

COMMISSION REGULATION (EU) 2017/2195**of 23 November 2017****establishing a guideline on electricity balancing****TITLE I
GENERAL PROVISIONS***Article 1***Subject matter and scope**

1. This Regulation lays down a detailed guideline on electricity balancing including the establishment of common principles for the procurement and the settlement of frequency containment reserves, frequency restoration reserves and replacement reserves and a common methodology for the activation of frequency restoration reserves and replacement reserves.
2. This Regulation shall apply to transmission system operators ('TSOs'), distribution system operators ('DSOs') including closed distribution systems, regulatory authorities, the Agency for the Cooperation of Energy Regulators (~~'the Agency'~~), the Energy Community Regulatory Board, the European Network of Transmission System Operators for Electricity ('ENTSO-E'), third parties to whom responsibilities have been delegated or assigned and other market participants.
3. This Regulation shall apply to all transmission systems and interconnections in the Union Energy Community except the transmission systems ~~on islands~~ that are not connected with other transmission systems via interconnections.
4. Where more than one TSO exists in a Contracting Party~~Member State~~, this Regulation shall apply to all TSOs in a ~~Member State~~Contracting Party. Where a TSO does not have a function relevant to one or more obligations under this Regulation, ~~Member States~~Contracting Parties may provide that the responsibility to comply with those obligations is assigned to one or more specific TSOs.
5. Where a load-frequency control ('LFC') area consists of two or more TSOs, all TSOs of that LFC area may decide, subject to the approval by the relevant regulatory authorities, to exercise one or more obligations under this Regulation in a coordinated manner for all scheduling areas of the LFC area.
6. ~~The European platforms for the exchange of standard products for balancing energy may be opened to TSOs operating in Switzerland on the condition that its national law implements the main provisions of Union electricity market legislation and that there is an intergovernmental agreement on electricity cooperation between the Union and Switzerland, or if the exclusion of Switzerland may lead to unscheduled physical power flows via Switzerland endangering the system security of the region.~~
7. ~~Subject to the conditions of paragraph 6, the participation of Switzerland in the European platforms for the exchange of standard products for balancing energy shall be decided by the Commission based on an opinion given by the Agency and all TSOs in accordance with the procedures set out in paragraph 3 of Article 4. The rights and responsibilities of Swiss TSOs shall be consistent with the rights and responsibilities of TSOs operating in the Union, allowing for a smooth functioning of balancing market at Union level and a level playing field for all stakeholders.~~

8. This Regulation shall apply to all system states defined in Article 18 of Regulation (E~~C~~EU) 2017/1485, as adapted and adopted by Permanent High Level Group Decision 2022/XX/PHLG-EnC.

Article 2

Definitions

For the purposes of this Regulation, the definitions in Article 2 of Directive 20109/94472/EC as adapted and adopted by Ministerial Council Decision 20224/xx/MC-EnC, Article 2 of Regulation (EC) No 2019714/9432009 as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC, Article 2 of Commission Regulation (EU) No 543/2013 as adapted and adopted by Permanent High Level Group Decision 2015/01/PHLG-EnC, Article 2 of Commission Regulation (EU) 2015/1222 as adapted and adopted by Permanent High Level Group Decision 2022/XX/PHLG-EnC, Article 2 of Commission Regulation (EU) 2016/631 as adapted and adopted by Permanent High Level Group Decision 2018/03/PHLG-EnC, Article 2 of Commission Regulation (EU) 2016/1388 as adapted and adopted by Permanent High Level Group Decision 2018/05/PHLG-EnC, Article 2 of Commission Regulation (EU) 2016/1447 as adapted and adopted by Permanent High Level Group Decision 2018/04/PHLG-EnC, Article 2 of Commission Regulation (EU) 2016/1719 as adapted and adopted by Permanent High Level Group Decision 2022/XX/PHLG-EnC, Article 3 of Commission Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision -2022/XX/PHLG-EnC, and Article 3 of Commission Regulation (EU) 2017/2196 as adapted and adopted by Permanent High Level Group Decision 2022/XX/PHLG-EnC shall apply.

The following definitions shall also apply:

- (1) ‘balancing’ means all actions and processes, on all timelines, through which TSOs ensure, in a continuous way, the maintenance of system frequency within a predefined stability range as set out in Article 127 of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/XX/PHLG-EnC, and compliance with the amount of reserves needed with respect to the required quality, as set out in Part IV Title V, Title VI and Title VII of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/XX/PHLG-EnC;
- (2) ‘balancing market’ means the entirety of institutional, commercial and operational arrangements that establish market-based management of balancing;
- (3) ‘balancing services’ means balancing energy or balancing capacity, or both;
- (4) ‘balancing energy’ means energy used by TSOs to perform balancing and provided by a balancing service provider;
- (5) ‘balancing capacity’ means a volume of reserve capacity that a balancing service provider has agreed to hold and in respect to which the balancing service provider has agreed to submit bids for a corresponding volume of balancing energy to the TSO for the duration of the contract;
- (6) ‘balancing service provider’ means a market participant with reserve-providing units or reserve-providing groups able to provide balancing services to TSOs;
- (7) ‘balance responsible party’ means a market participant or its chosen representative responsible for its imbalances;
- (8) ‘imbalance’ means an energy volume calculated for a balance responsible party and representing the difference between the allocated volume attributed to that balance responsible party and the final position of that balance responsible party, including any imbalance

adjustment applied to that balance responsible party, within a given imbalance settlement period;

- (9) 'imbalance settlement' means a financial settlement mechanism for charging or paying balance responsible parties for their imbalances;
- (10) 'imbalance settlement period' means the time unit for which balance responsible parties' imbalance is calculated;
- (11) 'imbalance area' means the area in which an imbalance is calculated;
- (12) 'imbalance price' means the price, be it positive, zero or negative, in each imbalance settlement period for an imbalance in each direction;
- (13) 'imbalance price area' means the area for the calculation of an imbalance price;
- (14) 'imbalance adjustment' means an energy volume representing the balancing energy from a balancing service provider and applied by the connecting TSO for an imbalance settlement period to the concerned balance responsible parties, used for the calculation of the imbalance of these balance responsible parties;
- (15) 'allocated volume' means an energy volume physically injected or withdrawn from the system and attributed to a balance responsible party, for the calculation of the imbalance of that balance responsible party;
- (16) 'position' means the declared energy volume of a balance responsible party used for the calculation of its imbalance;
- (17) 'self-dispatching model' means a scheduling and dispatching model where the generation schedules and consumption schedules as well as dispatching of power generating facilities and demand facilities are determined by the scheduling agents of those facilities;
- (18) 'central dispatching model' means a scheduling and dispatching model where the generation schedules and consumption schedules as well as dispatching of power generating facilities and demand facilities, in reference to dispatchable facilities, are determined by a TSO within the integrated scheduling process;
- (19) 'integrated scheduling process' means an iterative process that uses at least integrated scheduling process bids that contain commercial data, complex technical data of individual power generating facilities or demand facilities and explicitly includes the start-up characteristics, the latest control area adequacy analysis and the operational security limits as an input to the process;
- (20) 'integrated scheduling process gate closure time' means the point in time when the submission or the update of integrated scheduling process bids is no longer permitted for the given iterations of the integrated scheduling process;
- (21) 'TSO-TSO model' means a model for the exchange of balancing services where the balancing service provider provides balancing services to its connecting TSO, which then provides these balancing services to the requesting TSO;
- (22) 'connecting TSO' means the TSO that operates the scheduling area in which balancing service providers and balance responsible parties shall be compliant with the terms and conditions related to balancing;
- (23) 'exchange of balancing services' means either or both exchange of balancing energy and exchange of balancing capacity;

- (24) 'exchange of balancing energy' means the activation of balancing energy bids for the delivery of balancing energy to a TSO in a different scheduling area than the one in which the activated balancing service provider is connected;
- (25) 'exchange of balancing capacity' means the provision of balancing capacity to a TSO in a different scheduling area than the one in which the procured balancing service provider is connected;
- (26) 'transfer of balancing capacity' means a transfer of balancing capacity from the initially contracted balancing service provider to another balancing service provider;
- (27) 'balancing energy gate closure time' means the point in time when submission or update of a balancing energy bid for a standard product on a common merit order list is no longer permitted;
- (28) 'standard product' means a harmonised balancing product defined by all TSOs for the exchange of balancing services;
- (29) 'preparation period' means the period between the request by the connecting TSO in case of TSO-TSO model or by the contracting TSO in case of TSO-BSP model and the start of the ramping period;
- (30) 'full activation time' means the period between the activation request by the connecting TSO in case of TSO-TSO model or by the contracting TSO in case of TSO-BSP model and the corresponding full delivery of the concerned product;
- (31) 'deactivation period' means the period for ramping from full delivery to a set point, or from full withdrawal back to a set point;
- (32) 'delivery period' means the period of delivery during which the balancing service provider delivers the full requested change of power in-feed to, or the full requested change of withdrawals from the system;
- (33) 'validity period' means the period when the balancing energy bid offered by the balancing service provider can be activated, where all the characteristics of the product are respected. The validity period is defined by a start time and an end time;
- (34) 'mode of activation' means the mode of activation of balancing energy bids, manual or automatic, depending on whether balancing energy is triggered manually by an operator or automatically in a closed-loop manner;
- (35) 'divisibility' means the possibility for a TSO to use only part of the balancing energy bids or balancing capacity bids offered by the balancing service provider, either in terms of power activation or time duration;
- (36) 'specific product' means a product different from a standard product;
- (37) 'common merit order list' means a list of balancing energy bids sorted in order of their bid prices, used for the activation of those bids;
- (38) 'TSO energy bid submission gate closure time' means the latest point in time when a connecting TSO can forward the balancing energy bids received from a balancing service provider to the activation optimisation function;
- (39) 'activation optimisation function' means the function of operating the algorithm applied to optimise the activation of balancing energy bids;
- (40) 'imbalance netting process function' means the role to operate the algorithm applied for operating the imbalance netting process;

- (41) 'TSO-TSO settlement function' means the function of performing the settlement of cooperation processes between the TSOs;
- (42) 'capacity procurement optimisation function' means the function of operating the algorithm applied for the optimisation of the procurement of balancing capacity for TSOs exchanging balancing capacity.
- (43) 'TSO-BSP model' means a model for the exchange of balancing services where the balancing service provider provides balancing services directly to the contracting TSO, which then provides these balancing services to the requesting TSO;
- (44) 'contracting TSO' means the TSO that has contractual arrangements for balancing services with a balancing service provider in another scheduling area;
- (45) 'requesting TSO' means the TSO that requests the delivery of balancing energy.
- (46) 'Member State' means a territory of the European Union referred to in Article 27 of the Treaty.

Article 3

Objectives and regulatory aspects

1. This Regulation aims at:

- (a) fostering effective competition, non-discrimination and transparency in balancing markets;
- (b) enhancing efficiency of balancing as well as efficiency of European and national balancing markets;
- (c) integrating balancing markets and promoting the possibilities for exchanges of balancing services while contributing to operational security;
- (d) contributing to the efficient long-term operation and development of the electricity transmission system and electricity sector in the Energy Community Union while facilitating the efficient and consistent functioning of day-ahead, intraday and balancing markets;
- (e) ensuring that the procurement of balancing services is fair, objective, transparent and market-based, avoids undue barriers to entry for new entrants, fosters the liquidity of balancing markets while preventing undue distortions within the internal market in electricity;
- (f) facilitating the participation of demand response including aggregation facilities and energy storage while ensuring they compete with other balancing services at a level playing field and, where necessary, act independently when serving a single demand facility;
- (g) facilitating the participation of renewable energy sources and support the achievement of the European Union targets for the penetration of renewable generation.

2. When applying this Regulation, Member States and Contracting Parties, relevant regulatory authorities, and system operators shall:

- (a) apply the principles of proportionality and non-discrimination;
- (b) ensure transparency;
- (c) apply the principle of optimisation between the highest overall efficiency and lowest total costs for all parties involved;
- (d) ensure that TSOs make use of market-based mechanisms, as far as possible, in order to ensure network security and stability;

- (e) ensure that the development of the forward, day-ahead and intraday markets is not compromised;
- (f) respect the responsibility assigned to the relevant TSO in order to ensure system security, including as required by national legislation;
- (g) consult with relevant DSOs and take account of potential impacts on their system;
- (h) take into consideration agreed European standards and technical specifications.

Article 4

Terms and conditions or methodologies of TSOs

1. ~~Where this Regulation requires~~ TSOs ~~shall to~~ develop the terms and conditions or methodologies ~~required by this Regulation and they shall~~ submit them for approval to the ~~Energy Community Regulatory Board or, to the extent Member States are affected, the Agency acting in accordance with Article 2 of Procedural Act No 2022/MC-EnC- in accordance with Article 5(2),~~ or to the relevant regulatory authorities in accordance with Article 5(3) ~~and Article 5937~~ of Directive 20109/94472/EC ~~as adapted and adopted by Ministerial Council Decision 2021/13/MC-EnC~~ within the respective deadlines set out in this Regulation ~~and in the Ministerial Council Decision 2021/13/MC-EnC~~. In exceptional circumstances, notably in cases where a deadline cannot be met due to circumstances external to the sphere of TSOs, the deadlines for terms and conditions or methodologies may be prolonged ~~by the Agency in procedures pursuant to Article 5(2),~~ jointly by all relevant regulatory authorities in procedures pursuant to Article 5(3), and by the relevant regulatory authority in procedures pursuant to Article 5(4).

2. Where a proposal for terms and conditions or methodologies pursuant to ~~Articles 5(3) and 5(4)~~ of this Regulation needs to be developed and agreed by more than one TSO, the participating TSOs shall closely cooperate. TSOs, with the assistance of the ENTSO for Electricity, shall regularly inform the relevant regulatory authorities, ~~the Energy Community Regulatory Board, and, to the extent Member States are affected, the Agency for the Cooperation of Energy Regulators or and the Energy Community Regulatory Board, as the case may be,~~ about the progress of developing these terms and conditions or methodologies.

3. ~~Where TSOs deciding on proposals for terms and conditions or methodologies listed in Article 5(2) are not able to reach an agreement, they shall decide by qualified majority voting. A qualified majority for proposals listed in Article 5(2) shall require the following majority:~~

~~(a) TSOs representing at least 55 % of the Member States; and~~

~~(b) TSOs representing Member States comprising at least 65 % of the population of the Union.~~

~~A blocking minority for decisions on proposals for terms and conditions or methodologies listed in Article 5(2) shall include TSOs representing at least four Member States, failing of which the qualified majority shall be deemed attained.~~

4. Where TSOs deciding on proposals for terms and conditions or methodologies listed in Article 5(3) are not able to reach an agreement, and where the regions concerned are composed of more than ~~five~~three Member States ~~and/or Contracting Parties~~, they shall decide by ~~qualified two third~~ majority voting. ~~A qualified majority for proposals in accordance with Article 5(3) shall require the following majority:~~

~~(a) TSOs representing at least two thirds 72 % of the Member States and/or Contracting Parties concerned; and~~

(b) ~~TSOs representing Member States comprising at least 65 % of the population of the concerned area~~

~~A blocking minority for decisions on proposals for terms and conditions or methodologies listed in Article 5(3) shall include at least a minimum number of TSOs representing more than 35 % of the population of the participating Member States, plus TSOs representing at least one additional Member State concerned, failing of which the qualified majority shall be deemed attained.~~

5. TSOs deciding on proposals for terms and conditions or methodologies in accordance with Article 5(3) in relation to regions composed of ~~five~~three Member States ~~and/or Contracting Parties~~ or less shall decide based on consensus.

6. For TSO decisions on proposals for terms and conditions or methodologies pursuant to paragraphs ~~3 and~~ 4, one vote shall be attributed per Member State ~~or Contracting Party~~. If there is more than one TSO in the territory of a Member State ~~or a Contracting Party~~, the Member State ~~or the Contracting Party~~ shall allocate the voting powers among the TSOs.

7. Where TSOs fail to submit an initial or amended proposal for terms and conditions or methodologies to the relevant regulatory authorities, ~~the Energy Community Regulatory Board~~ or the Agency ~~for the Cooperation of Energy Regulators~~ in accordance with Articles 5 and 6 within the deadlines defined in this Regulation, they shall provide the relevant regulatory authorities, ~~and the Agency~~Energy Community Regulatory Board and the Agency for the Cooperation of Energy Regulators with the relevant drafts of the terms and conditions or methodologies and explain why an agreement has not been reached. ~~The Agency~~Energy Community Regulatory Board or, to the extent Member States are affected, the Agency for the Cooperation of Energy Regulators acting in accordance with Article 2 of Procedural Act No xx/2022/MC-EnC, all relevant regulatory authorities jointly, or the relevant regulatory authority shall take the appropriate steps for the adoption of the required terms and conditions or methodologies in accordance with paragraphs 3 and 4 of Article 5, for instance by requesting amendments or revising and completing the drafts pursuant to this paragraph, including where no drafts have been submitted, and approve them.

Article 5

Approval of terms and conditions or methodologies of TSOs

1. Each regulatory authority, ~~the Energy Community Regulatory Board~~ or, to the extent Member States are affected, the Agency, acting in accordance with Article 2 of Procedural Act No 2022/MC-EnC ~~or where applicable the Agency~~ shall approve the terms and conditions or methodologies developed or applied by TSOs under paragraphs ~~2,~~ 3 and 4. Before approving the terms and conditions or methodologies, ~~the Energy Community Regulatory Board or, to the extent Member States are affected,~~ the Agency or the relevant regulatory authorities shall revise the proposals where necessary, after consulting the respective TSOs, in order to ensure that they are in line with the purpose of this Regulation and consistent with Commission Regulation 2017/2195 and contribute to market integration, non-discrimination, effective competition and the proper functioning of the market.

2. ~~The TSOs shall apply proposals for~~ the following terms and conditions or methodologies and any amendments thereof ~~shall be subject to approval~~ by the Agency for the Cooperation of Energy Regulators, acting in accordance with Article 2 of Procedural Act No 2022/MC-EnC:

(a) the frameworks for the establishment of the European platforms pursuant to Articles 20(1), 21(1) and 22(1) of Regulation (EU) 2017/2195;

- (b) the modifications of the frameworks for the establishment of the European platforms pursuant to Articles 20(5) and 21(5) of Regulation (EU) 2017/2195;
- (c) the standard products for balancing capacity pursuant to Article 25(2) of Regulation (EU) 2017/2195;
- (d) the classification methodology for the activation purposes of balancing energy bids pursuant to Article 29(3) of Regulation (EU) 2017/2195;
- (e) the assessment on the possible increase of the minimum volume of balancing energy bids that shall be forwarded to the European platforms pursuant to Article 29(11) of Regulation (EU) 2017/2195;
- (f) the methodologies for pricing balancing energy and cross-zonal capacity used for the exchange of balancing energy or operating the imbalance netting process pursuant to Article 30(1) and (5) of Regulation (EU) 2017/2195;
- (g) the harmonisation of the methodology for the allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 38(3) of Regulation (EU) 2017/2195;
- ~~(h) the methodology for a co-optimised allocation process of cross-zonal capacity pursuant to Article 40(1) of Regulation (EU) 2017/2195;~~
- (i) the TSO-TSO settlement rules for the intended exchange of energy pursuant to Article 50(1) of Regulation (EU) 2017/2195;
- (j) the harmonisation of the main features of imbalance settlement pursuant to Article 52(2) of Regulation (EU) 2017/2195;
- ~~(k) the framework, for the geographical area concerning all TSOs performing the reserve replacement process pursuant to Part IV of Regulation (EU) 2017/1485, for the establishment of the European platform for replacement reserves pursuant to Article 19(1) of Regulation (EU) 2017/2195;~~

~~(l) the methodology for allocation of cross-zonal capacity pursuant to Article 38(3)~~

~~A Member State may provide an opinion to the concerned regulatory authority on the proposals for the terms and conditions or methodologies listed in the first subparagraph.~~

3. The proposals for the following terms and conditions or methodologies and any amendments thereof shall be subject to approval by all regulatory authorities of the concerned region:

- ~~(a) the framework, for the geographical area concerning all TSOs performing the reserve replacement process pursuant to Part IV of Regulation (EU) 2017/1485, for the establishment of the platform for replacement reserves pursuant to Article 19(1);~~
- (b) for the geographical area concerning two or more TSOs exchanging or mutually willing to exchange balancing capacity, the establishment of common and harmonised rules and process for the exchange and procurement of balancing capacity pursuant to Article 33(1);
- (c) for the geographical area covering TSOs exchanging balancing capacity, the methodology for calculating the probability of available cross-zonal capacity after intraday cross-zonal gate closure time pursuant to Article 33(6);
- (d) the exemption, for the geographical area in which the procurement of balancing capacity has taken place, for not allowing balancing service providers to transfer their obligations to provide balancing capacity pursuant to Article 34(1);

- (e) the application of a TSO-BSP model, in a geographical area comprising two or more TSOs, pursuant to Article 35(1);
- (f) the cross-zonal capacity calculation methodology for each capacity calculation region pursuant to Article 37(3);
- (g) in a geographical area comprising two or more TSOs, the application of the allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 38(1) ;
- ~~(h) for each capacity calculation region, the methodology for a market-based allocation process of cross-zonal capacity pursuant to Article 41(1);~~
- ~~(i) for each capacity calculation region, the methodology for an allocation process of cross-zonal capacity based on an economic efficiency analysis and the list of each individual allocation of cross-zonal capacity based on an economic efficiency analysis pursuant to paragraphs 1 and 5 of Article 42;~~
- (j) for the geographical area comprising all TSOs intentionally exchanging energy within the Continental Europe synchronous area, the TSO-TSO settlement rules for the intended exchange of energy pursuant to Article 50(3);
- ~~(k) for the geographical area comprising all asynchronously connected TSOs intentionally exchanging energy, the TSO-TSO settlement rules for the intended exchange of energy pursuant to Article 50(4);~~
- (l) for ~~each~~ the Continental Europe synchronous area, the TSO-TSO settlement rules for the unintended exchange of energy pursuant to Article 51(1);
- ~~(m) for the geographical area comprising all asynchronously connected TSOs, the TSO-TSO settlement rules for the unintended exchange of energy pursuant to Article 51(2);~~
- ~~(n) the exemption, at synchronous area level, to the harmonisation of the imbalance settlement periods pursuant to Article 53(2);~~
- (o) for the geographical area comprising two or more TSOs exchanging balancing capacity, the principles for balancing algorithms pursuant to Article 58(3);

A Member State or a Contracting Party may provide an opinion to the concerned regulatory authority on the proposal for the terms and conditions or methodologies listed in the first subparagraph.

4. The proposals for the following terms and conditions or methodologies and any amendments thereof shall be subject to approval by each regulatory authority of each concerned ~~Member State~~Contracting Party on a case-by-case basis:

- (a) the exemption to publish information on offered prices of balancing energy or balancing capacity bids due to market abuse concerns pursuant to Article 12(4);
- (b) where appropriate, the methodology for allocating costs resulting from actions taken by DSOs, pursuant to Article 15(3);
- (c) the terms and conditions related to balancing pursuant to Article 18;
- (d) the definition and the use of specific products pursuant to Article 26(1);
- (e) the limitation on the amount of bids that is forwarded to the European platforms pursuant to Article 29(10);

- (f) the exemption to separate procurement of upward and downward balancing capacity pursuant to Article 32(3);
- (g) where appropriate, the additional settlement mechanism separate from the imbalance settlement, to settle the procurement costs of balancing capacity, administrative costs and other costs related to balancing with balance responsible parties pursuant to Article 44(3);
- (h) the derogations to one or more provisions of this Regulation pursuant to Article 62(2);
- (i) the costs relating to the obligations imposed on system operators or assigned third entities in accordance with this Regulation pursuant to Article 8(1);

A Member State or a Contracting Party may provide an opinion to the concerned regulatory authority on the proposal for the terms and conditions or methodologies listed in the first subparagraph.

5. The proposal for terms and conditions or methodologies shall include a proposed timescale for their implementation and a description of their expected impact on the objectives of this Regulation. The implementation timescale shall not be longer than 12 months after the approval by the relevant regulatory authorities, except where all relevant regulatory authorities agree to extend the implementation timescale or where different timescales are stipulated in this Regulation. Proposals for terms and conditions or methodologies subject to the approval by several regulatory authorities in accordance with paragraph 3 shall be submitted to the Agency Energy Community Regulatory Board and, to the extent Member States are affected, the Agency for the Cooperation of Energy Regulators, within one week of their submission to the regulatory authorities. Proposals for terms and conditions or methodologies subject to the approval by one regulatory authority in accordance with paragraph 4 may be submitted to the Agency Energy Community Regulatory Board and, to the extent Member States are affected, the Agency for the Cooperation of Energy Regulators within one month of their submission at the discretion of the regulatory authority, while they shall be submitted upon the request of the Energy Community Regulatory Board or, to the extent Member States are affected, the Agency's request for information purposes in accordance with Article 3 paragraph 2 of the Regulation (EU) 2019/942 if the Agency considers the proposal to have a cross-border impact. Upon request by the relevant regulatory authorities, the Agency Energy Community Regulatory Board or, to the extent Member States are affected, the Agency for Cooperation of Energy Regulators, acting in accordance with Article 2 of Procedural Act No xx/2022/2/MC-EnC shall issue an opinion within three months on the proposals for terms and conditions or methodologies.

6. Where the approval of the terms and conditions or methodologies in accordance with paragraph 3 of this Article or the amendment in accordance with Article 6 requires a decision by more than one regulatory authority, the relevant regulatory authorities shall consult and closely cooperate and coordinate with each other in order to reach an agreement. Where the Agency for the Cooperation of Energy Regulators or the Energy Community Regulatory Board issues an opinion, the relevant regulatory authorities shall take that opinion into account. Regulatory authorities or, where competent, the Energy Community Regulatory Board or, to the extent Member States are involved, the Agency for the Cooperation of Energy Regulators acting in accordance with Article 2 of Procedural Act No xx/2022/2/MC-EnC, shall decide on the terms and conditions or methodologies submitted in accordance with paragraphs ~~2~~, 3 and 4, within six months following the receipt of the terms and conditions or methodologies by the Energy Community Regulatory Board or, to the extent Member States are involved, the Agency for the Cooperation of Energy Regulators, , or the relevant regulatory authority or, where applicable, by the last relevant regulatory authority concerned. The period shall begin on the day following that on which the proposal was submitted to the Agency for the Cooperation of Energy Regulators, the Energy Community Regulatory Board or in accordance

~~with paragraph 2,~~ to the last regulatory authority concerned in accordance with paragraph 3 or, where applicable, to the relevant regulatory authority in accordance with paragraph 4.

7. Where the relevant regulatory authorities have not been able to reach agreement within the period referred to in paragraph 6, or upon their joint request, or upon the ~~Agency's~~ request of the Energy Community Regulatory Board or, to the extent Member States are involved, the Agency for the Cooperation of Energy Regulators according to the third subparagraph of Article 5(3) of Regulation (EU) 2019/942, ~~the Agency~~ Energy Community Regulatory Board or, to the extent Member States are affected, the Agency for the Cooperation of Energy Regulators, acting in accordance with Article 2 of Procedural Act No xx/2022/2/MC-EnC shall adopt a decision concerning the submitted proposals for terms and conditions or methodologies within six months from the day of referral, in accordance with Article 5(3) and the second subparagraph of Article 6(10) of Regulation (EU) 2019/942.

8. Any party may complain against a relevant system operator or TSO in relation to that system operator's or TSO's obligations or decisions under this Regulation and may refer the complaint to the relevant regulatory authority which, acting as dispute settlement authority, shall issue a decision within two months after receipt of the complaint. That period may be extended by a further two months where additional information is sought by the relevant regulatory authority. That extended period may be further extended with the agreement of the complainant. The relevant regulatory authority's decision shall be binding unless and until overruled on appeal.

Article 6

Amendments to terms and conditions or methodologies of TSOs

1. Where the Agency for the Cooperation of Energy Regulators, the Energy Community Regulatory Board, all relevant regulatory authorities jointly or the relevant regulatory authority require an amendment in order to approve the terms and conditions or methodologies submitted in accordance with Article 5(2), (3) and (4) respectively, the relevant TSOs shall submit a proposal for amended terms and conditions or methodologies for approval within 2 months following the request from the Agency for the Cooperation of Energy Regulators, the Energy Community Regulatory Board or the relevant regulatory authorities. ~~The Agency~~ Energy Community Regulatory Board or, to the extent Member States are affected, the Agency for the Cooperation of Energy Regulators, acting in accordance with Article 2 of Procedural Act No xx/2022/2/MC-EnC, or the relevant regulatory authorities shall decide on the amended terms and conditions or methodologies within 2 months following their submission.

2. Where the relevant regulatory authorities have not been able to reach an agreement on terms and conditions or methodologies within the 2-month deadline, or upon their joint request, or upon the request of the Energy Community Regulatory Board or, to the extent Member States are affected, the Agency for the Cooperation of Energy Regulators, acting in accordance with Article 2 of Procedural Act No xx/2022/2/MC-EnC shall adopt a decision concerning the amended terms and conditions or methodologies within 6 months, in accordance with Article 5(3) and the second subparagraph of Article 6(10) of Regulation (EU) 2019/942. If the relevant TSOs fail to submit a proposal for amended terms and conditions or methodologies, the procedure provided for in Article 4 shall apply.

3. The Agency for the Cooperation of Energy Regulators, the Energy Community Regulatory Board, or the regulatory authorities where they are responsible for the adoption of terms and conditions or methodologies in accordance with Article 5(2), (3) and (4) may respectively request proposals for amendments of those terms and conditions or methodologies and determine a deadline for the submission of those proposals. TSOs responsible for developing a proposal for terms and

conditions or methodologies may propose amendments to regulatory authorities, the Energy Community Regulatory Board and, to the extent Member States are affected to the Agency for the Cooperation of Energy Regulators. The proposals for amendments to the terms and conditions or methodologies shall be submitted to consultation in accordance with the procedure set out in Article 10 and approved in accordance with the procedure set out in Articles 4 and 5.

Article 7

Publication of terms and conditions or methodologies on the internet

TSOs responsible for establishing the terms and conditions or methodologies in accordance with this Regulation shall publish them on the internet following approval according to the provisions of this Regulation by the Agency for the Cooperation of Energy Regulators, the Energy Community Regulatory Board, or the relevant regulatory authorities or, where no such approval is required, following their establishment, except where such information is confidential in accordance with Article 11.

Article 8

Recovery of costs

1. Costs related to the obligations imposed on system operators or assigned third entities in accordance with this Regulation shall be assessed by the relevant regulatory authorities in accordance with Article ~~5937~~ of Directive 20109/94472/EC as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC.
2. Costs considered as reasonable, efficient, and proportionate by the relevant regulatory authority shall be recovered through network tariffs or other appropriate mechanisms as determined by the relevant regulatory authorities.
3. If requested by the relevant regulatory authorities, system operators or assigned entities shall, within three months of the request, provide the information necessary to facilitate the assessment of the costs incurred.
4. Any costs incurred by market participants in meeting the requirements of this Regulation shall be borne by those market participants.

Article 9

Stakeholder involvement

~~The Agency~~The Energy Community Regulatory Board or, to the extent Member States are affected, the Agency for the Cooperation of Energy Regulators, acting in accordance with Article 2 of Procedural Act No xx/2022/2/MC-EnC, in close cooperation with ENTSO-E, shall organise stakeholder involvement regarding the balancing market and other aspects of the implementation of this Regulation. Such involvement shall include regular meetings with stakeholders to identify problems and propose improvements related to the integration of the balancing market.

Article 10

Public consultation

1. TSOs responsible for submitting proposals for terms and conditions or methodologies or their amendments in accordance with this Regulation shall consult stakeholders, including the relevant authorities of each Member State and Contracting Party, on the draft proposals for terms and

conditions or methodologies and other implementing measures for a period of not less than one month.

2. ~~The consultation shall last for a period of not less than one month, except for the draft proposals pursuant to points (a), (b), (c), (d), (e), (f), (g), (h) and (j) of Article 5(2) that shall be consulted for a period of not less than two months.~~

3. ~~At least the proposals pursuant to points (a), (b), (c), (d), (e), (f), (g), (h) and (j) of Article 5(2) shall be subject to public consultation at European level.~~

4. At least the proposals pursuant to points ~~(a),~~(b), (c), (d), (e), (f), (g), ~~(h), (i),~~ (n), and (o) of Article 5(3) shall be subject to public consultation at the concerned regional level.

5. At least the proposals pursuant to points (a), (b), (c), (d), (e), (f), (g) and (i) of Article 5(4) shall be subject to public consultation in each concerned ~~Member State~~Contracting Party.

6. TSOs responsible for the proposal for terms and conditions or methodologies shall duly consider the views of stakeholders resulting from the consultations undertaken in accordance with paragraphs 2 to 5, prior to its submission for regulatory approval. In all cases, a sound justification for including or not including the views resulting from the consultation shall be provided together with the submission and published in a timely manner before or simultaneously with the publication of the proposal for terms and conditions or methodologies.

Article 11

Confidentiality obligations

1. Any confidential information received, exchanged or transmitted pursuant to this Regulation shall be subject to the conditions of professional secrecy laid down in paragraphs 2, 3 and 4.

2. The obligation of professional secrecy shall apply to any person subject to the provisions of this Regulation.

3. Confidential information received by the persons or regulatory authorities referred to in paragraph 2 in the course of their duties may not be divulged to any other person or authority, without prejudice to cases covered by national law, the other provisions of this Regulation or other relevant Union Energy Community or national legislation.

4. Without prejudice to cases covered by national law or Union Energy Community legislation, regulatory authorities, bodies or persons who receive confidential information pursuant to this Regulation may use it only for the purpose of carrying out their duties under this regulation, except where written consent has been provided by the primary owner of the data.

Article 12

Publication of information

1. All entities referred to in Article 1(-2) shall provide TSOs with all the relevant information to fulfil their obligations laid down in paragraphs 3 to 5.

2. All entities referred to in Article 1(-2) shall ensure that information in paragraphs 3 to 5 is published at a time and in a format that does not create an actual or potential competitive advantage or disadvantage to any individual or companies.

3. Each TSO shall publish the following information as soon as it becomes available:

(a) information on the current system balance of its scheduling area or scheduling areas, as soon as possible but no later than 30 minutes after real-time;

- (b) information on all balancing energy bids from its scheduling area or scheduling areas, anonymised where necessary, no later than 30 min after the end of the relevant market time unit. The information shall include:
- (i) type of product;
 - (ii) validity period;
 - (iii) offered volumes;
 - (iv) offered prices;
 - (v) information on whether the bid was declared as unavailable;
- (c) information on whether the balancing energy bid was converted from a specific product or from an integrated scheduling process no later than 30 min after the end of the relevant market time unit;
- (d) information regarding how balancing energy bids from specific products or from integrated scheduling process have been converted into balancing energy bids from standard products no later than 30 min after the end of the relevant market time unit;
- (e) aggregated information on balancing energy bids no later than 30 min after the end of the relevant market time unit, which shall include:
- (i) total volume of offered balancing energy bids;
 - (ii) total volume of offered balancing energy bids separately per type of reserves;
 - (iii) total volume of offered and activated balancing energy bids separately for standard and specific products;
 - (iv) volume of unavailable bids separately per type of reserves;
- (f) information on offered volumes as well as offered prices of procured balancing capacity, anonymised where necessary, no later than one hour after the results of the procurement have been notified to the bidders;
- (g) the initial terms and conditions related to balancing referred to in Article 18 at least one month before the application and any amendments to the terms and conditions immediately following approval by the relevant regulatory authority in accordance with Article 37 of Directive 2009/72/EC;
- (h) information on the allocation of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 38 at the latest 24 hours after the allocation and no later than 6 hours before the use of the allocated cross-zonal capacity:
- (i) date and time when the decision on allocation was made;
 - (ii) period of the allocation;
 - (iii) volumes allocated;
 - (iv) market values used as a basis for the allocation process in accordance with Article 39;
- (i) information on the use of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to Article 38 at the latest one week after the use of allocated cross-zonal capacity:
- (i) volume of allocated and used cross-zonal capacity per market time unit;
 - (ii) volume of released cross-zonal capacity for subsequent timeframes per market time unit;

- (iii) estimated realised costs and benefits of the allocation process;
- (j) ~~approved~~ methodology~~ies~~ referred to in Articles ~~5(2)(h)40~~, 41 and 42 at least one month before the application;
- (k) description of the requirements of any algorithm ~~developed and amendments to it~~ referred to in Article 58 of Regulation 2017/2195, at least one month before the application;
- (l) common annual report referred to in Article 59.

4. Subject to approval pursuant to Article 18, a TSO may withhold the publication of information on offered prices and volumes of balancing capacity or balancing energy bids if justified for reasons of market abuse concerns and if not detrimental to the effective functioning of the electricity markets. A TSO shall report such withholdings at least once a year to the relevant regulatory authority in accordance with Article ~~5937~~ of Directive 20109/94472/EC as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC.

5. No later than two years after entry into force of this Regulation, each TSO shall publish the information pursuant to paragraph 3 in a commonly agreed or applied harmonised format at least through the information transparency platform established pursuant to Article 3 of Regulation (EU) No 543/2013 as adapted and adopted by Permanent High Level Group Decision 2015/01/PHLG-EnC. ~~No later than four months after the entry into force of this Regulation, ENTSO-E shall update the manual of procedures as referred to Article 5 of Regulation (EU) No 543/2013 and submit it to the Agency for its opinion, which the Agency shall provide within two months.~~

Article 13

Delegation and assignment of tasks

1. A TSO may delegate all or part of any tasks with which it is entrusted under this Regulation to one or more third parties in case the third party can carry out the respective function at least as effectively as the delegating TSO. The delegating TSO shall remain responsible for ensuring compliance with the obligations under this Regulation, including ensuring access to information necessary for monitoring by the relevant regulatory authorities in accordance with Article ~~5937~~ of Directive 20109/94472/EUC as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC.
2. Prior to the delegation, the third party concerned shall demonstrate to the delegating TSO its ability to meet the tasks to be delegated.
3. In the event that all or part of any tasks specified in this Regulation are delegated to a third party, the delegating TSO shall ensure that suitable confidentiality agreements in accordance with the confidentiality obligations of the delegating TSO have been put in place prior to the delegation. After delegating all or part of any tasks to a third party, the delegating TSO must inform the relevant regulatory authority and publish this decision on the internet.
4. Without prejudice to the tasks entrusted to TSOs pursuant to Directive 20109/94472/EUC as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC, a ~~Member State Contracting Party~~, or where applicable a relevant regulatory authority, may assign tasks or obligations entrusted to TSOs under this Regulation to one or more third parties. The concerned ~~Member State Contracting Party~~, or where applicable the concerned regulatory authority, may only assign TSOs' tasks and obligations which do not require direct cooperation, joint decision-making or entering into contractual relationship with TSOs from other Member States or Contracting Parties. Prior to the assignment, the third party concerned shall demonstrate to the ~~Member~~

State Contracting Party, or where applicable the relevant regulatory authority, its ability to meet the task to be assigned.

5. In the event that tasks and obligations are assigned to a third party by a Member State Contracting Party, or a regulatory authority, references to TSO in this Regulation shall be understood as referring to the assigned entity. The relevant regulatory authority shall ensure regulatory oversight of the assigned entity in respect of the assigned tasks and obligations.

TITLE II ELECTRICITY BALANCING MARKET

CHAPTER 1 *Functions and responsibilities*

Article 14

Role of the TSOs

1. Each TSO shall be responsible for procuring balancing services from balancing service providers in order to ensure operational security.
2. Each TSO shall apply a self-dispatching model for determining generation schedules and consumption schedules. TSOs that apply a central dispatching model at the time of the entry into force of this Regulation shall notify to the relevant regulatory authority in accordance with Article 59 of Directive 2019/944/EU, as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC37 of Directive 2009/72/EC in order to continue to apply a central dispatching model for determining generation schedules and consumption schedules. The relevant regulatory authority shall verify whether the tasks and responsibilities of the TSO are consistent with the definition in Article 2(18).

Article 15

Cooperation with DSOs

1. DSOs, TSOs, balancing service providers and balance responsible parties shall cooperate in order to ensure efficient and effective balancing.
2. Each DSO shall provide, in due time, all necessary information in order to perform the imbalance settlement to the connecting TSO in accordance with the terms and conditions related to balancing pursuant to Article 18.
3. Each TSO may, together with the reserve connecting DSOs within the TSO's control area, jointly elaborate a methodology for allocating costs resulting from actions of DSOs pursuant to paragraphs 4 and 5 of Article 182 of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC. The methodology shall provide for a fair allocation of costs taking into account the responsibilities of the parties involved.
4. DSOs shall report to the connecting TSO any limits defined pursuant to paragraphs 4 and 5 of Article 182 of Regulation (EU) 2017/1485, as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC, that could affect the requirements set out in this Regulation.

Article 16

Role of balancing service providers

1. A balancing service provider shall qualify for providing bids for balancing energy or balancing capacity which are activated or procured by the connecting TSO or, in a TSO-BSP model, by the contracting TSO. Successful completion of the prequalification, ensured by the connecting TSO and processed pursuant to Article 159 and Article 162 of Regulation (EU) 2017/1485 as adapted and adopted by Decision 2022/xx/PHLG-EnC, shall be considered as a prerequisite for the successful completion of the qualification process to become a balancing service provider pursuant to this Regulation.
2. Each balancing service provider shall submit to the connecting TSO its balancing capacity bids that affect one or more balance responsible parties.
3. Each balancing service provider participating in the procurement process for balancing capacity shall submit and have the right to update its balancing capacity bids before the gate closure time of the procurement process.
4. Each balancing service provider with a contract for balancing capacity shall submit to its connecting TSO the balancing energy bids or integrated scheduling process bids corresponding to the volume, products, and other requirements set out in the balancing capacity contract.
5. Any balancing service provider shall have the right to submit to its connecting TSO the balancing energy bids from standard products or specific products or integrated scheduling process bids for which it has passed the prequalification process pursuant to Article 159 and Article 162 of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.
6. The price of the balancing energy bids or integrated scheduling process bids from standard and specific products pursuant to paragraph 4 shall not be predetermined in a contract for balancing capacity. A TSO may propose an exemption to this rule in the proposal for the terms and conditions related to balancing set-up pursuant to Article 18. Such an exemption shall only apply to specific products pursuant to Article 26(3)(b) and be accompanied with a justification demonstrating higher economic efficiency.
7. There shall be no discrimination between balancing energy bids or integrated scheduling process bids submitted pursuant to paragraph 4 and balancing energy bids or integrated scheduling process bids submitted pursuant to paragraph 5.
8. For each product for balancing energy or balancing capacity, the reserve providing unit, the reserve providing group, the demand facility or the third party and the associated balance responsible parties pursuant to Article 18(4)(d), shall belong to the same scheduling area.

Article 17

Role of balance responsible parties

1. In real time, each balance responsible party shall strive to be balanced or help the power system to be balanced. The detailed requirements concerning this obligation shall be defined in the proposal for terms and conditions related to balancing set up pursuant to Article 18.
2. Each balance responsible party shall be financially responsible for the imbalances to be settled with the connecting TSO.
3. Prior to the intraday cross-zonal gate closure time, each balance responsible party may change the schedules required to calculate its position pursuant to Article 54. TSOs applying a central dispatching model may establish specific conditions and rules for changing the schedules of a

balance responsible party in the terms and conditions related to balancing set up pursuant to Article 18.

4. After the intraday cross-zonal gate closure time, each balance responsible party may change the internal commercial schedules required to calculate its position pursuant to Article 54 in accordance with the rules set out in the terms and conditions related to balancing set up pursuant to Article 18.

Article 18

Terms and conditions related to balancing

1. No later than six months after entry into force of this Regulation and for all scheduling areas of a ~~Member State Contracting Party~~, the TSOs of this ~~Member State Contracting Party~~ shall develop a proposal regarding:

- (a) the terms and conditions for balancing service providers;
- (b) the terms and conditions for balance responsible parties.

Where a LFC area consists of two or more TSOs, all TSOs of that LFC area may develop a common proposal subject to the approval by the relevant regulatory authorities.

2. The terms and conditions pursuant to paragraph 1 shall also include the rules for suspension and restoration of market activities pursuant to Article 36 of Regulation (EU) 2017/2196 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC, and rules for settlement in case of market suspension pursuant to Article 39 of Regulation (EU) 2017/2196 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC, once approved in accordance with Article 4 of Regulation (EU) 2017/2196 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.

3. When developing proposals for terms and conditions for balancing service providers and balance responsible parties, each TSO shall:

- (a) coordinate with the TSOs and DSOs that may be affected by those terms and conditions;
- (b) respect the frameworks for the establishment of European platforms for the exchange of balancing energy and for the imbalance netting process pursuant to Articles 19, 20, 21 and 22 of Regulation (EU) 2017/2195;
- (c) involve other DSOs and other stakeholders throughout the development of the proposal and take into account their views without prejudice to public consultation pursuant to Article 10.

4. The terms and conditions for balancing service providers shall:

- (a) define reasonable and justified requirements for the provisions of balancing services;
- (b) allow the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to offer balancing services subject to conditions referred to in paragraph 5 (c);
- (c) allow demand facility owners, third parties and owners of power generating facilities from conventional and renewable energy sources as well as owners of energy storage units to become balancing service providers;
- (d) require that each balancing energy bid from a balancing service provider is assigned to one or more balance responsible parties to enable the calculation of an imbalance adjustment pursuant to Article 49.

5. The terms and conditions for balancing service providers shall contain:

- (a) the rules for the qualification process to become a balancing service provider pursuant to Article 16;
 - (b) the rules, requirements and timescales for the procurement and transfer of balancing capacity pursuant to Articles 32, 33 and 34;
 - (c) the rules and conditions for the aggregation of demand facilities, energy storage facilities and power generating facilities in a scheduling area to become a balancing service provider;
 - (d) the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO during the prequalification process and operation of the balancing market;
 - (e) the rules and conditions for the assignment of each balancing energy bid from a balancing service provider to one or more balance responsible parties pursuant to paragraph 4 (d);
 - (f) the requirements on data and information to be delivered to the connecting TSO and, where relevant, to the reserve connecting DSO to evaluate the provisions of balancing services pursuant to Article 154(1), Article 154(8), Article 158(1)(e), Article 158(4)(b), Article 161(1)(f) and Article 161(4)(b) of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC;
 - (g) the definition of a location for each standard product and each specific product taking into account paragraph 5 (c);
 - (h) the rules for the determination of the volume of balancing energy to be settled with the balancing service provider pursuant to Article 45;
 - (i) the rules for the settlement of balancing service providers defined pursuant to Chapters 2 and 5 of Title V;
 - (j) a maximum period for the finalisation of the settlement of balancing energy with a balancing service provider in accordance with Article 45, for any given imbalance settlement period;
 - (k) the consequences in case of non-compliance with the terms and conditions applicable to balancing service providers.
6. The terms and conditions for balance responsible parties shall contain:
- (a) the definition of balance responsibility for each connection in a way that avoids any gaps or overlaps in the balance responsibility of different market participants providing services to that connection;
 - (b) the requirements for becoming a balance responsible party;
 - (c) the requirement that all balance responsible parties shall be financially responsible for their imbalances, and that the imbalances shall be settled with the connecting TSO;
 - (d) the requirements on data and information to be delivered to the connecting TSO to calculate the imbalances;
 - (e) the rules for balance responsible parties to change their schedules prior to and after the intraday energy gate closure time pursuant to paragraphs 3 and 4 of Article 17;
 - (f) the rules for the settlement of balance responsible parties defined pursuant to Chapter 4 of Title V;
 - (g) the delineation of an imbalance area pursuant to Article 54(2) and an imbalance price area;

- (h) a maximum period for the finalisation of the settlement of imbalances with balance responsible parties for any given imbalance settlement period pursuant to Article 54;
- (i) the consequences in case of non-compliance with the terms and conditions applicable to balance responsible parties;
- (j) an obligation for balance responsible parties to submit to the connecting TSO any modifications of the position;
- (k) the settlement rules pursuant to Articles 52, 53, 54 and 55;
- (l) where existing, the provisions for the exclusion of imbalances from the imbalance settlement when they are associated with the introduction of ramping restrictions for the alleviation of deterministic frequency deviations pursuant to Article 137(4) of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.

7. Each connecting TSO may include the following elements in the proposal for the terms and conditions for balancing service providers or in the terms and conditions for balance responsible parties:

- (a) a requirement for balancing service providers to provide information on unused generation capacity and other balancing resources from balancing service providers, after the day-ahead market gate closure time and after the intraday cross-zonal gate closure time;
- (b) where justified, a requirement for balancing service providers to offer the unused generation capacity or other balancing resources through balancing energy bids or integrated scheduling process bids in the balancing markets after day ahead market gate closure time, without prejudice to the possibility of balancing service providers to change their balancing energy bids prior to the balancing energy gate closure time or the integrated scheduling process gate closure time due to trading within intraday market;
- (c) where justified, a requirement for balancing service providers to offer the unused generation capacity or other balancing resources through balancing energy bids or integrated scheduling process bids in the balancing markets after intraday cross-zonal gate closure time;
- (d) specific requirements with regard to the position of balance responsible parties submitted after the day-ahead market timeframe to ensure that the sum of their internal and external commercial trade schedules equals the sum of the physical generation and consumption schedules, taking into account electrical losses compensation, where relevant;
- (e) an exemption to publish information on offered prices of balancing energy or balancing capacity bids due to market abuse concerns pursuant to Article 12(4);
- (f) an exemption for specific products defined in Article 26(3)(b) to predetermine the price of the balancing energy bids from a balancing capacity contract pursuant to Article 16(6);
- (g) an application for the use of dual pricing for all imbalances based on the conditions established pursuant to Article 52(2)(d)(i) of Regulation (EU) 2017/2195 and the methodology for applying dual pricing pursuant to Article 52(2)(d)(ii) of Regulation (EU) 2017/2195.

8. TSOs applying a central dispatching model shall also include the following elements in the terms and conditions related to balancing:

- (a) the integrated scheduling process gate closure time pursuant to Article 24(5);
- (b) the rules for updating the integrated scheduling process bids after each integrated scheduling process gate closure time pursuant to Article 24(6);

- (c) the rules for using integrated scheduling process bids prior to the balancing energy gate closure time pursuant to Article 24(7);
- (d) the rules for converting integrated scheduling process bids pursuant to Article 27.
9. Each TSO shall monitor the fulfilment by all parties of the requirements set out in the terms and conditions for balancing within its scheduling area or scheduling areas.

CHAPTER 2

European platforms for the exchange of balancing energy

Article 19

European platform for the exchange of balancing energy from replacement reserves

1. ~~By six months after entry into force of this Regulation, all TSOs performing the reserve replacement process pursuant to Part IV of Regulation (EU) 2017/1485 shall develop a proposal for the implementation framework for a European platform for the exchange of balancing energy from replacement reserves.~~
2. ~~The European platform for the exchange of balancing energy from replacement reserves, operated by TSOs or by means of an entity the TSOs would create themselves, shall be based on common governance principles and business processes and shall consist of at least the activation optimisation function and the TSO TSO settlement function. That European platform shall apply a multilateral TSO TSO model with common merit order lists to exchange all balancing energy bids from all standard products for replacement reserves, except for unavailable bids pursuant to Article 29(14).~~
3. ~~The proposal in paragraph 1 shall include at least:~~
 - ~~(a) the high level design of the European platform;~~
 - ~~(b) the roadmap and timelines for the implementation of the European platform;~~
 - ~~(c) the definition of the functions required to operate the European platform;~~
 - ~~(d) the proposed rules concerning the governance and operation of the European platform, based on the principle of non-discrimination and ensuring equitable treatment of all member TSOs and that no TSO benefits from unjustified economic advantages through the participation in the functions of the European platform;~~
 - ~~(e) the proposed designation of the entity or entities that will perform the functions defined in the proposal. Where the TSOs propose to designate more than one entity, the proposal shall demonstrate and ensure:~~
 - ~~(i) a coherent allocation of the functions to the entities operating the European platform. The proposal shall take full account of the need to coordinate the different functions allocated to the entities operating the European platform;~~
 - ~~(ii) that the proposed setup of the European platform and allocation of functions ensures efficient and effective governance, operation and regulatory oversight of the European platform as well as, supports the objectives of this Regulation;~~
 - ~~(iii) an effective coordination and decision-making process to resolve any conflicting positions between entities operating the European platform;~~

- ~~(f) the framework for harmonisation of the terms and conditions related to balancing set up pursuant to Article 18;~~
- ~~(g) the detailed principles for sharing the common costs, including the detailed categorisation of common costs, in accordance with Article 23;~~
- ~~(h) the balancing energy gate closure time for all standard products for replacement reserves in accordance with Article 24;~~
- ~~(i) the definition of standard products for balancing energy from replacement reserves in accordance with Article 25;~~
- ~~(j) the TSO energy bid submission gate closure time in accordance with Article 29(13);~~
- ~~(k) the common merit order lists to be organised by the common activation optimisation function pursuant to Article 31;~~
- ~~(l) the description of the algorithm for the operation of the activation optimisation function for the balancing energy bids from all standard products for replacement reserves in accordance with Article 58.~~

4. ~~By six months after the approval of the proposal for the implementation framework for a European platform for the exchange of balancing energy from replacement reserves, all TSOs performing the reserve replacement process pursuant to Part IV of Regulation (EU) 2017/1485 shall designate the proposed entity or entities entrusted with operating the European platform pursuant to paragraph 3(e).~~

5. By one year after the entry into force~~approval~~ of this Regulation, ~~e proposal for the implementation framework for a European platform for the exchange of balancing energy from replacement reserves,~~ all TSOs performing the reserve replacement process pursuant to Part IV of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/XX/PHLG-EnC and that have at least one interconnected neighbouring TSO performing the replacement reserves process shall implement and make operational the European platform for the exchange of balancing energy from replacement reserves. They shall use the European platform established in accordance with Article 19 of Regulation 2017/2195 to:

- (a) submit all balancing energy bids from all standard products for replacement reserves;
- (b) exchange all balancing energy bids from all standard products for replacement reserves, except for unavailable bids pursuant to Article 29(14);
- (c) strive to fulfil all their needs for balancing energy from replacement reserves.

Article 20

European platform for the exchange of balancing energy from frequency restoration reserves with manual activation

1. ~~By one year after entry into force of this Regulation, all TSOs shall develop a proposal for the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with manual activation.~~
2. ~~The European platform for the exchange of balancing energy from frequency restoration reserves with manual activation, operated by TSOs or by means of an entity the TSOs would create themselves, shall be based on common governance principles and business processes and shall consist of at least the activation optimisation function and the TSO TSO settlement function. This European platform shall apply a multilateral TSO TSO model with common merit order lists to~~

~~exchange all balancing energy bids from all standard products for frequency restoration reserves with manual activation, except for unavailable bids pursuant to Article 29(14).~~

3. ~~The proposal in paragraph 1 shall include at least:~~

- ~~(a) the high level design of the European platform;~~
- ~~(b) the roadmap and timelines for the implementation of the European platform;~~
- ~~(c) the definition of the functions required to operate the European platform;~~
- ~~(d) the proposed rules concerning the governance and operation of the European platform, based on the principle of non-discrimination and ensuring equitable treatment of all member TSOs and that no TSO benefits from unjustified economic advantages through the participation in the functions of the European platform;~~
- ~~(e) the proposed designation of the entity or entities that will perform the functions defined in the proposal. Where the TSOs propose to designate more than one entity, the proposal shall demonstrate and ensure:

 - ~~(i) a coherent allocation of the functions to the entities operating the European platform. The proposal shall take full account of the need to coordinate the different functions allocated to the entities operating the European platform;~~
 - ~~(ii) that the proposed setup of the European platform and allocation of functions ensures efficient and effective governance, operation and regulatory oversight of the European platform as well as, supports the objectives of this Regulation;~~
 - ~~(iii) an effective coordination and decision-making process to resolve any conflicting positions between entities operating the European platform;~~~~
- ~~(f) the framework for harmonisation of the terms and conditions related to balancing set up pursuant to Article 18;~~
- ~~(g) the detailed principles for sharing the common costs, including the detailed categorisation of common costs, in accordance with Article 23;~~
- ~~(h) the balancing energy gate closure time for all standard products for frequency restoration reserves with manual activation in accordance with Article 24;~~
- ~~(i) the definition of standard products for balancing energy from frequency restoration reserves with manual activation in accordance with Article 25;~~
- ~~(j) the TSO energy bid submission gate closure time in accordance with Article 29(13);~~
- ~~(k) the common merit order lists to be organised by the common activation optimisation function pursuant to Article 31;~~
- ~~(l) the description of the algorithm for the operation of the activation optimisation function for the balancing energy bids from all standard products for frequency restoration reserves with manual activation in accordance with Article 58.~~

4. ~~By six months after the approval of the proposal for the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with manual activation, all TSOs shall designate the proposed entity or entities entrusted with operating the European platform pursuant to paragraph 3(e).~~

5. ~~By eighteen months after the approval of the proposal for the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with manual activation, all TSOs may develop a proposal for modification of the European platform for~~

~~the exchange of balancing energy from frequency restoration reserves with manual activation pursuant to paragraph 1. Proposed modifications shall be supported by a cost-benefit analysis performed by all TSOs pursuant to Article 61. The proposal shall be notified to the Commission.~~

~~6. By thirty months after the approval of the proposal for the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with manual activation, or where all TSOs submit a proposal for modification of the European platform pursuant to paragraph 5, by 12 months after the approval of the proposal for modification of the European platform, all~~ By two years after the entry into force of this Regulation TSOs shall implement and make operational the European platform for the exchange of balancing energy from frequency restoration reserves with manual activation and they shall use the European platform established in accordance with Article 20 of Regulation 2017/2195 to:

- (a) submit all balancing energy bids from all standard products for frequency restoration reserves with manual activation;
- (b) exchange all balancing energy bids from all standard products for frequency restoration reserves with manual activation, except for unavailable bids pursuant to Article 29(14);
- (c) strive to fulfil all their needs for balancing energy from the frequency restoration reserves with manual activation.

Article 21

European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation

~~1. By one year after entry into force of this Regulation, all TSOs shall develop a proposal for the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation.~~

~~2. The European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation, operated by TSOs or by means of an entity the TSOs would create themselves, shall be based on common governance principles and business processes and shall consist of at least the activation optimisation function and the TSO-TSO settlement function. This European platform shall apply a multilateral TSO-TSO model with common merit order lists to exchange all balancing energy bids from all standard products for frequency restoration reserves with automatic activation, except for unavailable bids pursuant to Article 29(14).~~

~~3. The proposal in paragraph 1 shall include at least:~~

- ~~(a) the high-level design of the European platform;~~
- ~~(b) the roadmap and timelines for the implementation of the European platform;~~
- ~~(c) the definition of the functions required to operate the European platform;~~
- ~~(d) the proposed rules concerning the governance and operation of the European platform, based on the principle of non-discrimination and ensuring equitable treatment of all member TSOs and that no TSO benefits from unjustified economic advantages through the participation in the functions of the European platform;~~
- ~~(e) the proposed designation of the entity or entities that will perform the functions defined in the proposal. Where the TSOs propose to designate more than one entity, the proposal shall demonstrate and ensure:~~

- ~~(i) a coherent allocation of the functions to the entities operating the European platform. The proposal shall take full account of the need to coordinate the different functions allocated to the entities operating the European platform;~~
 - ~~(ii) that the proposed setup of the European platform and allocation of functions ensures efficient and effective governance, operation and regulatory oversight of the European platform as well as supports the objectives of this Regulation;~~
 - ~~(iii) an effective coordination and decision making process to resolve any conflicting positions between entities operating the European platform;~~
 - ~~(f) the framework for harmonisation of the terms and conditions related to balancing set up pursuant to Article 18;~~
 - ~~(g) the detailed principles for sharing the common costs, including the detailed categorisation of common costs, in accordance with Article 23;~~
 - ~~(h) the balancing energy gate closure time for all standard products for frequency restoration reserves with automatic activation in accordance with Article 24;~~
 - ~~(i) the definition of standard products for balancing energy from frequency restoration reserves with automatic activation in accordance with Article 25;~~
 - ~~(j) the TSO energy bid submission gate closure time in accordance with Article 29(13);~~
 - ~~(k) the common merit order lists to be organised by the common activation optimisation function pursuant to Article 31;~~
 - ~~(l) the description of the algorithm for the operation of the activation optimisation function for the balancing energy bids from all standard products for frequency restoration reserves with automatic activation in accordance with Article 58.~~
- ~~4. By six months after the approval of the proposal for the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation, all TSOs shall designate the proposed entity or entities entrusted with operating the European platform pursuant to paragraph 3(e).~~
- ~~5. By eighteen months after the approval of the proposal for the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation, all TSOs may develop a proposal for modification of the European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation pursuant to paragraph 1 and of the principles set in paragraph 2. Proposed modifications shall be supported by a cost-benefit analysis performed by the all TSOs pursuant to Article 61. The proposal shall be notified to the Commission.~~
- ~~6. By thirty months from the approval of the proposal for the implementation framework for a European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation, or where all TSOs submit a proposal for modification of the European platform pursuant to paragraph 5, by 12 months after the approval of the proposal for modification of the European platform, By two years after the entry into force of this Regulation all TSOs performing the automatic frequency restoration process pursuant to Part IV of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC shall implement and make operational the European platform for the exchange of balancing energy from frequency restoration reserves with automatic activation and they shall use the European platform established in accordance with Article 21 of Regulation 2017/2195 to:~~

- (a) submit all balancing energy bids from all standard products for frequency restoration reserves with automatic activation;
- (b) exchange all balancing energy bids from all standard products for frequency restoration reserves with automatic activation, except for unavailable bids pursuant to Article 29(14);
- (c) strive to fulfil all their needs for balancing energy from the frequency restoration reserves with automatic activation.

Article 22

European platform for imbalance netting process

1. ~~By six months after entry into force of this Regulation, all TSOs shall develop a proposal for the implementation framework for a European platform for the imbalance netting process.~~
2. ~~The European platform for the imbalance netting process, operated by TSOs or by means of an entity the TSOs would create themselves, shall be based on common governance principles and business processes and shall consist of at least the imbalance netting process function and the TSO-TSO settlement function. The European platform shall apply a multilateral TSO-TSO model to perform the imbalance netting process.~~
3. ~~The proposal in paragraph 1 shall include at least:~~
 - ~~(a) the high level design of the European platform;~~
 - ~~(b) the roadmap and timelines for the implementation of the European platform;~~
 - ~~(c) the definition of functions required to operate the European platform;~~
 - ~~(d) the proposed rules concerning the governance and operation of the European platform, based on the principle of non-discrimination and ensuring equitable treatment of all member TSOs and that no TSO benefits from unjustified economic advantages through the participation in the functions of the European platform;~~
 - ~~(e) the proposed designation of the entity or entities that will perform the functions defined in the proposal. Where the TSOs propose to designate more than one entity, the proposal shall demonstrate and ensure:~~
 - ~~(i) a coherent allocation of the functions to the entities operating the European platform. The proposal shall take full account of the need to coordinate the different functions allocated to the entities operating the European platform;~~
 - ~~(ii) that the proposed setup of the European platform and allocation of functions ensures efficient and effective governance, operation and regulatory oversight of the European platform as well as supports the objectives of this Regulation;~~
 - ~~(iii) an effective coordination and decision making process to resolve any conflicting positions between entities operating the European platform;~~
 - ~~(f) the framework for harmonisation of the terms and conditions related to balancing set up pursuant to Article 18;~~
 - ~~(g) the detailed principles for sharing the common costs, including the detailed categorisation of common costs, in accordance with Article 23;~~
 - ~~(h) the description of the algorithm for the operation of imbalance netting process function in accordance with Article 58.~~

4. ~~By six months after the approval of the proposal for the implementation framework for a European platform for the imbalance netting process, all TSOs shall designate the proposed entity or entities entrusted with operating the European platform pursuant to paragraph 3(e).~~
5. By one year after the entry into force of this Regulation ~~approval of the proposal for the implementation framework for a European platform for the imbalance netting process,~~ all TSOs performing the automatic frequency restoration process pursuant to Part IV of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC ~~shall implement and make operational the European platform for the imbalance netting process. They shall use the European platform established in accordance with Article 22 of Regulation 2017/2195~~ to perform the imbalance netting process, at least for the Continental Europe synchronous area.

Article 23

Cost sharing between TSOs in different Member States and Contracting Parties

1. All TSOs shall provide a yearly report to the relevant regulatory authorities in accordance with Article ~~5937~~ of Directive 20~~109/94472~~/EC as adapted and adopted by Ministerial Council Decision 2021/13/MC-EnC 2022/xx/MC-EnC in which the costs of establishing, amending and operating the European platforms pursuant to Articles 19, 20, 21 and 22- of Regulation 2017/2195, applicable to the relevant Contracting Party's TSO are explained in detail. This report shall be published by the Agency taking due account of sensitive commercial information.
2. The costs referred to in paragraph 1 shall be broken down into:
- (a) common costs resulting from coordinated activities of all TSOs participating in the respective platforms;
 - (b) regional costs resulting from activities of several but not all TSOs participating in the respective platforms;
 - (c) national costs resulting from activities of the TSOs in that ~~Member State~~ Contracting Party participating in the respective platforms.
3. ~~Common costs referred to in paragraph 2(a) shall be shared among the TSOs in the Member States and third countries participating in the European platforms. To calculate the amount to be paid by the TSOs in each Member State and, if applicable, third country, one eighth of the common cost shall be divided equally between each Member State and third country, five eighths shall be divided between each Member State and third country proportionally to their consumption, and two eighths shall be divided equally between the participating TSOs pursuant to paragraph 2(a). The Member State's share of the costs shall be borne by the TSO or TSOs operating in a territory of that Member State. In case several TSOs are operating in a Member State, the Member State's share of the costs shall be distributed among those TSOs proportionally to the consumption in the TSOs control areas.~~
4. To take into account changes in the common costs or changes in the participating TSOs, the calculation of common costs shall be regularly adapted.
5. TSOs cooperating in a certain region shall jointly agree on a proposal for the sharing of regional costs in accordance with paragraph 2(b). The proposal shall then be individually approved by the relevant regulatory authorities of each of the ~~Member States~~ Contracting Parties and ~~, if applicable, Member States~~ third country in the region. ~~TSOs cooperating in a certain region may alternatively use the cost sharing arrangements set out in paragraph 3.~~

6. The cost sharing principles shall apply to costs contributing to the establishing, amending and operating the European platforms from the approval of the proposal for the relevant implementation frameworks pursuant to Articles 19(1), 20(1), 21(1) and 22(1) of Regulation 2017/2195. In case the implementation frameworks propose that existing projects shall evolve into a European platform, all TSOs participating in the existing projects may propose that a share of the costs incurred before the approval of the proposal for the implementation frameworks directly related to the development and implementation of this project and assessed as reasonable, efficient and proportionate is considered as part of the common costs pursuant to paragraph 2(a).

Article 24

Balancing energy gate closure time

1. ~~As part of the proposals pursuant to Articles 19, 20 and 21, a~~All TSOs shall harmonise the balancing energy gate closure time for standard products with the balancing energy gate closure time at the Union level, at least for each of the following processes:

- (a) replacement reserves;
- (b) frequency restoration reserves with manual activation;
- (c) frequency restoration reserves with automatic activation.

2. Balancing energy gate closure times shall:

- (a) be as close as possible to real time;
- (b) not be before the intraday cross-zonal gate closure time;
- (c) ensure sufficient time for the necessary balancing processes.

3. After the balancing energy gate closure time, the balancing service providers shall no longer be permitted to submit or update their balancing energy bids.

4. After the balancing energy gate closure time, balancing service providers shall report to the connecting TSO any unavailable volumes of balancing energy bids without undue delay in accordance to 158(4)(b) and 161(4)(b) of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC. If the balancing service provider has a connection point to a DSO, and if required by the DSO, the balancing service provider shall also report any unavailable volumes of balancing energy bids to the DSO without undue delay.

5. By two years after entry into force of this Regulation, each TSO applying a central dispatching model shall define at least one integrated scheduling process gate closure time which shall:

- (a) enable balancing service providers to update their integrated scheduling bids as close as possible to real time;
- (b) be no longer than eight hours before real-time;
- (c) be set before the TSO energy bid submission gate closure time.

6. After each integrated scheduling process gate closure time, the integrated scheduling process bid may only be changed in accordance with the rules defined by the connecting TSO in the terms and conditions for balancing service providers set up pursuant to Article 18. Those rules shall be implemented before the connecting TSO joins any process for the exchange of balancing energy and shall allow balancing service providers to update their integrated scheduling bids to the extent possible until the intraday cross-zonal gate closure time, while ensuring:

- (a) the economic efficiency of the integrated scheduling process;

- (b) operational security;
- (c) consistency of all iterations of the integrated scheduling process;
- (d) fair and equal treatment of all balancing service providers in the scheduling area;
- (e) no negative effect on the integrated scheduling process.

7. Each TSO applying a central dispatching model shall establish the rules for using the integrated scheduling process bids prior to the balancing energy gate closure time in accordance with Article 18(8) (c) in order to:

- (a) ensure that the TSO meets its reserve capacity requirements in real time;
- (b) ensure sufficient resources to solve internal congestions;
- (c) ensure the possibility of feasible dispatching of power generating facilities and demand facilities in real time.

Article 25

Requirements for standard products

1. Standard products for balancing energy shall be ~~developed~~ applied as part of ~~the proposals for the implementation of frameworks for~~ the European platforms pursuant to Articles 19, 20 and 21. ~~After the adoption approval of each implementation framework and n~~ No later than the time when a Contracting Party's TSO uses the respective European platform, the TSO shall use only standard and, where justified, specific balancing energy products in order to maintain the system's balance in accordance with Article 127, Article 157 and Article 160 of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.

2. By ~~one year~~ two years after entry into force of this Regulation, all TSOs shall apply the develop ~~a proposal for a~~ list of standard products for balancing capacity for frequency restoration reserves and replacement reserves adopted pursuant to Article 25 of Regulation 2017/2195.

3. ~~At least every two years, all TSOs shall review the list of standard products for balancing energy and balancing capacity. The review of standard products shall take into account:~~

- ~~(a) the objectives set out in Article 3(1);~~
- ~~(b) if applicable, proposed changes to the list of standard products and the number of common merit order lists pursuant to Article 31(2);~~
- ~~(c) the performance indicators set out in Article 59(4).~~

4. ~~The list of standard products for balancing energy and balancing capacity may set out at least the following characteristics of a standard product bid:~~

- ~~(a) preparation period;~~
- ~~(b) ramping period;~~
- ~~(c) full activation time;~~
- ~~(d) minimum and maximum quantity;~~
- ~~(e) deactivation period;~~
- ~~(f) minimum and maximum duration of delivery period;~~
- ~~(g) validity period;~~

~~(h) mode of activation.~~

~~5. The list of standard products for balancing energy and balancing capacity shall set out at least the following variable characteristics of a standard product to be determined by the balancing service providers during the prequalification or when submitting the standard product bid:~~

~~(a) price of the bid;~~

~~(b) divisibility;~~

~~(c) location;~~

~~(d) minimum duration between the end of deactivation period and the following activation.~~

6. Standard products for balancing energy and balancing capacity shall:

(a) ensure an efficient standardisation, foster cross-border competition and liquidity, and avoid undue market fragmentation;

(b) facilitate the participation of demand facility owners, third parties and owners of power generating facilities from renewable energy sources as well as owners of energy storage units as balancing service providers.

Article 26

Requirements for specific products

1. Following the ~~approval of the implementation frameworks for of~~ the European platforms pursuant to Articles 19, 20 and 21, each TSO may develop a proposal for defining and using specific products for balancing energy and balancing capacity. This proposal shall include at least:

(a) a definition of specific products and of the time period in which they will be used;

(b) a demonstration that standard products are not sufficient to ensure operational security and to maintain the system balance efficiently or a demonstration that some balancing resources cannot participate in the balancing market through standard products;

(c) a description of measures proposed to minimise the use of specific products subject to economic efficiency;

(d) where applicable, the rules for converting the balancing energy bids from specific products into balancing energy bids from standard products;

(e) where applicable, the information on the process for the conversion of balancing energy bids from specific products into balancing energy bids from standard products and the information on which common merit order list the conversion will take place;

(f) a demonstration that the specific products do not create significant inefficiencies and distortions in the balancing market within and outside the scheduling area.

2. Each TSO using specific products shall review at least once every two years the necessity to use specific products in accordance with the criteria laid down in paragraph 1.

3. The specific products shall be implemented in parallel to the implementation of the standard products. Following the use of the specific products, the connecting TSO may alternatively:

(a) convert the balancing energy bids from specific products into balancing energy bids from standard products;

(b) activate the balancing energy bids from specific products locally without exchanging them.

4. The rules for converting balancing energy bids from specific products into balancing energy bids from standard products pursuant to paragraph 1(d) shall:

- (a) be fair, transparent and non-discriminatory;
- (b) not create barriers for the exchange of balancing services;
- (c) ensure the financial neutrality of TSOs.

Article 27

Conversion of bids in a central dispatching model

1. Each TSO applying a central dispatching model shall use the integrated scheduling process bids for the exchange of balancing services or for the sharing of reserves.

2. Each TSO applying a central dispatching model shall use the integrated scheduling process bids available for the real time management of the system to provide balancing services to other TSOs, while respecting operational security constraints.

3. Each TSO applying a central dispatching model shall convert as far as possible the integrated scheduling process bids pursuant to paragraph 2 into standard products taking into account operational security. The rules for converting the integrated scheduling process bids into standard products shall:

- (a) be fair, transparent and non-discriminatory;
- (b) not create barriers for the exchange of balancing services;
- (c) ensure the financial neutrality of TSOs.

Article 28

Fall-back procedures

1. Each TSO shall ensure that fall-back solutions are in place in case the procedures referred to in paragraphs 2 and 3 fail.

2. Where the procurement of balancing services fails, the concerned TSOs shall repeat the procurement process. TSOs shall inform market participants that fall-back procedures will be used as soon as possible.

3. Where the coordinated activation of balancing energy fails, each TSO may deviate from the common merit order list activation and shall inform market participants as soon as possible.

TITLE III

PROCUREMENT OF BALANCING SERVICES

CHAPTER 1

Balancing energy

Article 29

Activation of balancing energy bids from common merit order list

1. In order to maintain the system's balance in accordance with Article 127, Article 157 and Article 160 of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC, each TSO shall use cost-effective balancing energy bids available for delivery in its control area based on common merit order lists or another model as ~~set with the proposal by all TSOs~~ applieds pursuant to paragraph ~~25~~ of Article ~~52~~1.
2. TSOs shall not activate balancing energy bids before the corresponding balancing energy gate closure time, except in the alert state or the emergency state when such activations help alleviate the severity of these system states and except when the bids serve purposes other than balancing pursuant to ~~paragraph 3~~ Article 5(2)(d).
3. By one year after the entry into force of this Regulation, all TSOs shall apply the develop a proposal for a methodology for classifying the activation purposes of balancing energy bids adopted pursuant to Article 29(3) of Regulation (EU) 2017/2195 in line with Article 5(2)(d). ~~This methodology shall:~~
 - ~~(a) describe all possible purposes for the activation of balancing energy bids;~~
 - ~~(b) define classification criteria for each possible activation purpose.~~
4. For each balancing energy bid activated from the common merit order list, the TSO activating the bid shall define the activation purpose based on the methodology pursuant to paragraph 3. The activation purpose shall be notified and visible to all TSOs through the activation optimisation function.
5. In the event that the activation of balancing energy bids deviates from the results of the activation optimisation function, the TSO shall publish the information about the reasons for the occurrence of such deviation in a timely manner.
6. The request for activation of a balancing energy bid from the activation optimisation function shall oblige the requesting TSO and connecting TSO to accept the firm exchange of balancing energy. Each connecting TSO shall ensure the activation of the balancing energy bid selected by the activation optimisation function. The balancing energy shall be settled pursuant to Article 50 and between the connecting TSO and the balancing service provider pursuant to Chapter 2 of Title V.
7. The activation of balancing energy bids shall be based on a TSO-TSO model with a common merit order list.
8. Each TSO shall submit all necessary data for the operation of the algorithm in paragraphs 1 and 2 of Article 58 of Regulation 2017/2195 to the activation optimisation function in accordance with the rules established pursuant to Article 31(-1).
9. Each connecting TSO shall submit, prior to the TSO energy bid submission gate closure time, all balancing energy bids received from balancing service providers to the activation optimisation function, taking into account the requirements in Articles 26 and 27. The connecting TSOs shall not modify or withhold balancing energy bids, except for:
 - (a)balancing energy bids related to Articles 26 and 27;
 - (b)balancing energy bids that are manifestly erroneous and include an unfeasible delivery volume;
 - (c)balancing energy bids that are not forwarded to the European platforms in accordance with paragraph 10.
10. Each TSO applying a self-dispatching model and operating within a scheduling area with a local intraday gate closure time after the balancing energy gate closure time pursuant to Article 24 may develop a proposal to limit the amount of bids that is forwarded to the European platforms

pursuant to Articles 19 to 21. The bids forwarded to the European platforms shall always be the cheapest bids. This proposal shall include:

- (a) the definition of the minimum volume that shall be forwarded to the European platforms. The minimum volume of bids submitted by the TSO shall be equal to or higher than the sum of the reserve capacity requirements for its LFC block according to Articles 157 and 160 of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC and the obligations arising from the exchange of balancing capacity or sharing of reserves;
- (b) the rules to release the bids that are not submitted to the European platforms and the definition of the point in time at which the concerned balancing service providers shall be informed of the release of its bids.

11. At least once every two years after the approval of the proposal in paragraph 10 by the respective regulatory authority, all TSOs shall assess the impact of limiting the volume of bids sent to the European platforms and the functioning of the intraday market. This assessment shall include:

- (a) an evaluation by the relevant TSOs on the minimum volume of bids that shall be forwarded to the European platforms pursuant to paragraph 10(a);
- (b) a recommendation to the relevant TSOs limiting balancing energy bids.

Based on this assessment, all TSOs shall make a proposal to all regulatory authorities to review the minimum volume of balancing energy bids that shall be forwarded to the European platforms pursuant to paragraph 10(a).

12. Each requesting TSO may request the activation of balancing energy bids from the common merit order lists up to the total volume of balancing energy. The total volume of balancing energy that can be activated by the requesting TSO from balancing energy bids from the common merit order lists is calculated as a sum of volumes of:

- (a) balancing energy bids submitted by the requesting TSO not resulting from sharing of reserves or exchange of balancing capacity;
- (b) balancing energy bids submitted by other TSOs as a result of balancing capacity procured on behalf of the requesting TSO;
- (c) balancing energy bids resulting from the sharing of reserves under the condition that the other TSOs participating in the sharing of reserves have not already requested the activation of those shared volumes.

13. ~~All TSOs may establish in the proposals for the implementation frameworks for the European platforms pursuant to Articles 19, 20 and 21 the conditions or situations in which the limits set out in paragraph 12 shall not apply.~~ When a TSO requests balancing energy bids beyond the limit set out in paragraph 12, all other TSOs shall be informed.

14. Each TSO may declare the balancing energy bids submitted to the activation optimisation function unavailable for the activation by other TSOs because they are restricted due to internal congestion or due to operational security constraints within the connecting TSO scheduling area.

Article 30

Pricing for balancing energy and cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process

1. By one year after the entry into force of this Regulation, all TSOs shall ~~develop a proposal for~~ apply the methodology adopted in accordance with Article 5(2)(f) to determine prices for the

balancing energy that results from the activation of balancing energy bids for the frequency restoration process pursuant to Articles 143 and 147 of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC, and the reserve replacement process pursuant to Articles 144 and 148 of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.

~~Such methodology shall:~~

~~(a) be based on marginal pricing (pay as cleared);~~

~~(b) define how the activation of balancing energy bids activated for purposes other than balancing affects the balancing energy price, while also ensuring that at least balancing energy bids activated for internal congestion management shall not set the marginal price of balancing energy;~~

~~(c) establish at least one price of balancing energy, for each imbalance settlement period;~~

~~(d) give correct price signals and incentives to market participants;~~

~~(e) take into account the pricing method in the day-ahead and intraday timeframes.~~

~~2. In case TSOs identify that technical price limits are needed for efficient functioning of the market, they may jointly develop as part of the proposal pursuant to paragraph 1 a proposal for harmonised maximum and minimum balancing energy prices, including bidding and clearing prices, to be applied in all scheduling areas. In such a case, harmonised maximum and minimum balancing energy prices shall take into account the maximum and minimum clearing price for day-ahead and intraday timeframes pursuant to Regulation (EU) 2015/1222.~~

~~3. The proposal pursuant to paragraph 1 shall also define a methodology for pricing of cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process. Such methodology shall be consistent with the requirements established under Regulation (EU) 2015/1222, and:~~

~~(a) reflect market congestion;~~

~~(b) be based on the prices for balancing energy from activated balancing energy bids, determined in accordance either with the pricing method pursuant to paragraph 1(a), or if applicable, the pricing method pursuant to paragraph 5;~~

~~(c) not apply any additional charges for the exchange of balancing energy or for operating the imbalance netting process, except a charge to compensate losses if this charge is also taken into account in other timeframes.~~

4. The harmonised pricing method defined in paragraph 1 shall apply to balancing energy from all standard and specific products pursuant to Article 26(3)(a). For specific products pursuant to Article 26(3)(b), the concerned TSO may propose a different pricing method in the proposal for specific products pursuant to Article 26.

5. Where all TSOs identify inefficiencies in the application of the methodology proposed pursuant to paragraph 30(1)(a) of Regulation (EU) 2017/2195, they may request an amendment and propose a pricing method alternative to the pricing method in paragraph 30(1)(a) of Regulation (EU) 2017/2195. In such case, all TSOs shall perform a detailed analysis demonstrating that the alternative pricing method is more efficient.

Article 31

Activation optimisation function

1. All TSOs shall ~~establish-apply the an~~ activation optimisation function established in accordance with Article 29 and ~~this Article~~ 31 of Regulation (EU) 2017/2195 for the optimisation of the activation of balancing energy bids from different common merit order lists. ~~This function shall take into account at least:~~

~~(a) activation processes and technical constrains from different balancing energy products;~~

~~(b) operational security;~~

~~(c) all balancing energy bids included in the compatible common merit order lists;~~

~~(d) the possibility to net the counteracting activation requests from TSOs;~~

~~(e) submitted activation requests of all TSOs;~~

~~(f) available cross-zonal capacity.~~

2. Common merit order lists shall consist of balancing energy bids from standard products. All TSOs shall establish the necessary common merit order lists for the standard products. Upward and downward balancing energy bids shall be separated in different common merit order lists.

~~3. Each activation optimisation function shall use at least one common merit order list for upward balancing energy bids and one common merit order list for downward balancing energy bids.~~

4. TSOs shall ensure that the balancing energy bids submitted to the common merit order lists are expressed in euros and make reference to the market time unit.

5. Depending on the requirement for standard products for balancing energy, TSOs may create more common merit order lists.

6. Each TSO shall submit its activation requests for balancing energy bids to the activation optimisation function.

~~7. The activation optimisation function shall select balancing energy bids and request the activation of selected balancing energy bids from the connecting TSOs where the balancing service provider, associated with the selected balancing energy bid, is connected.~~

~~8. The activation optimisation function shall submit the confirmation of the activated balancing energy bids to the TSO requesting the activation of the balancing energy bids. The activated balancing service providers shall be responsible for delivering the requested volume until the end of the delivery period.~~

9. All TSOs that operate the frequency restoration process and the reserve replacement process to balance their LFC area shall strive to use all balancing energy bids from relevant common merit order lists to balance the system in the most efficient way, taking into account operational security.

10. TSOs that do not use the reserve replacement process to balance their LFC area shall strive to use all balancing energy bids from relevant common merit order lists for frequency restoration reserves to balance the system in the most efficient way, taking into account operational security.

11. Except in the normal state, TSOs may decide to balance the system using only the balancing energy bids from balancing service providers in its own control area if such decision helps alleviate the severity of the current system state. The TSO shall publish a justification for such decision without undue delay.

CHAPTER 2

Balancing capacity

Article 32

Procurement rules

1. All TSOs of the LFC block shall regularly and at least once a year review and define the reserve capacity requirements for the LFC block or scheduling areas of the LFC block pursuant to dimensioning rules as referred in Articles 127, 157 and 160 of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC. Each TSO shall perform an analysis on optimal provision of reserve capacity aiming at minimisation of costs associated with the provision of reserve capacity. This analysis shall take into account the following options for the provision of reserve capacity:

- (a) procurement of balancing capacity within control area and exchange of balancing capacity with neighbouring TSOs, when applicable;
- (b) sharing of reserves, when applicable;
- (c) the volume of non-contracted balancing energy bids which are expected to be available both within their control area and within the European platforms taking into account the available cross-zonal capacity.

2. Each TSO procuring balancing capacity shall define the rules for the procurement of balancing capacity in the proposal for the terms and conditions related to balancing service providers developed pursuant to Article 18. The rules for the procurement of balancing capacity shall comply with the following principles:

- (a) the procurement method shall be market-based for at least the frequency restoration reserves and the replacement reserves;
- (b) the procurement process shall be performed on a short-term basis to the extent possible and where economically efficient;
- (c) the contracted volume may be divided into several contracting periods.

3. The procurement of upward and downward balancing capacity for at least the frequency restoration reserves and the replacement reserves shall be carried out separately. Each TSO may submit a proposal to the relevant regulatory authority in accordance with Article 59~~37~~ of Directive 20109/94472/EU, as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC € requesting the exemption to this requirement. The proposal for exemption shall include:

- (a) specification of the time period during which the exemption would apply;
- (b) specification of the volume of balancing capacity for which the exemption would apply;
- (c) analysis of the impact of such an exemption on the participation of balancing resources pursuant to Article 25(6)(b);
- (d) justification for the exemption demonstrating that such an exemption would lead to higher economic efficiency.

Article 33

Exchange of balancing capacity

1. Two or more TSOs exchanging or mutually willing to exchange balancing capacity shall develop a proposal for the establishment of common and harmonised rules and processes for the exchange and procurement of balancing capacity while respecting the requirements set out in Article 32.
2. Except in cases where the TSO-BSP model is applied pursuant to Article 35, the exchange of balancing capacity shall always be performed based on a TSO-TSO model whereby two or more TSOs establish a method for the common procurement of balancing capacity taking into account the available cross-zonal capacity and the operational limits defined in Chapters 1 and 2 of Part IV Title VIII of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.
3. All TSOs exchanging balancing capacity shall submit all balancing capacity bids from standard products to the capacity procurement optimisation function. TSOs shall not modify or withhold any balancing capacity bids and shall include them in the procurement process, except under conditions set out in Article 26 and Article 27.
4. All TSOs exchanging balancing capacity shall ensure both the availability of cross-zonal capacity and that the operational security requirements set out in Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC are met, either by:
 - (a) the methodology for calculating the probability of available cross-zonal capacity after intraday cross-zonal gate closure time pursuant to paragraph 6;
 - (b) the methodologies for allocating cross-zonal capacity to the balancing timeframe pursuant to Chapter 2 of Title IV.
5. Each TSO using the methodology for calculating the probability of available cross-zonal capacity after intraday cross-zonal gate closure time shall inform other TSOs in their LFC block of the risk of unavailability of reserve capacity in the scheduling area or areas of its control area that may affect the fulfilment of the requirements pursuant to Article 157(2)(b) of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.
6. TSOs exchanging balancing capacity for frequency restoration reserves and replacement reserves may develop a proposal for a methodology for calculating the probability of available cross-zonal capacity after intraday cross-zonal gate closure time. The methodology shall at least describe:
 - (a) the procedures to notify to other TSOs in the LFC block;
 - (b) the description of the process to perform the assessment for the relevant period for the exchange of balancing capacity;
 - (c) the method to assess the risk of unavailability of cross-zonal capacity due to planned and unplanned outages and due to congestions;
 - (d) the method to assess the risk of insufficient reserve capacity due to unavailability of cross-zonal capacity;
 - (e) the requirements for a fall-back solution in case of unavailability of cross-zonal capacity or insufficient reserve capacity;
 - (f) the requirements for *ex-post* review and monitoring of risks;
 - (g) the rules in order to ensure the settlement pursuant to Title V.

7. TSOs shall not increase the reliability margin calculated pursuant to Regulation (EU) 2015/1222 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC due to the exchange of balancing capacity for frequency restoration reserves and replacement reserves.

Article 34

Transfer of balancing capacity

1. Within the geographical area in which the procurement of balancing capacity has taken place, the TSOs shall allow balancing service providers to transfer their obligations to provide balancing capacity. The concerned TSO or TSOs may request an exemption where contracting periods for balancing capacity pursuant to Article 32(2)(b) are strictly less than one week.
2. The transfer of balancing capacity shall be allowed at least until one hour before the start of the delivery day.
3. The transfer of balancing capacity shall be allowed if the following conditions are met:
 - (a) the receiving balancing service provider has passed the qualification process for the balancing capacity for which the transfer is performed;
 - (b) the transfer of balancing capacity is not expected to endanger operational security;
 - (c) the transfer of balancing capacity does not exceed the operational limits set out in Chapters 1 and 2 of Part IV Title VIII of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.
4. In case the transfer of balancing capacity requires the use of cross-zonal capacity, such transfer shall only be allowed in case:
 - (a) the cross-zonal capacity required to perform the transfer is already available from previous allocation processes pursuant to Chapter 2 of Title IV;
 - (b) the cross-zonal capacity is available pursuant to the methodology for calculating the probability of available cross-zonal capacity after intraday cross-zonal gate closure time in accordance with Article 33(6).
5. If a TSO does not allow the transfer of balancing capacity, the concerned TSO shall explain the reason for the rejection to the balancing service providers involved.

CHAPTER 3

TSO-BSP model

Article 35

Exchange of balancing services

1. Two or more TSOs may at their initiative or at the request of their relevant regulatory authorities in accordance with Article 5937 of Directive 20109/94472/EUC as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC develop a proposal for the application of the TSO-BSP model.
2. The proposal for application of a TSO-BSP model shall include:
 - (a) a cost-benefit analysis performed pursuant to Article 61 that identifies the efficiencies of applying the TSO-BSP model for at least the scheduling area or scheduling areas of the TSOs involved;

- (b) the requested application period;
- (c) a description of the methodology for ensuring sufficient cross-zonal capacity in accordance with Article 33(6).
3. Where the TSO-BSP model applies, the respective TSOs and balancing service providers may be exempted from the application of the requirements in Article 16(2), Article 16(4), Article 16(5) and Article 29(9) for the relevant processes.
4. Where the TSO-BSP model applies, the involved TSOs shall agree on the technical and contractual requirements and on information exchanges for the activation of balancing energy bids. The contracting TSO and the balancing service provider shall establish contractual arrangements based on the TSO-BSP model.
5. The TSO-BSP model for the exchange of balancing energy from frequency restoration reserves may be applied only where the TSO-BSP model is also applied for the exchange of balancing capacity for frequency restoration reserves.
6. The TSO-BSP model for the exchange of balancing energy from replacement reserves may be applied where the TSO-BSP model is applied for the exchange of balancing capacity for replacement reserves or where one of the two involved TSOs does not operate the reserve replacement process as part of the load-frequency-control structure pursuant to Part IV of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.
7. ~~By onefour years~~ after entry into force of this Regulation, all exchanges of balancing capacity shall be based on the TSO-TSO model. This requirement shall not apply to the TSO-BSP model for replacement reserves if one of the two involved TSOs does not operate the reserve replacement process as part of the load-frequency-control structure pursuant to Part IV of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.

TITLE IV CROSS-ZONAL CAPACITY FOR BALANCING SERVICES

CHAPTER 1 Exchange of balancing energy or imbalance netting process

Article 36

Use of cross-zonal capacity

1. All TSOs shall use the available cross-zonal capacity, computed according to paragraphs 2 and 3 of Article 37, for the exchange of balancing energy or for operating the imbalance netting process.
2. Two or more TSOs exchanging balancing capacity may use cross-zonal capacity for the exchange of balancing energy when cross-zonal capacity is:
 - (a) available pursuant to Article 33(6);
 - (b) released pursuant to paragraphs 8 and 9 of Article 38;
 - (c) allocated pursuant to Articles 5(2)(h)40, 41 and 42.

Article 37

Cross-zonal capacity calculation

1. After the intraday-cross-zonal gate closure time, TSOs shall continuously update the availability of cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting process. Cross-zonal capacity shall be updated every time a portion of cross-zonal capacity has been used or when cross-zonal capacity has been recalculated.
2. Before the implementation of the capacity calculation methodology pursuant to paragraph 3, TSOs shall use the cross-zonal capacity remaining after the intraday cross-zonal gate closure time.
3. By five years after entry into force of this Regulation, all TSOs of a capacity calculation region shall develop a methodology for cross-zonal capacity calculation within the balancing timeframe for the exchange of balancing energy or for operating the imbalance netting process. Such methodology shall avoid market distortions and shall be consistent with the cross-zonal capacity calculation methodology applied in the intraday timeframe established under Regulation (EU) 2015/1222 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.

CHAPTER 2

Exchange of balancing capacity or sharing of reserves

Article 38

General requirements

1. Two or more TSOs may at their initiative or at the request of their relevant regulatory authorities in accordance with Article ~~5937~~ of Directive 20~~109/94472~~/EC set up a proposal for the application of one of the following processes:
 - (a) co-optimised allocation process pursuant to Article ~~5(2)(h)40~~;
 - (b) market-based allocation process pursuant to Article 41;
 - (c) allocation process based on economic efficiency analysis pursuant to Article 42.

Cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves before the entry into force of this Regulation may continue to be used for that purpose until the expiry of the contracting period.
2. The proposal for the application of the allocation process shall include:
 - (a) the bidding zone borders, the market timeframe, the duration of application and the methodology to be applied;
 - (b) in case of allocation process based on economic efficiency analysis, the volume of allocated cross zonal capacity and the actual economic efficiency analysis justifying the efficiency of such allocation.
3. By ~~one~~**five** years after entry into force of this Regulation, all TSOs shall ~~apply~~**develop a proposal to harmonise** the methodology for the allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves per timeframe pursuant to Article 40 and, where relevant, pursuant to Articles 41 and 42 of Commission Regulation (EU) 2017/2195.
4. Cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves shall be used exclusively for frequency restoration reserves with manual activation, for frequency restoration reserves with automatic activation and for replacement reserves. The reliability margin calculated pursuant to Regulation (EU) 2015/1222 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC shall be used for operating and exchanging frequency

containment reserves, except on Direct Current ('DC') interconnectors for which cross-zonal capacity for operating and exchanging frequency containment reserves may also be allocated in accordance with paragraph 1.

5. TSOs may allocate cross-zonal capacity for the exchange of balancing capacity or sharing of reserves only if cross-zonal capacity is calculated in accordance with the capacity calculation methodologies developed pursuant to Regulation (EU) 2015/1222 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC and (EU) 2016/1719 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC.

6. TSOs shall include cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves as already allocated cross-zonal capacity in the calculations of cross-zonal capacity.

7. If physical transmission right holders use cross-zonal capacity for the exchange of balancing capacity, the capacity shall be considered as nominated solely for the purpose of excluding it from the application of the use-it-or-sell-it ('UIOSI') principle.

8. All TSOs exchanging balancing capacity or sharing of reserves shall regularly assess whether the cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves is still needed for that purpose. Where the allocation process based on economic efficiency analysis is applied, this assessment shall be done at least every year. When cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves is no longer needed, it shall be released as soon as possible and returned in the subsequent capacity allocation timeframes. Such cross-zonal capacity shall no longer be included as already allocated cross-zonal capacity in the calculations of cross-zonal capacity.

9. When cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves has not been used for the associated exchange of balancing energy, it shall be released for the exchange of balancing energy with shorter activation times or for operating the imbalance netting process.

Article 39

Calculation of market value of cross-zonal capacity

~~1. The market value of cross-zonal capacity for the exchange of energy and for the exchange of balancing capacity or sharing of reserves used in a co-optimised or market-based allocation process shall be based on the actual or forecasted market values of cross-zonal capacity.~~

~~2. The actual market value of cross-zonal capacity for the exchange of energy shall be calculated based on the bids of market participants in the day-ahead markets, and take into account, where relevant and possible, expected bids of market participants in the intraday markets.~~

~~3. The actual market value of cross-zonal capacity for the exchange of balancing capacity used in a co-optimised or a market-based allocation process shall be calculated based on balancing capacity bids submitted to the capacity procurement optimisation function pursuant to Article 33(3).~~

~~4. The actual market value of cross-zonal capacity for the sharing of reserves used in a co-optimised or a market-based allocation process shall be calculated based on the avoided costs of procuring balancing capacity.~~

~~5. The forecasted market value of cross-zonal capacity shall be based on one of the following alternative principles:~~

~~(a) the use of transparent market indicators that disclose the market value of cross-zonal capacity; or~~

~~(b) the use of a forecasting methodology enabling the accurate and reliable assessment of the market value of cross-zonal capacity.~~

~~The forecasted market value of cross-zonal capacity for the exchange of energy between bidding zones shall be calculated based on the expected differences in market prices of the day-ahead and, where relevant and possible, intraday markets between bidding zones. When calculating the forecasted market value, additional relevant factors influencing demand and generation patterns in the different bidding zones shall be taken duly into account.~~

~~6. The efficiency of the forecasting methodology pursuant to paragraph 5(b), including a comparison of the forecasted and actual market values of the cross-zonal capacity, may be reviewed by the relevant regulatory authorities. Where the contracting is done not more than two days in advance of the provision of the balancing capacity, the relevant regulatory authorities may, following this review, set a limit other than that specified in Article 41(2).~~

Article 40

Co-optimised allocation process

~~1. By two years after entry into force of this Regulation, all TSOs shall develop a proposal for a methodology for a co-optimised allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves. This methodology shall apply for the exchange of balancing capacity or sharing of reserves with a contracting period of not more than one day and where the contracting is done not more than one day in advance of the provision of the balancing capacity. The methodology shall include:~~

~~(a) the notification process for the use of the co-optimised allocation process;~~

~~(b) a detailed description of how cross-zonal capacity shall be allocated to bids for the exchange of energy and bids for the exchange of balancing capacity or sharing of reserves in a single optimisation process performed for both implicit and explicit auctions;~~

~~(c) a detailed description of the pricing method, the firmness regime and the sharing of congestion income for the cross-zonal capacity that has been allocated to bids for the exchange of balancing capacity or sharing of reserves via the co-optimised allocation process;~~

~~(d) the process to define the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves.~~

~~2. This methodology shall be based on a comparison of the actual market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves and the actual market value of cross-zonal capacity for the exchange of energy.~~

~~3. The pricing method, the firmness regime and the sharing of congestion income for the cross-zonal capacity that has been allocated to bids for the exchange of balancing capacity or sharing of reserves via the co-optimised allocation process shall ensure equal treatment with the cross-zonal capacity allocated to bids for the exchange of energy.~~

~~4. Cross-zonal capacity allocated to bids for the exchange of balancing capacity or sharing of reserves via the co-optimised allocation process shall be used only for the exchange of balancing capacity or sharing of reserves and associated exchange of balancing energy.~~

Article 41

Market-based allocation process

~~1. By two years after entry into force of this Regulation, all TSOs of a capacity calculation region may develop a proposal for a methodology for a market-based allocation process of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves. This methodology shall apply for the exchange of balancing capacity or sharing of reserves with a contracting period of not more than one day and where the contracting is done not more than one week in advance of the provision of the balancing capacity. The methodology shall include:~~

- ~~(a) the notification process for the use of the market-based allocation process;~~
- ~~(b) a detailed description of how to determine the actual market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, and the forecasted market value of cross-zonal capacity for the exchange of energy, and if applicable the actual market value of cross-zonal capacity for exchanges of energy and the forecasted market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves;~~
- ~~(c) a detailed description of the pricing method, the firmness regime and the sharing of congestion income for the cross-zonal capacity that has been allocated to bids for the exchange of balancing capacity or sharing of reserves via the market-based allocation process;~~
- ~~(d) the process to define the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to paragraph 2.~~

~~2. Cross-zonal capacity allocated on a market-based process shall be limited to 10 % of the available capacity for the exchange of energy of the previous relevant calendar year between the respective bidding zones or, in case of new interconnectors, 10 % of the total installed technical capacity of those new interconnectors.~~

~~This volume limitation may not apply where the contracting is done not more than two days in advance of the provision of the balancing capacity or for bidding zone borders connected through DC interconnectors until the co-optimised allocation process is harmonised at Union level pursuant to Article 5(2)(g)Article 38(3).~~

~~3. This methodology shall be based on a comparison of the actual market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves and the forecasted market value of cross-zonal capacity for the exchange of energy, or on a comparison of the forecasted market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, and the actual market value of cross-zonal capacity for the exchange of energy.~~

~~4. The pricing method, the firmness regime and the sharing of congestion income for cross-zonal capacity that has been allocated for the exchange of balancing capacity or sharing of reserves via the market-based process shall ensure equal treatment with the cross-zonal capacity allocated for the exchange of energy.~~

~~5. Cross-zonal capacity allocated for the exchange of balancing capacity or sharing of reserves via the market-based allocation process shall be used only for the exchange of balancing capacity or sharing of reserves and associated exchange of balancing energy.~~

Article 42

Allocation process based on economic efficiency analysis

~~1. By two years after entry into force of this Regulation, all TSOs of a capacity calculation region may develop a proposal for a methodology for the allocation of cross-zonal capacity based on an~~

~~economic efficiency analysis. Such methodology shall apply for the exchange of balancing capacity or sharing of reserves with a contracting period of more than one day and where the contracting is done more than one week in advance of the provision of the balancing capacity. The methodology shall include:~~

- ~~(a) the rules and principles for allocating cross-zonal capacity based on an economic efficiency analysis;~~
- ~~(b) a detailed description of how to determine the forecasted market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, and an assessment of the market value of cross-zonal capacity for the exchange of energy;~~
- ~~(c) a detailed description of the pricing method, firmness regime and the sharing of congestion income for the cross-zonal capacity that has been allocated based on an economic efficiency analysis;~~
- ~~(d) the maximum volume of allocated cross-zonal capacity for the exchange of balancing capacity or sharing of reserves pursuant to paragraph 2.~~

~~2.—The allocation of cross-zonal capacity based on an economic efficiency analysis shall be limited to 5 % of the available capacity for the exchange of energy of the previous relevant calendar year between the respective bidding zones or, in case of new interconnectors, 10 % of the total installed technical capacity of those new interconnectors. This volume limitation may not apply for bidding zone borders connected through DC interconnectors until the co-optimised or market-based allocation processes are harmonised at Union level pursuant to Article 5(2)(g)Article 38(3).~~

~~3.—The methodology for the allocation of cross-zonal capacity based on an economic efficiency analysis shall be based on a comparison of the forecasted market value of cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, and the forecasted market value of cross-zonal capacity for the exchange of energy.~~

~~4.—The pricing method, the firmness regime and the sharing of congestion income for the cross-zonal capacity that has been allocated for the exchange of balancing capacity or sharing of reserves based on an economic efficiency analysis shall ensure equal treatment with the cross-zonal capacity allocated for the exchange of energy.~~

~~5.—TSOs referred to in paragraph 1 shall develop a proposal for a list of each individual allocation of cross-zonal capacity based on an economic efficiency analysis. Such list shall include:~~

- ~~(a) the specification of the bidding zone border;~~
- ~~(b) the volume of allocated cross-zonal capacity;~~
- ~~(c) the period during which the cross-zonal capacity would be allocated for the exchange of balancing capacity or sharing of reserves;~~
- ~~(d) the economic analysis justifying the efficiency of such allocation.~~

~~6.—TSOs referred to in paragraph 1 shall reassess the value of the allocated cross-zonal capacity in the process of the procurement of balancing capacity and release the allocated cross-zonal capacity which is no longer beneficial for the exchange of balancing capacity or sharing of reserves.~~

Article 43

Use of cross-zonal capacity by balancing service providers

1. Balancing service providers which have a contract for balancing capacity with a TSO on the basis of a TSO-BSP model pursuant to Article 35 shall have the right to use cross-zonal capacity for the exchange of balancing capacity if they are holders of physical transmission rights.
2. Balancing service providers which use cross-zonal capacity for the exchange of balancing capacity on the basis of a TSO-BSP model pursuant to Article 35 shall nominate their physical transmission rights for the exchange of balancing capacity to the concerned TSOs. Such physical transmission rights shall provide the right to their holders to nominate the exchange of balancing energy to the concerned TSOs and shall therefore be excluded from the application of the UIOSI principle.
3. Cross-zonal capacity allocated for the exchange of balancing capacity in accordance with paragraph 2 shall be included as already allocated cross-zonal capacity in the calculations of cross-zonal capacity.

TITLE V SETTLEMENT

CHAPTER 1 Settlement principles

Article 44

General principles

1. The settlement processes shall:
 - (a) establish adequate economic signals which reflect the imbalance situation;
 - (b) ensure that imbalances are settled at a price that reflects the real time value of energy;
 - (c) provide incentives to balance responsible parties to be in balance or help the system to restore its balance;
 - (d) facilitate harmonisation of imbalance settlement mechanisms;
 - (e) provide incentives to TSOs to fulfil their obligations pursuant to Article 127, Article 153, Article 157 and Article 160 of Regulation (EU) 2017/1485 as adapted and adopted by Permanent High Level Group Decision 2022/xx/PHLG-EnC;
 - (f) avoid distorting incentives to balance responsible parties, balancing service providers and TSOs;
 - (g) support competition among market participants;
 - (h) provide incentives to balancing service providers to offer and deliver balancing services to the connecting TSO;
 - (i) ensure the financial neutrality of all TSOs.
2. Each relevant regulatory authority in accordance with Article ~~5937~~ of Directive (EU) ~~20109/94472/EC~~, as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC shall ensure that all TSOs under its competence do not incur economic gains or losses with regard to the financial outcome of the settlement pursuant to Chapters 2, 3 and 4 of this Title, over the regulatory

period as defined by the relevant regulatory authority, and shall ensure that any positive or negative financial outcome as a result of the settlement pursuant to Chapters 2, 3 and 4 of this Title shall be passed on to network users in accordance with the applicable national rules.

3. Each TSO may develop a proposal for an additional settlement mechanism separate from the imbalance settlement, to settle the procurement costs of balancing capacity pursuant to Chapter 5 of this Title, administrative costs and other costs related to balancing. The additional settlement mechanism shall apply to balance responsible parties. This should be preferably achieved with the introduction of a shortage pricing function. If TSOs choose another mechanism, they should justify this in the proposal. Such a proposal shall be subject to approval by the relevant regulatory authority.

4. Each injection or withdrawal into or from a scheduling area of a TSO shall either be settled in accordance with Chapter 3 or Chapter 4 of Title V.

CHAPTER 2

Settlement of balancing energy

Article 45

Balancing energy calculation

1. As regards the settlement of balancing energy for at least the frequency restoration process and the reserve replacement process, each TSO shall establish a procedure for:

- (a) the calculation of the activated volume of balancing energy based on requested or metered activation;
- (b) claiming the recalculation of the activated volume of balancing energy.

2. Each TSO shall calculate the activated volume of balancing energy according to the procedures pursuant to paragraph 1(a) at least for:

- (a) each imbalance settlement period;
- (b) its imbalance areas;
- (c) each direction, with a negative sign indicating relative withdrawal by the balancing service provider, and a positive sign indicating relative injection by the balancing service provider.

3. Each connecting TSO shall settle all activated volumes of balancing energy calculated pursuant to paragraph 2, with the concerned balancing service providers.

Article 46

Balancing energy for frequency containment process

1. Each connecting TSO may calculate and settle the activated volume of balancing energy for the frequency containment process with balancing service providers pursuant to paragraphs 1 and 2 of Article 45.

2. The price, be it positive, zero or negative, of the activated volume of balancing energy for the frequency containment process shall be defined for each direction as defined in Table 1:

*Table 1***Payment for balancing energy**

	Balancing energy price positive	Balancing energy price negative
Positive balancing energy	Payment from TSO to BSP	Payment from BSP to TSO
Negative balancing energy	Payment from BSP to TSO	Payment from TSO to BSP

*Article 47***Balancing energy for frequency restoration process**

1. Each connecting TSO shall calculate and settle the activated volume of balancing energy for the frequency restoration process with balancing service providers pursuant to paragraphs 1 and 2 of Article 45
2. The price, be it positive, zero or negative, of the activated volume of balancing energy for the frequency restoration process shall be defined for each direction pursuant to Article 30 as defined in the Table 1.

*Article 48***Balancing energy for reserve replacement process**

1. Each connecting TSO shall calculate and settle the activated volume of balancing energy for the reserve replacement process with balancing service providers pursuant to paragraphs 1 and 2 of Article 45.
2. The price, be it positive, zero or negative, of the activated volume of balancing energy for reserve replacement process shall be defined for each direction pursuant to Article 30 as defined in the Table 1.

*Article 49***Imbalance adjustment to the balance responsible party**

1. Each TSO shall calculate an imbalance adjustment to be applied to the concerned balance responsible parties for each activated balancing energy bid.
2. For imbalance areas where several final positions for a single balance responsible party are calculated pursuant to Article 54(3), an imbalance adjustment may be calculated for each position.
3. For each imbalance adjustment, each TSO shall determine the activated volume of balancing energy calculated pursuant to Article 45 and any volume activated for purposes other than balancing.

CHAPTER 3***Settlement of the exchanges of energy between TSOs****Article 50***Intended exchanges of energy**

1. By one year after the entry into force of this Regulation, all TSOs shall ~~apply the~~develop a proposal for common settlement rules applicable to all ~~intended~~ exchanges of energy ~~as a result of~~

~~one or more of the following processes~~ pursuant to Articles 146, 147 and 148 of Regulation (EU) 2017/1485, ~~for each of the following:~~

- ~~(a) the reserve replacement process;~~
- ~~(b) the frequency restoration process with manual activation;~~
- ~~(c) the frequency restoration process with automatic activation;~~
- ~~(d) the imbalance netting process.~~

2. Each TSO-TSO settlement function shall perform the settlement in accordance with the settlement rules pursuant to Article 5(2)(i) paragraph 1.

3. By ~~one year~~eighteen months after the entry into force of this Regulation, all TSOs intentionally exchanging energy within ~~the~~ Continental Europe synchronous area shall ~~apply the~~develop a proposal for common TSO-TSO settlement rules ~~for the~~applicable to intended exchanges of energy, as a result of one or both: ~~pursuant to Article 50(3) of Regulation (EU) 2017/2195 in line with Article art.5(3)(jk).~~

- ~~(a) the frequency containment process pursuant to Article 142 of Regulation (EU) 2017/1485;~~
- ~~(b) the ramping period pursuant to Article 136 of Regulation (EU) 2017/1485.~~

4. ~~By eighteen months after the entry into force of this Regulation, all asynchronously connected TSOs intentionally exchanging energy between synchronous areas shall develop a proposal for common settlement rules applicable to intended exchanges of energy, as a result of one or both:~~

- ~~(a) frequency containment process for active power output on synchronous area level pursuant to Articles 172 and 173 of Regulation (EU) 2017/1485;~~
- ~~(b) ramping restrictions for active power output on synchronous area level pursuant to Article 137 of Regulation (EU) 2017/1485.~~

5. ~~The common settlement rules in accordance with paragraph 1 shall at least contain the provisions that the intended exchange of energy is calculated on the basis of the following criteria:~~

- ~~(a) over periods agreed among relevant TSOs;~~
- ~~(b) per direction;~~
- ~~(c) as the integral of the calculated power interchange over the periods pursuant to paragraph 5 (a).~~

6. ~~The common settlement rules of intended exchanges of energy in accordance with paragraphs 1(a), 1(b) and 1(c) shall take into account:~~

- ~~(a) all balancing energy prices established pursuant Article 30(1);~~
- ~~(b) the methodology for pricing of cross-zonal capacity used for the exchange of balancing energy pursuant Article 30(3).~~

7. ~~The common settlement rules of intended exchanges of energy in accordance with paragraph 1(d) shall take into account the methodology for pricing of cross-zonal capacity used for operating the imbalance netting process pursuant Article 30(3).~~

8. All TSOs shall establish a coordinated mechanism for adjustments to settlements between all TSOs.

Article 51

Unintended exchanges of energy

1. By ~~eighteen months~~one year after the entry into force of this Regulation, all TSOs of ~~at the~~the Continental Europe synchronous area shall ~~develop~~apply a ~~proposal for~~ common settlement rules applicable to all unintended exchanges of energy in line with Article 5(3)(l). ~~The proposal shall include the following requirements:~~

~~(a) the price for unintended exchanges of energy withdrawn from the synchronous area shall reflect the prices for activated upward balancing energy for frequency restoration process or reserve replacement process for this synchronous area;~~

~~(b) the price for unintended exchanges of energy injected into the synchronous area shall reflect the prices for activated downward balancing energy for frequency restoration process or reserve replacement process for this synchronous area.~~

2. ~~By eighteen months after the entry into force of this Regulation, all asynchronously connected TSOs shall develop a proposal for common settlement rules applicable to all unintended exchanges of energy between asynchronously connected TSOs.~~

~~3. The proposals of common settlement rules of unintended exchanges of energy between TSOs shall ensure a fair and equal distribution of costs and benefits between them.~~

~~4. All TSOs shall establish a coordinated mechanism for adjustments to settlements between them.~~

CHAPTER 4

Imbalance settlement

Article 52

Imbalance settlement

1. Each TSO or, where relevant, third party shall settle within its scheduling area or scheduling areas when appropriate with each balance responsible party for each imbalance settlement period pursuant to Article 53 all calculated imbalances pursuant to Article 49 and Article 54 against the appropriate imbalance price calculated pursuant to Article 55.

2. By one year after entry into force of this Regulation, all TSOs shall ~~apply~~develop a ~~proposal to further specify and harmonise at least the harmonised provisions on~~ of the main features of imbalance settlement pursuant to Article 52(2) of Regulation (EU) 2017/2195 in line with art. 5(2)(j) of this regulation.

~~(a) the calculation of an imbalance adjustment pursuant to Article 49 and the calculation of a position, an imbalance and an allocated volume following one of the approaches pursuant to Article 54(3);~~

~~(b) the main components used for the calculation of the imbalance price for all imbalances pursuant to Article 55 including, where appropriate, the definition of the value of avoided activation of balancing energy from frequency restoration reserves or replacement reserves;~~

~~(c) the use of single imbalance pricing for all imbalances pursuant to Article 55, which defines a single price for positive imbalances and negative imbalances for each imbalance price area within an imbalance settlement period; and~~

~~(d) the definition of conditions and methodology for applying dual imbalance pricing for all imbalances pursuant to Article 55, which defines one price for positive imbalances and one price for negative imbalances for each imbalance price area within an imbalance settlement period, encompassing;~~

- ~~(i) conditions on when a TSO may propose to its relevant regulatory authority in accordance with Article 37 of Directive 2009/72/EC the application of dual pricing and which justification must be provided;~~
 - ~~(ii) the methodology for applying dual pricing.~~
- ~~3. The proposal pursuant to paragraph 2 may distinguish between self-dispatching models and central dispatching models.~~
 - ~~4. The proposal pursuant to paragraph 2 shall provide an implementation date no later than eighteen months after approval by all relevant regulatory authorities in accordance with Article 5(2).~~

Article 53

Imbalance settlement period

1. By ~~one~~^{three} years after the entry into force of this Regulation, all TSOs shall apply the imbalance settlement period of 15 minutes in all scheduling areas while ensuring that all boundaries of market time unit shall coincide with boundaries of the imbalance settlement period.
- ~~2. The TSOs of a synchronous area may jointly request an exemption from the requirement laid down in paragraph 1.~~
- ~~3. Where the relevant regulatory authorities of a synchronous area grant an exemption from the requirement laid down in paragraph 1 upon a joint request of the TSOs in the concerned synchronous area or at their own initiative, they shall perform, in cooperation with the Agency Energy Community Regulatory Board and, to the extent EU Member States are involved affected, with the Agency for the Cooperation of Energy Regulators, and at least every three years, a cost-benefit analysis concerning the harmonisation of the imbalance settlement period within and between synchronous areas.~~

Article 54

Imbalance calculation

1. Each Contracting Party's TSO shall calculate within its scheduling area or scheduling areas when appropriate the final position, the allocated volume, the imbalance adjustment and the imbalance:
 - (a) for each balance responsible party;
 - (b) for each imbalance settlement period;
 - (c) in each imbalance area.
2. The imbalance area shall be equal to the scheduling area, except in case of a central dispatching model where imbalance area may constitute a part of scheduling area.
3. Until the implementation of ~~the proposal pursuant to Article 5(2)(j)~~^{Article 52(2)}, each TSO shall calculate the final position of a balance responsible party using one of the following approaches:
 - (a) balance responsible party has one single final position equal to the sum of its external commercial trade schedules and internal commercial trade schedules;
 - (b) balance responsible party has two final positions: the first is equal to the sum of its external commercial trade schedules and internal commercial trade schedules from generation, and the second is equal to the sum of its external commercial trade schedules and internal commercial trade schedules from consumption;

(c) in a central dispatching model, a balance responsible party can have several final positions per imbalance area equal to generation schedules of power generating facilities or consumption schedules of demand facilities.

4. Each TSO shall set up the rules for:

- (a) the calculation of the final position;
- (b) the determination of the allocated volume;
- (c) the determination of the imbalance adjustment pursuant to Article 49;
- (d) the calculation of the imbalance;
- (e) claiming the recalculation of the imbalance by a balance responsible party.

5. Allocated volume shall not be calculated for a balance responsible party which does not cover injections or withdrawals.

6. An imbalance shall indicate the size and the direction of the settlement transaction between the balance responsible party and the TSO; an imbalance can have alternatively:

- (a) a negative sign, indicating a balance responsible party's shortage;
- (b) a positive sign, indicating a balance responsible party's surplus.

Article 55

Imbalance price

1. Each Contracting Party's TSO shall set up rules to calculate the imbalance price, which can be positive, zero or negative, as defined in Table 2:

Table 2

Payment for imbalance

	Imbalance price positive	Imbalance price negative
Positive imbalance	Payment from TSO to BRP	Payment from BRP to TSO
Negative imbalance	Payment from BRP to TSO	Payment from TSO to BRP

2. The rules pursuant to paragraph 1 shall include a definition of the value of avoided activation of balancing energy from frequency restoration reserves or replacement reserves.

3. Each TSO shall determine the imbalance price for:

- (a) each imbalance settlement period;
- (b) its imbalance price areas;
- (c) each imbalance direction.

4. The imbalance price for negative imbalance shall not be less than, alternatively:

- (a) the weighted average price for positive activated balancing energy from frequency restoration reserves and replacement reserves;
- (b) in the event that no activation of balancing energy in either direction has occurred during the imbalance settlement period, the value of the avoided activation of balancing energy from frequency restoration reserves or replacement reserves.

5. The imbalance price for positive imbalance shall not be greater than, alternatively:
- (a) the weighted average price for negative activated balancing energy from frequency restoration reserves and replacement reserves;
 - (b) in the event that no activation of balancing energy in either direction has occurred during the imbalance settlement period, the value of the avoided activation of balancing energy from frequency restoration reserves or replacement reserves.
6. In the event that both positive and negative balancing energy from frequency restoration reserves or replacement reserves have been activated during the same imbalance settlement period, the imbalance settlement price shall be determined for positive imbalance and negative imbalance based on at least one of the principles pursuant to paragraphs 4 and 5.

CHAPTER 5

Settlement of balancing capacity

Article 56

Procurement within a scheduling area

1. Each TSO of a scheduling area using balancing capacity bids shall establish rules for the settlement of at least frequency restoration reserves and replacement reserves pursuant to the requirements set out in Article 32.
2. Each TSO of a scheduling area using balancing capacity bids shall settle at least all procured frequency restoration reserves and replacement reserves pursuant to the requirements set out in Article 32.

Article 57

Procurement outside a scheduling area

1. All TSOs exchanging balancing capacity shall establish rules for the settlement of procured balancing capacity pursuant to Article 33 and Article 35.
2. All TSOs exchanging balancing capacity shall jointly settle procured balancing capacity using the TSO-TSO settlement function pursuant to Article 33. TSOs exchanging balancing capacity based on a TSO-BSP model shall settle procured balancing capacity pursuant to Article 35.
3. All TSOs exchanging balancing capacity shall establish rules for the settlement of allocation of cross-zonal capacity pursuant to Chapter 2 of Title IV.
4. All TSOs exchanging balancing capacity shall settle the allocated cross-zonal capacity pursuant to Chapter 2 of Title IV.

TITLE VI ALGORITHM

Article 58

Balancing algorithms

1. ~~In the proposals pursuant to Articles 19, 20 and 21, all TSOs shall develop algorithms to be operated by the activation optimisation functions for the activation of balancing energy bids. Those algorithms shall:~~
 - ~~(a) respect the activation method of balancing energy bids pursuant to Article 29;~~
 - ~~(b) respect the pricing method for balancing energy pursuant to Article 30;~~
 - ~~(c) take into account the process descriptions for imbalance netting and cross border activation pursuant to Part IV Title III of Regulation (EU) 2017/1485.~~
2. ~~In the proposal pursuant to Article 22, all TSOs shall develop an algorithm to be operated by the imbalance netting process function. This algorithm shall minimise the counter activation of balancing resources by performing the imbalance netting process pursuant to Part IV of Regulation (EU) 2017/1485.~~
3. In the proposal pursuant to Article 33, two or more TSOs exchanging balancing capacity shall develop algorithms to be operated by the capacity procurement optimisation functions for the procurement of balancing capacity bids. Those algorithms shall:
 - (a) minimise the overall procurement costs of all jointly procured balancing capacity;
 - (b) if applicable, take into account the availability of cross-zonal capacity including possible costs for its provision.
4. All algorithms developed in accordance with this Article shall:
 - (a) respect operational security constraints;
 - (b) take into account technical and network constraints;
 - (c) if applicable, take into account the available cross-zonal capacity.

TITLE VII REPORTING

Article 59

European report on integration of balancing markets

1. ~~When monitoring the implementation of Commission Regulation (EU) 2017/2195 in accordance with its Article 59, the ENTSO for Electricity, acting in accordance with Article 3 of Procedural Act No 2022/2/MC-EnC, shall extend this report to include the Contracting Parties, where feasible. ENTSO E shall publish a European report focusing on monitoring, describing and analysing the implementation of this Regulation, as well as reporting on the progress made concerning the integration of balancing markets in Europe, respecting the confidentiality of information in accordance with Article 11.~~
2. ~~The format of the report shall vary as follow:~~
 - ~~(a) two years after entry into force of this Regulation and subsequently every second year a detailed report shall be published;~~
 - ~~(b) three years after entry into force of this Regulation and subsequently every second year a shorter version of the report shall be published to review the progress made and update the performance indicators.~~
3. ~~The report pursuant to paragraph 2(a) shall:~~

- ~~(a) describe and analyse the harmonisation and integration process as well as the progress made in terms of harmonisation and integration of balancing markets through the application of this Regulation;~~
- ~~(b) describe the status of implementation projects pursuant to this Regulation;~~
- ~~(c) assess the compatibility between the implementation projects and investigate any possible developments that pose a risk for future integration;~~
- ~~(d) analyse the development of the exchanges of balancing capacity and the sharing of reserves and describe possible barriers, prerequisites and actions to further enhance the exchange of balancing capacity and the sharing of reserves;~~
- ~~(e) describe the existing and analyse the potential exchanges of balancing services;~~
- ~~(f) analyse the suitability of standard products with respect to the latest development and evolution of different balancing resources and propose possible improvements of standard products;~~
- ~~(g) assess the need for further harmonisation of standard products and possible effects of non-harmonisation on integration of balancing markets;~~
- ~~(h) assess the existence and justifications for specific products used by TSOs and their effect on the integration of balancing markets;~~
- ~~(i) assess the progress of harmonisation of the main features of imbalance settlement as well as the consequences and possible distortions due to non-harmonisation;~~
- ~~(j) report the results of the cost-benefit analyses pursuant to Article 61.~~

~~4. ENTSO-E shall set up performance indicators for balancing markets that will be used in the reports. These performance indicators shall reflect:~~

- ~~(a) the availability of balancing energy bids, including the bids from balancing capacity;~~
- ~~(b) the monetary gains and savings due to imbalance netting, exchange of balancing services and sharing of reserves;~~
- ~~(c) the benefits from the use of standard products;~~
- ~~(d) the total cost of balancing;~~
- ~~(e) the economic efficiency and reliability of the balancing markets;~~
- ~~(f) the possible inefficiencies and distortions on balancing markets;~~
- ~~(g) the efficiency losses due to specific products;~~
- ~~(h) the volume and price of balancing energy used for balancing purposes, both available and activated, from standard products and from specific products;~~
- ~~(i) the imbalance prices and the system imbalances;~~
- ~~(j) the evolution of balancing service prices of the previous years;~~
- ~~(k) the comparison of expected and realised costs and benefits from all allocations of cross-zonal capacity for balancing purposes.~~

~~5. Before the submission of the final report, ENTSO for Electricity, acting in accordance with Article 3 of Procedural Act No 2022/2/MC-EnC, shall deliver~~prepare a the~~ proposal for a draft report developed pursuant to paragraph 1. This proposal shall define the structure of the report, the content and performance indicators that will be used in the report. The proposal shall be delivered to the~~

Agency Energy Community Regulatory Board which shall be entitled to require amendments within two months after the submission of the proposal.

6. The report pursuant to paragraph ~~12(a)~~ shall also contain an executive summary in English of each TSO report on balancing pursuant to Article 60.

7. The reports shall provide disaggregated information and indicators for each scheduling area, each bidding zone border, or each LFC block.

8. ENTSO-E shall publish the reports on internet and submit it to the Agency Energy Community Regulatory Board no later than six months after the end of the year it refers to.

~~9. After the deadlines by which all TSOs shall use the European platforms pursuant to Articles 19(5), 20(6), 21(6) and 22(5), all TSOs shall review the content and conditions of publication of the reports. Based on the outcome of that review, ENTSO-E shall develop a proposal for a new structure and timing for the publication of the reports and submit it to the Agency. The Agency shall be entitled to require amendments within three months after the submission of the proposal.~~

Article 60

TSO report on balancing

1. At least once every two years, each TSO shall publish a report on balancing covering the previous two calendar years, respecting the confidentiality of information in accordance with Article 11.

2. The report on balancing shall:

(a) include information concerning the volumes of available, procured and used specific products, as well as justification of specific products subject to conditions pursuant to Article 26;

(b) provide the summary analysis of the dimensioning of reserve capacity including the justification and explanation for the calculated reserve capacity requirements;

(c) provide the summary analysis of the optimal provision of reserve capacity including the justification of the volume of balancing capacity;

(d) analyse the costs and benefits, and the possible inefficiencies and distortions of having specific products in terms of competition and market fragmentation, participation of demand response and renewable energy sources, integration of balancing markets and side-effects on other electricity markets;

(e) analyse the opportunities for the exchange of balancing capacity and sharing of reserves;

(f) provide an explanation and a justification for the procurement of balancing capacity without the exchange of balancing capacity or sharing of reserves;

(g) analyse the efficiency of the activation optimisation functions for the balancing energy from frequency restoration reserves and, if applicable, for the balancing energy from replacement reserves.

3. The report on balancing shall either be in English or at least contain an executive summary in English.

4. Based on previously published reports, the relevant regulatory authority in accordance with Article ~~5937~~ of Directive (EU) 2010/9/4472/EC as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC shall be entitled to require changes to the structure and content of the next TSO report on balancing.

TITLE VIII COST-BENEFIT ANALYSIS

Article 61

Cost-benefit analysis

1. When TSOs are required to carry out a cost-benefit analysis pursuant to this Regulation, they shall establish the criteria and methodology for the cost-benefit analysis and submit them to the relevant regulatory authorities in accordance with Article [5937](#) of Directive [\(EU\) 20109/994472/EC as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC](#) by six months before the start of the cost-benefit analysis. The relevant regulatory authorities shall be entitled to jointly require amendments to the criteria and methodology.
2. The cost-benefit analysis shall at least take into account:
 - (a) the technical feasibility;
 - (b) the economic efficiency;
 - (c) the impact on competition and integration of balancing markets;
 - (d) the costs and benefits of implementation;
 - (e) the impact on European and national balancing costs;
 - (f) the potential impact on European electricity market prices;
 - (g) the ability of TSOs and balancing responsible parties to fulfil their obligations;
 - (h) the impact on market parties in terms of additional technical or IT requirements assessed in cooperation with the affected stakeholders.
3. All concerned TSOs shall provide the results of the cost-benefit analysis to all relevant regulatory authorities, together with a justified proposal on how to address possible issues identified by the cost-benefit analysis.

TITLE IX DEROGATIONS AND MONITORING

Article 62

Derogations

1. A regulatory authority in accordance with Article [5937](#) of Directive [\(EU\) 20109/994472/EC as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC](#) may, at the request of a TSO or at its own initiative, grant the relevant TSOs a derogation from one or more provisions of this Regulation in accordance with paragraphs 2 to 12.
2. A TSO may request a derogation from the following requirements:
 - (a) the deadlines by which a TSO shall use the European platforms pursuant to Articles 19(5), 20(6), 21(6) and 22(5);
 - (b) the definition of the integrated scheduling process gate closure time in a central dispatching model pursuant to Article 24(5) and the possibility to change the integrated scheduling process bids pursuant to Article 24(6);

- (c) the maximum volume of cross-zonal capacity allocated on a market-based process pursuant to Article 41(2) or a process based on an economic efficiency analysis pursuant to Article 42(2);
 - (d) the harmonisation of the imbalance settlement period in Article 53(1);
 - (e) the implementation of the requirements pursuant to Articles 45, 46, 47, 48, 49, 50, 51, 54, 55, 56 and 57.
3. The derogation process shall be transparent, non-discriminatory, non-biased, well documented and based on a reasoned request.
 4. TSOs shall file a written request for derogation to the relevant regulatory authority at the latest six months prior to the day of application of the provisions from which the derogation is requested.
 5. The request for derogation shall include the following information:
 - (a) the provisions from which a derogation is requested;
 - (b) the requested derogation period;
 - (c) a detailed plan and timeline specifying how to address and ensure the implementation of the concerned provisions of this Regulation after expiration of the derogation period;
 - (d) an assessment of the consequences of requested derogation on adjacent markets;
 - (e) an assessment of the possible risks for the integration of balancing markets across Europe caused by the requested derogation.
 6. The relevant regulatory authority shall adopt a decision concerning any request for derogation within six months from the day after it receives the request. That time limit may be extended by three months before its expiry where the relevant regulatory authority requires further information from the TSO requesting the derogation. The additional period shall begin when the complete information has been received.
 7. The TSO requesting the derogation shall submit any additional information requested by the relevant regulatory authority within two months of such request. If the TSO does not supply the requested information within that time limit, the request for a derogation shall be deemed withdrawn unless, before its expiry, alternatively:
 - (a) the relevant regulatory authority decides to provide an extension;
 - (b) the TSO informs the relevant regulatory authority by means of a reasoned submission that the request for a derogation is complete.
 8. When assessing the request for derogation or before granting a derogation at its own initiative, the relevant regulatory authority shall consider the following aspects:
 - (a) the difficulties related to the implementation of the concerned provision or provisions;
 - (b) the risks and the implications of the concerned provision or provisions, in terms of operational security;
 - (c) the actions taken to facilitate the implementation of the concerned provision or provisions;
 - (d) the impacts of non-implementation of the concerned provision or provisions, in terms of non-discrimination and competition with other European market participants, in particular as regards demand response and renewable energy sources;
 - (e) the impacts on overall economic efficiency and smart grid infrastructure;
 - (f) the impacts on other scheduling areas and overall consequences on the European market integration process.

9. The relevant regulatory authority shall issue a reasoned decision concerning a request for a derogation or a derogation granted at its own initiative. Where the relevant regulatory authority grants a derogation, it shall specify its duration. The derogation may be granted only once and for a maximum period of two years, except for the derogations in paragraphs 2(c) and 2(d) which may be granted until 1 January ~~2025~~2030.

10. The relevant regulatory authority shall notify its decision to the TSO, ~~the Agency~~the Energy Community Regulatory Board and the ~~European Commission~~Energy Community Secretariat. The decision shall also be published on its website.

11. The relevant regulatory authorities shall maintain a register of all derogations they have granted or refused and shall provide ~~the Agency~~the Energy Community Regulatory Board with an updated and consolidated register at least once every six months, a copy of which shall be given to ENTSO-E.

12. The register shall contain, in particular:

- (a) the provisions from which the derogation is granted or refused;
- (b) the content of the derogation;
- (c) the reasons for granting or refusing the derogation;
- (d) the consequences resulting from granting the derogation.

Article 63

Monitoring

1. ~~The ENTSO-E Secretariat~~ shall monitor the implementation of this Regulation by the Contracting Parties in accordance with Article 8(8) of Regulation (EC) No 714/2009. ~~Monitoring of the implementation of this Regulation by ENTSO-E shall cover at least the following matters:~~

- ~~(a) preparation of the European report on integration of balancing market pursuant to Article 59;~~
- ~~(b) preparation of a report on monitoring of the implementation of this Regulation including the effect on the harmonisation of applicable rules aimed at facilitating market integration.~~

2. ~~ENTSO-E shall submit a monitoring plan on the reports to be prepared and any updates, to the Agency for an opinion by six months after entry into force of this Regulation.~~

3. ~~The Agency, in cooperation with ENTSO-E, shall draw up by 12 months after the entry into force of this Regulation a list of the relevant information to be communicated by ENTSO-E to the Agency in accordance with Article 8(9) and 9(1) of Regulation (EC) No 714/2009. The list of relevant information may be subject to updates. ENTSO-E shall maintain a comprehensive, standardised format, digital data archive of the information required by the Agency.~~

4. ~~All~~ TSOs of the Contracting Parties shall submit to ~~ENTSO-E~~the Secretariat the information required to perform the tasks in accordance with paragraphs 1 ~~and 3~~.

5. Market participants and other relevant organisations for the integration of electricity balancing markets by the Contracting Parties shall, ~~at the joint request of the Agency and ENTSO-E,~~ submit to ~~ENTSO-E~~the Secretariat the information required for monitoring in accordance with paragraphs 1 and 23, except for information already obtained by the relevant regulatory authorities in accordance with Article 5937 of Directive (EU) 20109/994472/EC, as adapted and adopted by Ministerial Council Decision 2022/xx/MC-EnC ~~the Agency, the Energy Community Regulatory Board, the Agency for the Cooperation of Energy Regulators.~~

TITLE X
TRANSITIONAL AND FINAL PROVISIONS

Article 64

Transitional provisions for Ireland and Northern Ireland

~~Except for the participation in the development of terms and conditions or methodologies, for which the respective deadlines shall apply, the requirements of this Regulation shall apply in Ireland and Northern Ireland from 31 December 2019.~~

Article 65

Entry into force

~~This Regulation shall enter into force on the day of the adoption of the Decision by the Permanent High Level Group.~~

~~It shall be transposed into national legislation of the Contracting Parties no later than by [tbd].~~

~~This Decision shall be binding in its entirety <...> in all Member States and Contracting Parties.~~

~~Done in Vienna, [xx].~~

~~1. This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.~~

~~2. For Articles 14, 16, 17, 28, 32, 34 to 36, 44 to 49, and 54 to 57, this Regulation shall apply from one year after entry into force of this Regulation.~~

~~This Regulation shall be binding in its entirety and directly applicable in all Member States~~

~~Done at Brussels, 23 November 2017.~~

For the Commission

The President

Jean-Claude JUNCKER