with divisible bids, symmetric bids combined with asymmetric bids, and linking bids in time – what would be most important?

Symmetric bids combined with asymmetric bids

Explanation:

Attention: No option from the mentioned above!

None of the given options is considered suitable. Out of the given options asymmetric bids are the most important ones.

- None / symmetric bids combined with asymmetric

## 4: Auction allocation algorithm

20: How do you see the possibility to create different bid structure compared to the need for easily understandable results?

Divisible bids will lead to a simple and sufficient price ranking mechanism and to understandable results. There is no need for a higher complexity.

21: Please rank the three options in decreasing preference order

options ranking - Best option: Option 1

options ranking- Second best option: Option 3

options ranking - Last: Option 2

Explanation:

Attention: We did not rank between Option 2 and 3!!

- Most important: Option 1

(simple, extremely transparent, but does not allow any kind of indivisible/linked bids)

- We reject Option 2 and 3

## 5: Cross border transfer of capacity obligation

22: Is cross border transfer of capacity obligation an important feature?

Yes.

Explanation:

Cross border transfer of capacity obligation is wishfull, but grid constraints must be considered.

23: In case you think XB transfer of capacity obligation is an important feature, do you think its relevance decreases when auction frequency increases and when product duration decreases? Is there a specific breakpoint in terms or auction frequency or product duration where it would not be that important anymore?

No.

No explanation.

24: In case of implementation would you support a simple mechanism such as first come first served?

Yes.

Explanation:

Question is unclear. An ordinary auction is sufficient. That might be answer " Yes”

25: In case of implementation could you please comment on the example proposal made?

--- no opinion to this question ---

## 6: TSO-BSP settlement

26: Do you prefer pay-as-bid or marginal pricing?

Pay as bid

Explanation:

We prefer pay-as-bid. There may be a tendency that marginal pricing leads to higher costs.

## 7: Market rules harmonization

27: Are you satisfied with the degree of harmonization of the common FCR market (satisfied, mixed, not satisfied)?

Not satisfied.

Explanation:

We are currently not satisfied with the degree of harmonization of the common FCR market.

The harmonization of FCR is an important issue.

28: Do you consider any of the existing differences as critical concerning level playing field? If yes, please list the most critical differences from your point of view and give an explanation why this is relevant concerning level playing field.

Yes

Critical differences explained:

1. Asymmetric bids (most important for level playing field)
2. Product duration: hourly
3. Auction period: daily, all days

29: Please list and sort the 3 most important harmonization priorities for your company

1 Most important harmonization priority: Asymmetric bids
2 Second important harmonization priority: Product duration: hourly
3 Third important harmonization priority: Auction period: daily, all day

## 8: Final questions

30: Could you list and sort the 3 most important topics that should be addressed for your company

1 Most important topic: Asymmetric bids
2 Second important topic: Product duration: hourly
3 Third important topic: Auction period: daily, all days

31: Do you have any other comments regarding FCR?

--- no additional comments ---

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**Diese Stellungnahme wurde gemeinsam mit dem BEE erstellt und weicht nur in wenigen Einzelfällen von der BEE Stellungnahme ab.**

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