



## Annex to Final Report: Gap analysis (Task 1)

*EKC and IMP*

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# Technical Assistance to the Implementation of Cross-border Electricity Balancing

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***Task 1: Assessment of national balancing markets of  
beneficiary countries***

***ANNEX to Final Report: Gap analysis***

March 2019

## Table of Contents

1. Introduction .....	3
2. Serbia .....	4
3. Albania .....	51
4. Kosovo* .....	114
5. FYR Macedonia.....	172
6. Montenegro .....	227
7. Bosnia-Herzegovina.....	287

## 1. INTRODUCTION

This Annex to Task 1 of the Report contains a comprehensive gap analysis of the legal/regulatory framework of the Contracting Parties of the WB6 region, assessed against the essential requirements of the Guideline on Electricity Balancing and Guideline on Transmission System Operation (hereinafter - EB GL/ SO GL; together referred to as the Guidelines), as well as proposed changes to the legal acts, so as ensure compliance with the Guidelines.

The gap analysis was based on the legislation in force in the individual Contracting Parties, and does not reflect on or take into account existing/potential differing opinion of/interpretation of/dispute between the Contracting Parties of the WB6 region.

The potential adaption of the EB GL/SO GL to the institutional framework and specificities of the Contracting Parties of the WB6 region when incorporating the Guidelines into the Energy Community *acquis* was not taken into account in this gap analysis, as it is unknown at the moment of compiling this Report. Hence, this gap analysis makes references to the transposition of the integral text of the EB GL into national legislation without taking into account any such adaptation.

The condensed summary pointing out the non-compliant/partially compliant/missing provisions in the legal acts of each Contracting Party is provided in the main body of Task 1 Report.

## 2. SERBIA

The gap analysis for Serbia was based on the English version of the Energy Law<sup>1</sup>, Market Code<sup>2</sup> and the Grid Code<sup>3</sup>, published on the TSO's (EMS) or NRA's (AERS) websites. Hence, some of the identified discrepancies might not be relevant due to inconsistencies between the Serbian and English version of the above-mentioned legal acts, as a result of translation.

Bilateral agreements between EMS and neighboring TSOs were not analysed in detail but they were taken into account to the extent that these agreements should be aligned with the relevant amendments to legal acts, proposed as transitional solutions.

EB GL/SO GL	National legislation	Level of compliance (compliant, non-compliant, partly compliant, missing)	Proposed changes
<b>Part I - General provisions of SO GL</b>			
<b>Article 3 – Definitions</b>			
<b>(6) “frequency containment reserves” (FCR)</b>	<p><b>The Energy Law</b> uses “primary regulation” in Article 88 Para 2 under 9)</p> <p><b>The Market Code</b> mentions “primary regulation” in Article 4.1.1. under a), Article 4.1.6. and 4.2.2., while “primary reserve” in Article 4.1.6., 4.2.1. under a) and Article 4.2.2.</p> <p><b>The Grid Code</b> defines “primary control” and “primary control reserve (primary reserve) in Article 2.1.1.</p>	<p>Even though the “old” terminology is used, the <b>Grid Code definitions of “primary control”</b> (read in conjunction with e.g. Article 4.3.6.1.3., describes the process for activating reserve (energy) in case of frequency deviation in synchronous area) and <b>“primary reserve”</b> (read in conjunction with e.g. Article 6.2.2.1. and 4.3.6.1.3., refers to capacity) <b>in substantive terms can be assessed as <u>compliant</u> with the definition of FCR from the SO GL</b></p>	<p><b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: replicate the definition from the SO GL in the Grid Code.</b> This implies aligning the terminology throughout the Grid Code and the Market Code. Since Article 3 Para 6 of the SO GL defines FCR by using the term “active power reserve”, the above-mentioned alignment might also require revision of the definition of “active power” used in Article 2.1.1. of the Grid Code.</p>

<sup>1</sup> <http://aers.rs/FILES/Zakoni/Eng/EnergyLaw%20SG%20145-14.pdf>

<sup>2</sup> <http://ems.rs/media/uploads/2017/Pravila%20o%20radu%20trzista/Market%20Code%2026.04.2017.-%20English%20version%20Unofficial%20translation.pdf>

<sup>3</sup> [http://ems.rs/media/uploads/2018/Pravila%20o%20radu%20prenosnog%20sistema/GRID\\_CODE\\_28122017\\_EN\\_radna\\_ve.pdf](http://ems.rs/media/uploads/2018/Pravila%20o%20radu%20prenosnog%20sistema/GRID_CODE_28122017_EN_radna_ve.pdf)

<p>(7) “frequency restoration reserves” (FRR)  (99) “automatic FRR”  (143) “manual FRR full activation time”</p>	<p><b>The Energy Law</b> uses “services of secondary and tertiary control” in Article 52 Para 1 and Article 88 Para 3 under b)  <b>The Market Code</b> mentions “secondary regulation energy” (definition of “imbalance netting” in Article 2.1.), “secondary regulation” (e.g. Article 4.1.1. under a) and 4.2.3.), “tertiary regulation” (e.g. Article 4.1.1. under b) and 4.2.4), “secondary and tertiary regulation energy” along with “secondary and tertiary reserve” (e.g. Article 4.1.6.), “secondary reserve” and “tertiary reserve” (e.g. Article 4.2.1. under a))  <b>The Grid Code</b> defines “secondary control”, “secondary control reserve (secondary reserve)”, “tertiary control”, “reserve for tertiary control (tertiary reserve)” (both direct and program tertiary reserve) in Article 2.1.1.</p>	<p>Even though the “old” terminology (is used, the <b>Grid Code</b> definitions of “secondary control”, “secondary reserve”, “tertiary control”, “tertiary reserve” all together in substantive terms can be assessed as <u>compliant</u> with the definition of FRR from the <b>SO GL</b>, as they refer to, among other things, “resetting the pre-set value of frequency in case of frequency deviation in synchronous area” and foresee direct and program tertiary reserve (activation)</p>	<p><b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: replicate the definitions from the SO GL in the Grid Code.</b> This implies aligning the terminology throughout the Grid Code and the Market Code.</p>
<p>(8) “replacement reserves” (RR)</p>	<p><b>The Market Code</b> mentions fast and slow reserve merit order lists in tertiary regulation in Article 5.8.1., 5.8.2., 5.9.1. and 5.9.2. without elaborating further on these concepts  <b>The Grid Code does not</b> define fast and slow reserves either, but contains definitions of “tertiary control” and “reserve for tertiary control (tertiary reserve)” (both direct and program tertiary reserve) in Article 2.1.1.</p>	<p>Even though the “old” terminology (is used, the <b>Grid Code</b> definition of “tertiary control” and “tertiary reserve” read together in substantive terms can be assessed as <u>compliant</u> with the definition of RR from the <b>SO GL</b>, as they refer to, among other things, “Activation of tertiary reserve in order to restore the reserve for secondary control”</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: replicate the definition from the SO GL in the Grid Code.</b> This implies aligning the terminology throughout the Grid Code and the Market Code.</p>

<p><b>Title I - General provisions of EB GL</b></p>			
<p><b>Article 2 - Definitions</b></p>			
<p><b>(1) “balancing”</b></p>	<p><b>The Energy Law</b> does not define balancing, but uses it on random occasions:</p> <ul style="list-style-type: none"> <li>- Article 94 Para 3 under 7) - obligation of electricity producers to offer all the unused production capacities for the needs of <b>balancing</b>;</li> <li>- Article 108 Para 1 under 9), Article 109 Para 1 under 23) and Article 110 Para 1) – responsibilities and duties of the TSO;</li> <li>Article 174 – Electricity Balancing Market;</li> <li>Article 175 Para 1 under 6) – Market Code content</li> </ul> <p><b>The Market Code</b> does not define balancing but uses it in Article 5.9.5 – reasons for engaging a balancing entity</p> <p><b>The Grid Code</b> provides a definition of balancing in Article 2.1.1.</p>	<p>The Grid Code definition is <b>partially compliant</b> with the EB GL, as it is narrower in scope than that of the EB GL. The Grid Code definition is limited to utilizing/engaging secondary and tertiary reserves, while the EB GL defines balancing as “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...and compliance with the amount of reserves needed with respect to the required quality...”</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Replicate the definition from the EB GL in the Grid Code</b> (*this also implies aligning the terminology with that of Article 3 under 6),7), and 8) of the SO GL)</p>
<p><b>(2) “balancing market”</b></p>	<p><b>The Energy Law</b> does not provide an explicit definition of the balancing market, but does have a whole article (Article 174) devoted to it. The balancing market is further mentioned in Article 168, Para 1 under 2), Article 175, Para 1 under 2), and Article 176 Para 2</p>	<p>There is no explicit <b>definition</b> provided in Serbian law, i.e. is <b>missing</b>.</p> <p>However, the provisions of the Energy Law and of the Market Code, <b>in substantive terms, are assessed as <u>compliant</u> with definition from the EB GL</b>, the as they set out the institutional, commercial and operational arrangements</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Introduce a general definition of “balancing market”</b></p>



	<p><b>The Market Code</b> elaborates the balancing market in Article 5</p>	<p>that establish market-based management of balancing.</p>	<p><b>in the Market Code</b> which will replicate the definition from the EB GL.</p>
<p><b>(3) “balancing services”</b></p>	<p><b>The Energy Law</b> does not define balancing services but they are mentioned in Article 109 Para 1 under 22) – responsibilities and duties of the TSO</p> <p><b>The Market Code</b> does not use nor define the notion of balancing services. However, Article 4.1 describes “system services”</p> <p>Throughout the legal acts the term “<b>ancillary services</b>”, albeit explicitly defined in Article 2 under 58 of the <b>Energy Law</b>, is used either in parallel with “system services” or used interchangeably</p>	<p><b>The definition of balancing services is missing in Serbian legislation.</b></p> <p><b>Article 4.1 of the Market Code</b> describes “<b>system services</b>” which in the part related to primary, secondary, and tertiary regulation (as defined in <b>Article 2.1. of the Grid Code</b>) appear to cover both balancing capacity and balancing energy. However, system services as described in the Market Code are wider in their scope (as they also include the reestablishment of the power system after a breakdown (black start of generators and island operation regime of generators), as well as purchase and sale of electricity for compensation of inadvertent deviations of the Control area) and cannot thus simply be considered as a different denomination of balancing services.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “balancing services” in the Market Code</b> which will replicate the definition from the EB GL. This implies the revision of usage of the term “ancillary services” and “system services” (and seriously consider using just one of these two terms instead of both) and aligning with the new term “balancing services” throughout the Market Code</p>
<p><b>(4) “balancing energy”</b></p>	<p><b>The Energy Law</b> does not explicitly define “balancing energy” but uses the notion of purchasing or selling energy for the purpose of balancing and ensuring safe system operation in Article 174.</p> <p><b>The Market Code</b> explicitly uses “balancing energy” in Article 5.1.2, but does not define it either.</p>	<p><b>An explicit definition in the Energy Law is missing. However, the description in Article 174 can be assessed as partially compliant,</b> mainly due to the fact that “balancing” in the Serbian legislation is only partially compliant to the EB GL (**see above: definition of “balancing”)</p> <p><b>The Market Code description of balancing energy can be assessed as partially compliant with the EB GL</b> (it is used for keeping the balance between production, consumption and exchange, as well as for maintaining the necessary level of reserves). The description inherently misses the link to balancing as</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of the “balancing energy” in the Market Code</b> which will replicate the definition from the EB GL.</p>

		defined in the EB GL (related to maintaining system frequency).	
(5) “balancing capacity”	<p><b>The Energy Law, Market Code and Grid Code do not define balancing capacity.</b></p> <p>However, the <b>Market Code</b> covers the notion of “<b>balancing reserves</b>” in Article 5.1.5</p>	<p><b>Definition of balancing capacities <u>missing</u>.</b></p> <p><b>The notion of “balancing reserves”</b> foreseen in the Market Code is, in substance, <b><u>partially compliant</u></b> with the requirements of the EB GL definition of “balancing capacity” (balancing mechanism participants with balancing entities are obliged to place explicit bids for the activation of energy from the capacity that they have made available to the TSO for the purpose of balancing (Article 5.5.1 of the Market Code), while other balancing mechanism participants do not have this obligation, but rather just the possibility to place offers for the activation of energy from the corresponding capacity (Article 5.7 of the Market Code)).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce a definition of “balancing reserves” in the Market Code</b> which will replicate the definition from the EB GL;</li> <li>- <b>additionally, amendments to Article 5.7 are necessary so as to oblige the suppliers to place bids for a volume of balancing energy corresponding to the reserve capacity that they have agreed to hold.</b></li> </ul>
(6) “balancing service provider”	<p><b>The Energy Law, Market Code, and the Grid Code do not define “balancing service provider”</b></p> <p><b>The Market Code</b> foresees the notion of „<b>balancing entities</b>” in Article 5.1.6, „<b>contractual balancing reserve</b>” in Article 5.1.7 and „<b>participation in the balancing mechanism</b>” in Article 5.2</p> <p><b>The Grid Code</b> foresees the notion of „<b>balancing entities</b>” in Article 2</p>	<p><b>Definition of balancing service providers is <u>missing</u>.</b></p> <p><b>Article 5.1.6 (Balancing entities) of the Market Code, read in conjunction with Articles 5.1.7 (Contractual Balancing Reserves) and 5.2 (Participation in the Balancing Mechanism) in substance</b> define who can be the balancing service provider and are thus <b><u>compliant</u></b> with the requirements of the definition of balancing service provider from the EB GL</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce a definition of “balancing service providers” in the Market Code</b> which will replicate the definition from the EB GL;</li> <li>- <b>additionally, and so as to avoid unnecessary intervention in the text of the Market Code, the definition of BSPs could read: “balancing service provider’ means a market participant with reserve-providing units or reserve-</b></li> </ul>

			providing groups able to provide balancing services to TSOs, which fulfils the requirements for participation in the Balancing Mechanism, as defined in this Market Code.”
<b>(7) “balance responsible party”</b>	<p>Article 2 Para 2 of the <b>Energy Law</b> defines “balance responsibility” while Articles 171-173 regulate the “balance responsibility of market participants”</p> <p>Article 2.1. of the <b>Market Code</b> provides a definition of “<b>Balance Responsible Party</b>”. The details of the balance responsibility are further elaborated in Article 3 of the Market Code</p> <p>Article 2.1. of the <b>Grid Code</b> foresees the definition of “<b>Balance Responsible Party</b>”</p>	<b>Compliant</b>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>
<b>(8) “imbalance”</b>	<p><b>The Energy Law</b> foresees the notion of “<b>balance deviation</b>” in Article 2 Para 1 under 2) and the notion of “<b>balance group deviations</b>” in Article 175 Para 1 under 3)</p> <p>The <b>Market Code</b> further elaborates the determination of the „<b>balance group deviations</b>” in <b>Articles 6.1 and 6.3.1. However, the term “imbalance” appears in Article 6.4 (“calculation of imbalance settlement price”), 6.5.1. (“Method of financial accounting of balancing group</b></p>	The notion of <b>balance group deviations</b> as defined in the Market Code, <b>read in conjunction with the definition of Balance Responsible Party</b> in the Market Code, is <b>compliant with the definition of imbalance in the EB GL</b> , and should be assessed as a different denomination/wording of “imbalance” <i>(which is a consequence of inconsistent translation rather than substantive differences, given that the word “deviation” in the Serbian text of the Market Code and the Grid Code is used consistently)</i>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p> <p>Note: the translation of the Market Code could be improved so as to ensure consistency in the terms used (i.e. to use imbalance instead of deviation throughout the text)</p>

	<p>imbalance”), <b>6.5.2</b> (“Determination of fee for imbalance of balancing group”), etc.</p> <p>The Grid Code foresees the notion of “deviations” within the definition of balance responsible parties in Article 2.1, and further mentions them in this context in Article 5.4.2, and uses “imbalance settlement” in 8.3.1 (before last indent) and 8.10.2.4</p>		
(9) “imbalance settlement”	<p>The Energy Law does not define “imbalance settlement”. However, Article 175 Para 1 under 4) of Energy Law foresees the notion of “calculation of financial offsets of balance responsible parties”</p> <p>The Market Code does not define “imbalance settlement”. However, Article 6.5 of the Market Code Foresees the notion of “Financial accounting for Balancing Groups” and elaborates the financial settlement mechanism in detail</p>	<p>The definition is <u>missing</u> in Serbian legislation.</p> <p>However, in substance, Article 6.5 of the Market Code elaborates imbalance settlement (as a financial settlement mechanism defined in the EB GL), and can thus be assessed as <u>compliant in its essence</u> with the definition of the definition of the EB GL.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution:</p> <ul style="list-style-type: none"> <li>- introduce a definition of “imbalance settlement” in the Market Code which will replicate the definition from the EB GL;</li> <li>- additionally, and so as to avoid unnecessary intervention in the text of the Market Code the title of Article 6.5 of the Market Code could be changed to “Imbalance Settlement of Balancing Groups”.</li> </ul>
(10) “imbalance settlement period”	<p>The Energy Law, Market and Grid Code do not explicitly define “imbalance settlement period”</p> <p>The Market Code defines the notion of “accounting interval” in</p>	<p>An explicit definition of “imbalance settlement period” <u>is missing</u> in the Market Code.</p> <p>However, the definition of “accounting interval” in the Market Code, when used in</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p>

	<p>Article 2.1 and uses it in Article 6.5.2 (Determination of fee for imbalance of balancing groups)</p>	<p>the context of imbalance settlement, <u>is compliant</u> with the EB GL.</p>	<p><b>As a transitional solution:</b> so as to avoid unnecessary intervention in the text of the Market Code which makes over 30 references to the “accounting period”, not all of which are related to the “imbalance settlement period” as defined in the EB GL, the proposal is to <b>amend the existing “accounting interval” definition in the Market Code as follows:</b> “Accounting interval – the period for which calculations are performed as defined by the Market rules, which is 1 (one) hour. When used in the context of imbalance settlement the accounting interval shall mean the time unit for which balance responsible parties’ imbalance is calculated which is 1 (one) hour.</p>
<p>(11) “imbalance area”</p>	<p>The Energy Law, Market Code, and the Grid Code do not define “imbalance area”</p> <p>The Grid Code in the definition of “balance responsible party”, set out in Article 2.1.1., links the responsibility of BRP with the deviation of one balance group in the market area of Serbia</p>	<p>Definition <u>missing</u>.</p> <p>When analysing the provisions of Article 6 of the Market Code (“DETERMINATION OF BALANCING GROUP DEVIATION AND FINANCIAL ACCOUNTING”), read in conjunction with the definition of BRP in the Grid Code, <b>it may be concluded that the imbalance area is the market area of Serbia (albeit not defined in the Grid Code) which is not the same as TSO’s control area (defined in Article 2.1.1. of the Grid Code) or scheduling area in the sense of Article 54 of the EB GL</b></p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: introduce a definition of “imbalance area” in the Market Code which will replicate the definition from the EB GL, as well as explicitly state that during interim period, when used in the context of imbalance settlement, the imbalance area shall mean the market area of Serbia.</b> This implies additional definition of the “market area of Serbia” both in the Market Code and the Grid Code.</p>

<p>(12) “imbalance price”</p>	<p>Article 6.4 of the Market code stipulates how the “imbalance settlement price” is formed</p>	<p>Although the Market Code does not provide an explicit definition of “imbalance price”, the provisions of Article 6.4 describe how the “imbalance settlement price” is formed and this is in its substance <u>compliant</u> with the main elements of the definition of “imbalance price” from the EB GL (as it is calculated for the imbalance settlement, i.e. accounting period and can be positive, zero or negative (in the last case equalized to zero) and takes into account whether the direction of the imbalance when read in conjunction with Article 6.5.1.1 and 6.5.1.2).</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>Taking into account the above-mentioned, no amendments are needed as a transitional solution.</p>
<p>(13) “imbalance price area”</p>	<p>The Energy Law, Market Code, and the Grid Code do not define “imbalance price area”</p> <p>The Grid Code in the definition of “balance responsible party”, set out in Article 2.1.1., links the responsibility of BRP with the deviation of one balance group in the market area of Serbia</p>	<p>Definition <u>missing</u>.</p> <p>When analysing the provisions of Article 6 of the Market Code (“DETERMINATION OF BALANCING GROUP DEVIATION AND FINANCIAL ACCOUNTING”) ), read in conjunction with the definition of BRP in the Grid Code, it may be concluded that the imbalance price area is the market area of Serbia (albeit not defined in the Grid Code) which is not the same as TSO’s control area (defined in Article 2.1.1. of the Grid Code) or scheduling area in the sense of Article 54 in relation to Article 55 of the EB GL.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of the “imbalance price area” in the Market Code which will replicate the definition from the EB, as well as explicitly state that during interim period, when used in the context of imbalance settlement, the imbalance price area shall mean the market area of Serbia. This implies additional definition of the “market area of Serbia” both in the Market Code and the Grid Code.</p>
<p>(14) “imbalance adjustment”</p>	<p>The Energy Law, Market Code, and the Grid Code do not define “imbalance adjustment”</p>	<p>Definition <u>missing</u>.</p> <p>However, Articles 6.1.1 and 6.1.4 (Balancing Group Deviation Accounting) and Article 6.2.3 (Determination of balancing group’s total engaged balancing energy) of the Market Code foresee the notion of “Engaged</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p>

		<p><b>balancing energy from balancing entities of each Balancing group</b> which is an essential element for determining (calculating) the imbalance of the respective Balancing Group under the responsibility of a Balance Responsible Party. As such it appears to be <b>compliant</b> in substance with the definition of “imbalance adjustment” from the EB GL.</p>	<p><b>As a transitional solution: introduce a definition of “imbalance adjustment” in the Market Code</b> which will replicate the definition from the EB GL. This would additionally mean using “imbalance adjustment” in Articles 6.1.1 and 6.1.4, throughout Article 6.2.3, and in Article 6.3.1.1. of the Market Code instead of the current wording.</p>
(15) “allocated volume”	<p>The Energy Law, Market Code, and the Grid Code do not define “allocated volume”</p>	<p><b>Definition missing.</b></p> <p>However, Articles 6.1.1 and 6.1.3 of the Market Code (Balancing Group Deviation Accounting) and Article 6.2.2 foresee the notion of “<b>total metered position</b>” which is <u>in substance compliant</u> with the definition of “allocated volume” from the EB GL (i.e. it relates to confirmed metered values of withdrawn and injected energy at that Balancing group’s delivery points in the transmission and distribution system)</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “allocated volume” in the Market Code</b> which will replicate the definition from the EB GL. This would additionally mean using “allocated volume” in Articles 6.1.1 and 6.1.3, throughout Article 6.2.2, and in Article 6.3.1.1. of the Market Code instead of the current wording.</p>
(16) “position”	<p>The Energy Law, Market Code, and the Grid Code do not define “position”</p>	<p><b>Definition missing.</b></p> <p>However, Articles 6.1.1., 6.1.2 and 6.2.1 of the Market Code (foresee the notion of “<b>total nominated position</b>” which is <u>in substance compliant</u> with the definition of “position” from the EB GL (i.e. it relates to declared energy volume of a BRP)</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “position” in the Market Code</b> which will replicate the definition from the EB GL. This would additionally mean using “position” in Articles 6.1.1 and 6.1.2., and throughout Article 6.2.1, and in Article 6.3.1.1. of the Market Code instead of the current wording.</p>

<p><b>(17) “self-dispatching model”</b></p>	<p>Article 6.4.3. and Article 6.5.2.1.4 of the Grid Code cover daily schedules and the execution of the last approved schedule</p>	<p>Article 6.4.3. and Article 6.5.2.1.4. of the Grid Code, <b>in substantive terms</b>, can be assessed as <b>compliant</b> with the self-dispatching model set out in EB GL. An explicit <b>definition of “self-dispatching model” as such is missing</b> in the Serbian legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p>Given that the self-dispatching definition in the EB GL is provided so as to differentiate those options in the EB GL applicable to the self-dispatching model and those applicable to the central dispatching model, there is no need for any transitional solution.</p>
<p><b>(21) “TSO-TSO model”</b></p>	<p><b>The Energy Law, Market Code and Grid Code do not define “TSO-TSO model”</b></p> <p>Articles 5.2.5, 5.7.1 and 5.8.2 of the <b>Market Code</b> foresee the possibility of <b>purchasing cross-border tertiary regulation energy from TSOs from another market</b> area. Article 4.1.6 of the <b>Market Code</b> foresees the possibility to arrange, with other Transmission system operators, mechanisms for the <b>exchange of primary, secondary and tertiary regulation energy and joint use of primary, secondary and tertiary reserve</b>, in accordance with Rules of the interconnection</p> <p><b>The Grid Code foresees the possibility of purchasing both secondary and tertiary regulation energy from a neighboring TSO in</b> Articles 6.5.2.2.1, 6.5.2.2.4,</p>	<p><b>The explicit definition of “TSO-TSO model” is missing in Serbian legislation.</b></p> <p>However, taken in their totality, Articles 5.2.5, 5.7.1, 5.8.2 and 4.1.6 of the <b>Market Code</b> can be assessed as being <b>compliant in substance</b> with the requirements of the EB GL, as they foresee the possibility of exchanging cross-border of <b>primary, secondary and tertiary regulation energy and joint use of primary, secondary and tertiary reserve</b> with TSOs from another market area.</p> <p><b>The Grid Code</b>, in Articles 6.5.2.2.1, 6.5.2.2.4, 6.5.2.2.9, 6.5.2.2.10 and 6.5.2.2.11, foresees the possibility of exchanging both secondary and tertiary regulation energy with a neighboring TSO making its provisions <b>partially compliant in substance</b> with the definition of the TSO-TSO model from the EB GL – partial compliance is related to the fact that the Grid Code (in these Articles) limits the TSO-TSO model to neighboring TSOs. However, Article <b>6.2.1.4.</b> uses the term “other</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “TSO-TSO model” in the Market Code</b> which will replicate the definition from the EB GL, <b>with and addition in the end of the definition “under the conditions foreseen in this Market Code”</b>. Additional attention should be paid whether to introduce the possibility to obtain secondary regulation from the TSO from another market area in the Market Code.</p> <p><b>The provisions of the Grid Code should be altered, so as to relate to any TSO from another market area, and not only neighboring TSOs.</b></p>



	<p>6.5.2.2.9, 6.5.2.2.10 and 6.5.2.2.11. <b>Article 6.2.1.4.</b> foresees the possibility to agree, with other Transmission system operators, mechanisms for the <b>exchange of primary, secondary and tertiary regulation energy and joint use of primary, secondary and tertiary reserve</b>, in accordance with regulations and rules of the interconnection operation</p>	<p>TSOs” rendering <b>this Article compliant in substance</b> with the definition of the TSO-TSO model from the EB GL.</p> <p>Furthermore, it remains unclear why there is a discrepancy within the Grid Code itself regarding which TSO it is related to (any or neighboring). Also, both codes miss the link to the respective balancing service provider.</p>	
<p><b>(22) “connecting TSO”</b></p>	<p><b>*Same as for “TSO-TSO” model (see (21) above)</b></p>	<p><b>The explicit definition of “connecting TSO” is missing in Serbian legislation.</b></p> <p>The notion of connecting TSO is implicitly included in the provisions of the Market Code and Grid Code (*see: definition of TSO-TSO model above). Both codes miss the link to the balancing service providers and balancing responsible parties, as well as compliance with the terms and conditions related to balancing and are therefore assessed as <b>non-compliant in substance</b> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “connecting TSO” in the Market Code</b> which will replicate the definition from the EB GL.</p>
<p><b>(23) “exchange of balancing services”</b></p>	<p><b>*Same as for “TSO-TSO” model (see (21) above)</b></p>	<p><b>The explicit definition of “exchange of balancing services” is missing in Serbian legislation.</b></p> <p>However, taken in their totality, Articles 5.2.5, 5.7.1, 5.8.2 and 4.1.6 of the <b>Market Code</b> can be assessed as being <b>compliant in substance</b> with the requirements of the EB GL, as they foresee the possibility of exchanging cross-border of <b>primary, secondary and tertiary regulation energy and joint use of primary,</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “exchange of balancing services” in the Market Code and Grid Code</b> which will replicate the definition from the EB GL.</p>

		<p><b>secondary and tertiary reserve</b> from TSOs from another market area.</p> <p><b>The Grid Code</b>, on the other hand, in Articles 6.5.2.2.1, 6.5.2.2.4, 6.5.2.2.9, 6.5.2.2.10 and 6.5.2.2.11, foresees the possibility of exchanging both secondary and tertiary regulation energy with a neighboring TSO making these provisions <b>partially compliant in substance</b> with the definition from the EB GL – as it explicitly envisages exchanges of energy in these provisions (while balancing services in the EB GL can mean energy or capacity, or both). However, <b>Article 6.2.1.4.</b> foresees the possibility to agree, with other Transmission system operators, mechanisms for the <b>exchange of primary, secondary and tertiary regulation energy and joint use of primary, secondary and tertiary reserve</b>, in accordance with regulations and rules of the interconnection operation, rendering this Article <b>compliant</b> with the definition from the EB GL.</p>	
<p><b>(24) “exchange of balancing energy”</b></p>	<p><b>*Same as for “TSO-TSO” model (see (21) above)</b></p>	<p><b>The explicit definition of “exchange of balancing energy” is missing in Serbian legislation.</b></p> <p>However, taken in their totality, Articles 5.2.5, 5.7.1, 5.8.2 and 4.1.6 of the <b>Market Code</b> can be assessed as being <b>compliant in substance</b> with the requirements of the EB GL, as they foresee the possibility of exchanging cross-border <b>of primary, secondary and tertiary regulation energy</b> with TSOs from another market area. The question remains whether this energy is obtained by activating bids in another market area by the other TSO, as it is</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “exchange of balancing energy” in the Market Code and Grid Code which will replicate the definition from the EB GL.</b></p>

		<p>regulated by the legislation of that TSO. The concept is not further elaborated in the Market Code in terms of exchange of primary and secondary energy, but only for tertiary regulation energy in Articles 5.8.2.c and 5.8.3.b, and the rules governing this exchange are to be covered in the Rules of the Interconnection, although Article 5.10.1 of the Grid Code mentions the contract for imbalance netting.</p> <p><b>The Grid Code</b>, on the other hand, foresees the possibility of exchanging both secondary and tertiary regulation energy (*the question remains whether this energy is obtained by activating bids in another market area by the other TSO, as it is regulated by the legislation of that TSO) with a neighboring TSO making its provisions <b>compliant in substance</b> with the definition from the EB GL.</p>	
(25) “exchange of balancing capacity”	*Same as for “TSO-TSO” model (see (21) above)	<p><b>The explicit definition of “exchange of balancing capacity” is missing in Serbian legislation.</b></p> <p>Article 4.1.6 of the <b>Market Code</b> and 6.2.1.4 of the <b>Grid Code</b> foresee the possibility to arrange, with other Transmission system operators, mechanisms for <b>joint use of primary, secondary and tertiary reserve</b>, in accordance with Rules of the interconnection, rendering these provisions <b>compliant in substance</b> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “exchange of balancing capacity” in the Market Code and Grid Code which will replicate the definition from the EB GL.</b></p>
(26) “transfer of balancing capacity”	The Energy Law, Market Code and Grid Code do not define “transfer of balancing capacity”	<b>The explicit definition of “transfer of balancing capacity” is missing in Serbian legislation.</b>	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be</b>

			<p>transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “transfer of balancing capacity” in the Market Code and Grid Code which will replicate the definition from the EB GL.</p>
(27) “balancing energy gate closure time”	<p>The Energy Law, Market Code and Grid Code do not define “balancing energy gate closure time”</p> <p>Articles 5.6.1, 5.6.5 and 5.6.6 of the Market Code prescribe the deadlines for submission and modification of explicit offers and the submission of a modified Merit Order List</p>	<p>The explicit definition of “balancing energy gate closure time” <u>is missing</u> in Serbian legislation.</p> <p>However, the provisions of Article 5.6.1, 5.6.5 and 5.6.6 can in substance be assessed as <u>compliant</u> with the requirements of the definition of “balancing gate closure time” in the EB GL.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “balancing energy gate closure time” in the Market Code which will replicate the definition from the EB GL, and use the notion accordingly in Article 5.6.</p>
(28) “standard product”	<p>The Energy Law, Market Code and Grid Code do not define “standard product”</p>	<p>The definition of “standard product” <u>is missing</u> in Serbian legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “standard product” in the Market Code which will replicate the definition from the EB GL (for substantive elaboration of what “standard products” would be please refer below to explanation for Article 24 of the EB GL).</p>
(29) “preparation period”	<p>The Energy Law, Market Code and Grid Code do not define “preparation period”</p>	<p>The definition of “preparation period” <u>is missing</u> in Serbian legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be</p>

			<p>transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “preparation period” in the Market Code which will replicate the definition from the EB GL.</p>
(30) “full activation time”	<p>The Energy Law, Market Code and Grid Code do not define “full activation time”</p>	<p>The definition of “full activation time” <u>is missing</u> in Serbian legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “full activation time” in the Market Code which will replicate the definition from the EB GL.</p>
(31) “deactivation period”	<p>The Energy Law, Market Code and Grid Code do not define “deactivation period”</p>	<p>The definition of “deactivation period” <u>is missing</u> in Serbian legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “deactivation period” in the Market Code and/or Grid Code which will replicate the definition from the EB GL.</p>
(32) “delivery period”	<p>The Energy Law, Market Code and Grid Code do not define “delivery period”</p> <p>Article 6.5.2.1.5 of the Grid Code foresees that the TSO dispatch centres shall issue orders for balancing and re-dispatching balance entities which shall be</p>	<p>The definition of “delivery period” <u>is missing</u> in Serbian legislation.</p> <p>Article 6.5.2.1.5. of the Grid Code only descriptively and vaguely touches upon the delivery period by saying that the activation order shall be made in a timely manner taking into account the relevant technical</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “delivery period” in the Grid</p>

	issued in a timely manner in advance (considering the time required for the implementation of the order in accordance with the technical specifications of the generator i.e. controlled consumption)	specifications, which can at best render it <u>partially compliant in substance</u> with the definition of “delivery period” in the EB GL.	<b>Code</b> which will replicate the definition from the EB GL.
(33) “validity period”	The Energy Law, Market Code and Grid Code do not define “validity period”	The definition of “validity period” <u>is missing</u> in Serbian legislation.	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “validity period” in the <b>Market Code</b> which will replicate the definition from the EB GL.</p>
(34) “mode of activation”	The Energy Law, Market Code and Grid Code do not define “mode of activation”	The definition of “mode of activation” <u>is missing</u> in Serbian legislation.	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “mode of activation” in the <b>Market Code and/or Grid Code</b> which will replicate the definition from the EB GL.</p>
(36) “specific product”	The Energy Law, Market Code and Grid Code do not define “specific product”	The definition of “specific product” <u>is missing</u> in Serbian legislation.	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “specific product” in the</p>

			<b>Market Code</b> which will replicate the definition from the EB GL.
<b>(37) “common merit order list”</b>	<p><b>The Energy Law, Market Code and Grid Code do not define “common merit order list”</b></p> <p>Article 5.5.6.a) of the <b>Market Code foresees a “Priority merit order list”</b> to be submitted only by the dominant participant in the balancing mechanism, while Article 5.8 foresees <b>two merit order lists (fast and slow reserve) but only when it comes to tertiary regulation.</b> Article 5.1.10 of the <b>Market Code mentions the merit order list for engagement of balancing reserve in secondary and tertiary regulation.</b> <b>Article 5.10.1 of the Market Code refers to the Grid Code and the contract governing imbalance netting concluded with another TSO when it comes to activation of secondary regulation.</b></p> <p><b>The Grid Code</b> contains numerous provisions on <b>rules on activation of secondary regulation (Articles 6.4.2.7, 6.4.3.2.5, 6.4.3.4.3, 6.5.2.2.4, 6.5.2.2.7) but has no mention of common merit order lists</b></p>	<p><b>The definition of “common merit order list” is missing in Serbian legislation.</b></p> <p>The provision of Article 5.5.6.a. is a consequence of the specificity of the Serbian balancing market with a dominant player. The provisions of Article 5.8 can be assessed as being <b>compliant in substance</b> with the definition of “common merit order list” as defined in the EB GL when it comes to tertiary regulation. Article 5.1.10 of the Market Code mentions the creation of a merit order list for the engagement of balancing reserve in secondary and tertiary regulation, in the context of administration of the Balancing Mechanism – however it does not follow up on this provision in terms of the merit order for secondary regulation but only refers to the Grid Code in this respect in Article 5.10.1. Hence the provisions of these two articles are <b>non-compliant in substance</b> with the definition from the EB GL.</p> <p>Secondary regulation is activated in accordance with the <b>Grid Code</b> and the contract governing imbalance netting concluded with another TSO and does not involve a common merit order list, hence its provision can be assessed <b>as non-compliant</b> with the requirements of the definition of “common order merit list” in the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “common merit order list” in the Market Code which will replicate the definition from the EB GL, as well as foresee the obligation for the TSOs in the interim period to establish common merit order list for mFRR/aFRR</b> (also see definitions of “frequency restoration reserves” and “replacement reserves”).</p>

(38) "TSO energy bid submission gate closure time"	The Energy Law, Market Code and Grid Code do not define "TSO energy bid submission gate closure time"	The definition of "TSO energy bid submission gate closure time" <u>is missing</u> in Serbian legislation.	The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.  As a transitional solution: introduce a definition of "TSO Energy bid submission gate closure time" in the Market Code which will replicate the definition from the EB GL.
(39) "activation optimization function"	The Energy Law, Market Code and Grid Code do not define "activation optimization function"	The definition of "activation optimization function" <u>is missing</u> in Serbian legislation.	The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.  As a transitional solution: introduce a definition of "activation optimization function" in the Market Code which will replicate the definition from the EB GL.
(40) "imbalance netting process function"	The Energy Law, Market Code and Grid Code do not define "imbalance netting process function"  The Market Code defines "Imbalance netting" in Article 2.1 and further uses this notion in 5.1.5.c), 5.1.7.b), 5.1.11, 5.1.12.d), 5.2.5, 5.10.1, and 6.4.1.1	The definition of "imbalance netting process function" <u>is missing</u> in Serbian legislation.  The provisions of the Market Code related to imbalance netting are assessed as <u>non-compliant</u> with the definition of the "imbalance netting process function" provided in the EB GL.	The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.  As a transitional solution: introduce a definition of "imbalance netting process function" in the Market Code which will replicate the definition from the EB GL.
(41) "TSO – TSO settlement function"	The Energy Law, Market Code and Grid Code do not define "TSO – TSO settlement functions"	The definition of "TSO – TSO settlement functions" <u>is missing</u> in Serbian legislation.  Articles 5.12.5 and 5.1.7 of the Market Code are assessed as <u>non-compliant</u> in substance	The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.



	<p>Article 5.12.5 of the Market Code foresees how the price of engaged balancing reserves (on the basis of contracts which regulate the purchase and sale of cross-border tertiary regulation energy between the Transmission system operators) will be determined for the purpose of calculating the imbalance settlement price.</p> <p>Article 5.1.7 stipulates the contract to be concluded between the TSOs, but does not mention the settlement function</p>	<p>with the definition of “TSO-TSO settlement” from the EB GL, as they do not foresee the function of performing the settlement of cooperation processes between the TSOs</p>	<p><b>As a transitional solution: introduce a definition of “TSO – TSO settlement functions” in the Market Code</b> which will replicate the definition from the EB GL <b>and integrate it accordingly to Article 5.1.7 para 2 governing the contractual relation between the TSOs regarding the purchase and sale of cross-border tertiary regulation energy and imbalance netting.</b></p>
(42) “capacity procurement optimization function”	<p><b>The Energy Law, Market Code and Grid Code do not define “capacity procurement optimization function”</b></p>	<p><b>The definition of “capacity procurement optimization function” is missing</b> in Serbian legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: introduce a definition of “capacity procurement optimization function” in the Market Code</b> which will replicate the definition from the EB GL.</p>
(45) “requesting TSO”	<p><b>*Same as for “TSO-TSO” model (see (21) above)</b></p>	<p><b>The explicit definition of “requesting TSO” is missing</b> in Serbian legislation.</p> <p>However taken in their totality, Articles 5.2.5, 5.7.1, 5.8.2 and 4.1.6 of the <b>Market Code</b> as well as Articles 6.5.2.2.1, 6.5.2.2.4, 6.5.2.2.9, 6.5.2.2.10 , 6.5.2.2.11, and Article 6.2.1.4 of <b>the Grid Code</b> foresee exchanges between the TSOs, the notion of “requesting TSO” is implicitly present and these provisions can be</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: introduce a definition of “requesting TSO” in the Market Code and Grid Code</b> which will replicate the definition from the EB GL.</p>

		assessed as <b>compliant in substance</b> with the definition of “requesting TSO” from the EB GL.	
<b>Article 4 – Terms and conditions or methodologies of TSOs</b>	<p><b>The Energy Law</b> provides a general basis for:</p> <ul style="list-style-type: none"> <li>- Article 9 – regional cooperation among the competent bodies (NRA, TSO, etc.) for the purpose of market integration at one or several regional levels;</li> <li>- Article 109 – TSOs regional cooperation regarding establishment of an integrated regional and Pan-European electricity market;</li> <li>- Article 175 - the scope of the rules on operation of the electricity market (Market Code), covering, among other things, balance responsibility of the market participants, balancing market, calculation of imbalance, financial settlement, etc.</li> <li>- Article 53 under 9) – AERS competence to give consent on the rules on operation of the electricity market (Market Code)</li> </ul> <p><b>The Grid Code</b> in Article 6.2.1.4. and <b>the Market Code</b> in Article 4.1.6. allow the TSO to arrange with other TSOs mechanisms for exchange for primary, secondary and tertiary regulation energy and joint usage of primary, secondary and tertiary reserve in line with rules on</p>	Currently there is no legal obligation for the TSO to develop the exact terms and conditions or methodologies required by the EB GL, at national or regional level, and for the NRA to approve them.	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Articles 4 and 5 will be transposed into the national legislation in their integral text.</b></p> <p>Given that the Energy Law, Grid Code and Market Code are assessed as compliant in substance, there will be no legal obstacle for the creation, proposal, and approval of the terms and conditions or methodologies envisaged in Articles 4 and 5 of the EB GL. Hence, <b>no transitional solution is proposed.</b></p>
<b>Article 5 – Approval of terms and conditions or methodologies of TSOs</b>		<p>However, the current legal basis set out in the Energy Law, Grid Code and Market Code can be assessed as <b>compliant in substance</b> with the EB GL, as it provides:</p> <ul style="list-style-type: none"> <li>- general rules for TSOs regional cooperation and balancing market rules;</li> <li>- AERS competence to give consent to the Market Code which corresponds to the NRA’s approval of the terms and conditions for the provision of balancing services, as foreseen in Article 37 Para 6 of Directive 2009/72/EC and further elaborated by Article 3 and 4 of the EB GL.</li> </ul> <p>which can be used as a starting point for developing regional balancing market in the interim period (till adoption of the EB GL under the auspices of the Energy Community).</p>	

	operation of interconnection (ENTSO-E rules).		
<b>Article 6 – Amendments to terms and conditions or methodologies of TSOs</b>	<p><b>The Energy Law</b> sets out AERS competence:</p> <ul style="list-style-type: none"> <li>- Article 56 Para 1 under 2) - to supervise the implementation of the Market Code and request its amendments;</li> <li>- Article 56 Para 1 under 6 - to determine the manner and procedure for giving the consent on the Market Code, and deadlines for the submission of data and documents necessary for AERS operation</li> </ul>	<p>AERS competence can be assessed as <b>compliant</b> with the EB GL, as the Energy Law foresees its competence to request necessary amendments throughout the process of giving a consent on the Market Code, as well as request amendments.</p> <p>Even though there is no explicit provision on how the TSO can request amendments to the Market Code, the corresponding right stems from the fact that the TSO elaborates the Market Code, hence it can initiate the amendments thereof.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 6 will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>
<b>Article 8 - Recovery of costs</b>	<p><b>The Energy Law</b> confers on AERS competence, when adopting methodologies and giving its consent to regulated prices to a TSO, to estimate and approve the short-term and long-term costs necessary for, among other things, supporting the market integration – Article 50 Para 2</p>	<p>Currently there is no legal obligation for the TSO to undertake the obligations imposed by the EB GL, nor bear the costs related to the fulfilment of such obligations.</p> <p>However, Article 50 Para 2 can be assessed as <b>compliant in substance</b> with the EB GL, as it:</p> <ul style="list-style-type: none"> <li>- sets out AERS competence to assess the costs imposed by the TSO related to the regional balancing market (“market integration”);</li> <li>- corresponds to the scope of general duties and powers set out in Article 37 Para 8 of Directive 2009/72/EC regarding the NRA’s obligation in fixing or approving the tariffs or methodologies and the balancing services, further elaborated by Article 8 of the EB GL.</li> </ul>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 8 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: in order to ensure the possibility for the TSO to recover all reasonable, efficient and proportionate costs related to the setting up the regional balancing market in the interim period, it may prove to be useful to amend the Market Code by introducing an explicit provision that follows the same logic as Article 8 Para 2 of the EB GL with a reference to the Energy Law (Article 50 Para 2 thereof).</b></p>

Title II – Electricity balancing market			
<p><b>Article 14 – Role of the TSOs</b></p>	<p><b>The Energy Law</b> defines the TSO’s obligation to purchase <b>electricity</b> from and sell it to the balance electricity market participants for the purpose of balancing and ensuring the safe system operation in Article 174.</p> <p><b>The Energy Law</b> does not explicitly mention TSO’s obligation regarding “balancing capacity” as part of procuring balancing services, while in Article 94 Para 3 under 7) the law puts an obligation on electricity producer to offer to the TSO all the unused production capacities for the needs of balancing and ensuring safe system operation.</p> <p><b>The Market Code</b> elaborates on the TSO’s role:</p> <ul style="list-style-type: none"> <li>- Article 4.1. – TSO purchases system services referred to in Article 4.1.1. of the Market Code;</li> <li>- Article 5.1.2. – TSO purchases or sells <b>balancing energy</b> in the balancing market;</li> <li>- Article 5.1.5. and 5.1.7. - <b>balancing reserve</b> means all available reserve on the balancing market and includes <b>all available capacity of balancing entities</b> (a) and <b>contracted capacity</b> ((b) and (c)).</li> </ul> <p><b>The Market Code</b> also reiterates the obligation on market participants who have balancing entities to put</p>	<p>Due to the fact that <b>the definition of “balancing services” is missing</b> in Serbian legislation (see definition of “balancing services”), the role of the TSO, as defined in the Energy Law and Market Code, is not formulated the same way as in the EL GL.</p> <p>Article 174 of the Energy Law and Article 5.1.2. of the Market Code explicitly refers to electricity (energy) only, while the EB GL defines “balancing services” as “balancing energy” or “balancing capacity” or both.</p> <p>Even though Article 5.1.5. of the Market Code defines “balancing reserve” and Article 94 Para 3 under 4) of the Energy Law/Article 5.2.2. of the Market Code require the producers to offer all available capacity for balancing needs (after the acceptance of daily schedules), the provisions of the Energy Law and of the Market Code, <b>in substantive terms</b>, can be assessed only as <b>partially compliant</b> with the EB GL.</p> <p>Article 6.4.3. and Article 6.5.2.1.4. of the Grid Code, <b>in substantive terms</b>, can be assessed as <b>compliant</b> with the self-dispatching model set out in EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 14 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce explicit provisions in the Market Code setting out the TSO’s/BSPs role and procurement of “balancing” energy” and “balancing capacity” pursuant to the provisions of the EB GL.</b></p>

	<p>at the TSO's disposal all available capacities of its balancing entities, which remain after accepted daily schedules – Article 5.2.2.</p> <p><b>The Grid Code</b> describes the daily scheduling and dispatching by balancing entities in Article 6.4.3. and Article 6.5.2.1.4.</p>		
<b>Article 15 – Cooperation with DSOs</b>	<p><b>The Market Code</b> describes the information exchange between the TSO and DSO about the BRPs and enlisted data related to the respective Balancing Group vis-à-vis the DSO in Article 3.3.13., 3.5.4. and 3.5.3.k)</p> <p>In addition, Article 5.1.4. of the Market Code mentions that balancing energy is delivered in or from the transmission, distribution or closed distribution system over periods defined by TSO's instruction for activating the balancing reserve.</p>	<p>Articles 3.3.13 and 5.1.4 of the <b>Market Code</b> can be assessed as <b>partially compliant</b>, as they foresee a general obligation for the TSO and DSO to cooperate and balancing energy being delivered in or from the transmission, distribution system and closed distribution system.</p> <p>The provisions of Article 3.5.4 in conjunction with Article 3.5.3.k) of the <b>Market Code</b> are <b>partially compliant</b> with requirements of Article 15 of the EB GL and Title 10 of SO GL defining the cooperation of the TSO and DSO concerning the reserve providing groups/units connected to the DSO grid.</p> <p>The provisions defining the possibility to elaborate cost allocation methodology related to the <b>cooperation of the TSO and DSO concerning the reserve providing groups/units connected to the DSO grid</b> (Article 15 Para 3 of the EB GL Title 10 of SO GL) are <b>missing</b> in Serbian legislation.</p>	<p><b>The adoption of the EB GL, as well as the SO GL (Article 182 in particular) under the auspices of the Energy Community will mean that Article 15 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce amendments in the Market Code covering the cooperation between the TSO and DSO concerning the reserve providing groups/units connected to the DSO grid, following the rationale of Article 182 of the SO GL.</b></p>
<b>Article 16 – Role of BSPs</b>	<p><b>The Energy Law</b> puts an obligation on electricity producers to offer to the TSO all the unused production capacities for the needs of</p>	<p><b>Pre-qualification requirements</b> for the BSPs, as foreseen in Article 16 of EB GL and Article 159 and 162 of SO GL, are currently <b>missing</b> in Serbian legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 16 will be transposed</b></p>

	<p>balancing and ensuring safe system operation – in Article 94 Para 3 under 4).</p> <p><b>Three types of BSPs</b> (participants of the balancing mechanism) can be identified according to the <b>Market Code</b>:</p> <p>(1) <b>market participant who has balancing entities (defined in Article 5.1.6 as production unit/group of production units/controllable load) and has concluded with the TSO an ancillary services contract and a contract on participation in the balancing mechanism</b>; these BSPs are obliged to put at TSO's disposal all available capacities of its balancing entities, which remain after accepted daily schedules - Article 5.2.1. and 5.2.2.;</p> <p>(2) <b>supplier/wholesale market supplier who has concluded with the TSO an ancillary services contract</b>; BSP status is linked to the duration of the contract - Article 5.2.4 and 5.1.7 under a).;</p> <p>(3) <b>a TSO from another market area, based on the contract between the TSOs on purchase and sale of cross-border tertiary regulation energy and imbalance netting</b> - Article 5.2.5 and 5.1.7 under b)</p>	<p><b>The Market Code</b> (Article 5.2.4.) foresees that a supplier/wholesale market supplier who wants to participate in the balancing mechanism has to conclude an ancillary services contract, which might not be the case if the pre-qualification requirements were in place.</p> <p>In this regard, the current legal framework also does not ensure non-discrimination between balancing energy bids submitted by a BSP with a contract for balancing capacity and a BSP without it but who has passed the pre-qualification process, as foreseen in Article 16 (7) of the EB GL. Hence, <b>Article 5.2.4. of the Market Code can be seen as limitation</b> for the TSO to collect balancing energy bids from the BSPs without a contract for balancing capacity. Additionally, from the analysis of scope of ancillary services contract and the contract on participation in the balancing mechanism it may be assumed that the latter would correspond to a “contract for balancing capacity”, mentioned in Article 16 of the EB GL, yet it should be clarified in the Market Code.</p> <p><b>The Market Code provisions regulating submission of the offers for balancing energy</b> can be assessed as <b>partially compliant</b> with the EB GL, even though the terminology used is slightly different than in the EB GL. However, it shall be noted that Article 5.5. and 5.6. of the Market Code mostly concerns the submission on explicit offers, merit orders and offers for redispatching by MPs with balancing entities, for the rest of BSPs leaving up to the relevant contracts (Article 5.1.7).</p>	<p><b>into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- introduce pre-qualification requirements for the BSPs, as foreseen in Article 16 of EB GL and Article 159 and 162 of SO GL;</li> <li>- introduce a transitional definition of a standard product in the Market Code, as proposed in the Final Report (reference to the relevant Chapter)</li> <li>- introduce an explicit provision in the Market Code forbidding to predetermine the prices for balancing energy bids from these products in a contract for balancing capacity, i.e. modify the provision of Article 5.1.7 in this sense, and introduce the possibility for suppliers/wholesale suppliers/other TSOs to submit offers (balancing energy bids) with prices</li> <li>- clarify in the Market Code the concept of “a contract for balancing capacity” and use it uniformly for all relevant MPs.</li> </ul>
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**The Market Code** does not define pre-qualification requirements for the BSPs, it merely regulates that a contract on participation in the balancing mechanism shall, among other things, set out list and technical characteristics of balancing entities taking part in the balancing mechanism - Article 5.3.1. under a).

**The Market Code** sets out bid (offer) submitting process and timeframe:

- each BM participant that has balancing entities to submit aggregate explicit offer for engagement of upward/downward regulation for all balancing entities under its competence; special provisions are foreseen for a dominant participant - Article 5.5.1.;
- BM participant submits explicit offer, merit order list and offer for redispatching to the TSO for relevant market day, no later than 16:00h on the previous day - Article 5.6.1.;
- for relevant market day a BM participant may submit modified explicit offers not later than 60 minutes before the accounting interval (1 hour) to which that modification relates - Article 5.6.5.;
- deadline and conditions for suppliers/wholesale market suppliers and other TSOs

**The Market Code does not explicitly foresee submission of bids for balancing capacity**, but only implies that the balancing capacity is procured on annual basis (Article 4.2.). In this regard, the provisions (or lack thereof) of the Market Code can be assessed as **non-compliant** with the EB GL.

The definition and requirements for standard and specific balancing products **are missing**. However, while there is no explicit legal provision forbidding to predetermine the **prices for balancing energy bids from these products** in a contract for balancing capacity, it should be noted that Article 5.1.7 Para 2 of the Market Code explicitly foresees that the price or the method of price formation for delivery of balancing energy is a mandatory element of the contracts on balancing reserve, rendering this provision of the Market Code **non-compliant** with the requirements of the EB GL.

Additionally, Article 52 Para 1 under 1) of **the Energy Law** read in conjunction with Article 88, Para 3, under 2) and Para 2, under 9) states that the NRA shall regulate the price of primary regulation, while the prices of “power reserve lease” for system services of secondary and tertiary control may be regulated (see Article 32 “Procurement rules”).

	<p>submitting their offers for balancing energy or cross-border tertiary regulation energy are regulated by the ancillary services contract or TSOs contract - Article 5.7.1. and 5.7.2.</p> <p><b>The Market Code</b> does not determine any specific requirements related to balancing products</p> <p><b>The Market Code</b> also foresees that the balancing energy in the power system based on engagement in the tertiary regulation upward and downward from balancing entities for the purposes of system balancing is purchased/sold on the basis of offered price approach, in accordance with explicit offers for each accounting interval - Article 5.12.3.</p>		
<p><b>Article 17 – Role of BRPs</b></p>	<p>Article 2 Para 2 of the <b>Energy Law</b> defines “balance responsibility”, including to take financial responsibility for any <b>deviation</b></p> <p><b>The Energy Law</b> sets out that a market participant obtains the status of a BRP by concluding an agreement on balance responsibility and upon the fulfilment of conditions stipulated by the Market Code - Article 171 Article 2.1. of <b>the Market Code</b> provides a definition of “<b>Balance Responsible Party</b>” and further</p>	<p>The Market Code (Article 3.1.1 under a)) stipulates the obligation of the BRP to ensure the balance of production, consumption, and blocks of internal and cross-border electricity exchanges, and is therefore <u>compliant</u> with Article 17.1 of the EB GL</p> <p>The current legal framework foresees the <u>financial responsibility of the BRP</u> for the imbalance and, therefore, is <u>compliant with Article 17.2 of the EB GL</u>.</p> <p><b>The Market Code and the Grid Code allows the BRP to change its schedule and, therefore,</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 17 will be transposed into the national legislation in its integral text.</b></p> <p><b>Transitional solution shall not be deemed necessary.</b></p>



	<p>elaborates on the BRP's obligations in Articles 3.1 and 3.2, the procedure for obtaining the status of a BRP in Article 3.3, the Balance Responsibility Agreement in 3.4, the Register of Balancing Responsibility in Article 3.5, modifications to the composition of the Balancing Group in Article 3.6, and the termination of the Balancing Responsibility Agreement in Article 3.7</p> <p>Article 2.1 of <b>the Grid Code</b> contains the same definition of BRP as the Market Code. In It foresees the obligations of the BRP regarding the nomination and modification of the daily schedule in Articles 6.4.3.1.7, 6.4.3.1.8, 6.4.3.2, intraday modifications to the daily schedule in 6.4.3.3, and additional data to be submitted by BRPS for the purpose of planning the work the interconnection in Article 6.4.5.</p>	<p>can be assessed as <b>compliant in substance</b> with the requirements of the EB GL. This is further elaborated in the agreements concluded among EMS and the neighboring TSOs on allocation of cross-border capacity, specifically in intraday auction rules<sup>4</sup>, albeit the timeframes vary depending on the border, including the fact that there is no intraday capacity allocation on Serbia – Bulgaria border.</p> <p>In this regard, it should also be noted that there is no regional intraday market, nor joint TSOs proposal on intraday cross-zonal gate opening and closure time in the WB6 region as part of single intraday market coupling process.</p>	
<p><b>Article 18 – Terms and conditions related to balancing</b></p>	<p><b>The Energy Law</b> set out a general scope Market Code, as well as obligation to publish it on the TSO's and NRA's website, in Article 175</p> <p><b>The Market Code</b> covers terms and conditions for BSPs in Chapter 4 "Provision of system services" and Chapter 5 "Balancing electricity market", while the terms and conditions for the BRPs are set out</p>	<p><b>The terms and conditions for the BSPs</b> set out in the Market Code are <b>partially compliant</b> with Article 18 of the EB GL, as the Market Code covers some essential requirements, while completely missing others (e.g. the Market Code contains requirements for the provision of balancing services, however, the qualification process for becoming a BSP is missing completely). The same applies to the <b>terms and conditions for the BRPs</b>, as the scope of the Market Code</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 18 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: expand the scope of the Market Code by replicating the scope of terms and conditions for the BSPs and the BRPs, as set out in Article 18 of the EB GL. This would require</b></p>

<sup>4</sup> <https://www.aers.rs/Index.asp?l=2&a=94.2>

	in Chapter 3 “Balance responsibility” and Chapter 6 “Determination of balancing group deviation and financial accounting”	is <b>partially compliant</b> with the scope of the terms and obligations for the BRPs foreseen in Article 18 of the EB GL.	<b>amendments to Chapter 3 – 6 of the Market Code, along with the associated amendments on the qualification requirements for the BSPs, defining standard products in the interim period, etc.</b>
<b>Article 24 – Balancing energy gate closure time</b>	<p><b>The Market Code</b> sets out the gate closure time for acceptance of the explicit offer 60 minutes before the accounting interval to which that modification relates - Article 5.6.5. As per Article 5.6.6., the gate closure time for acceptance of the Merit Order List is not later than 15 minutes before the accounting interval to which that modification relates.</p> <p><b>The Market Code</b> foresees that in case of a threat to the security of the transmission system, the regulation block or interconnection the TSO activates the offers for the balancing reserve engagement regardless to the priority order specified in the fast and slow reserve lists, in accordance with interconnection operation rules and concluded agreements with other TSOs – Article 5.9.2.</p>	<p>(See also definition of “balancing energy gate closure time” and “standard product”)</p> <p>As per EB GL, the balancing energy gate closure time shall be defined for each standard product, at least for RR, mFRR and aFRR. As identified above, the standard balancing products are not defined in Serbian legislation. However, even though the standard products are not defined and there is no common merit order list, the agreements concluded among EMS and the neighboring TSOs on allocation on cross-border capacity foresee the gate closure time (in some of the agreements defined “as specified time providing a deadline for submission of schedules by BRP for matching purposes”). Hence, the current regulatory framework can be assessed as <b>partially compliant in substance</b> with Article 24 of the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 24 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: along with introducing the transitional definition of “standard product”, as proposed in the Final Report (reference to the relevant Chapter), in the Market Code, as well as the definition of the term “common merit order list” and “balancing energy gate closure time” itself, the balancing energy gate closure time should be set out in the Market Code in line with criteria envisaged in Article 24 Para 2 of the EB GL.</b></p>
<b>Article 25 – Requirements for standard products</b>	<b>The Market Code</b> does define, nor set out requirements for standards products	<p>(See also definition of “standard product”)</p> <p>As identified above, the standard products for balancing energy and balancing capacity are not defined in Serbian legislation, i.e. <b>missing</b>. Hence, it is not feasible to assess the compliance of minimum characteristics of the</p>	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 25 will be transposed into the national legislation in its integral text.</b>

		standard products, set out in Article 25 of the EB GL.	<b>As a transitional solution: introduce transitional definition of a standard product in the Market Code</b> , as proposed in the Final Report (reference to the relevant Chapter).
<b>Article 26 – Requirements for specific products</b>	<b>The Market Code</b> does define, nor set out requirements for specific products	(See also definition of “specific product”)  Specific products for balancing energy and balancing capacity, applicable for the local market, are not defined in Serbian legislation, i.e. <b>missing</b> .  Hence, it is not feasible to assess the compliance of minimum characteristics of the specific products, set out in Article 26 of the EB GL.	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 26 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: if the TSO identifies the necessity for specific products, the requirements for specific products, as well as the regular review thereof should be foreseen in the Market Code, following the rationale of Article 26 of the EB GL.</b>
<b>Title III – Procurement of balancing services</b>			
<b>Article 29 – activation of balancing energy bids from common merit order list</b>	<b>The Market Code:</b> - mentions cross-border exchange of balancing energy in Article 5.1.11. under d), 5.1.12. under c), 5.2.5., 5.7.1., 5.8.2. under c), 5.8.3. under b) and 5.9.4.; - sets out that within the explicit offer, submitted by the dominant participant, the price difference between the downward engagement 100MWh and upward engagement 100MWh shall not be higher than 30 EUR/MWh – Article 5.5.5.; - sets out that in case of cross-border exchange of balancing energy, activation of the	The provisions of the Market Code provide a basic mechanism for the cross-border exchange of balancing energy for mFRR/RR (tertiary regulation), leaving it up to the “contract which regulates the purchase and sale of cross-border tertiary regulation energy concluded with the TSO from another market area”.  Given that only the TSOs obliged to implement the relevant platforms (Article 19 – 21 of the EB GL) are required to comply with the requirements of Article 29 – 31 of the EB GL, the provisions in the Market Code regarding the cross-border exchange of balancing energy can be assumed to be <b>partly compliant</b> with Article 29 - 31 of the EB GL only to the extent that the Market Code foresees a general	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 29 - 31 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution:</b> - <b>Article 5.5.5. of the Market Code should be amended, so as to ensure that the price limit for difference of the activated energy for in both directions is eliminated;</b> - <b>Article 5.12.3. and 5.12.5. of the Market Code should be amended to explicitly set out that the price of activated balancing energy is equal to marginal price of last activated MWh (pay-as-cleared pricing);</b>
<b>Article 30 – Pricing for balancing energy and cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process</b>			
<b>Article 31 – Activation optimisation function</b>			

	<p>contractual balancing reserve for tertiary regulation is carried out by the TSO in accordance with the contract which regulates the purchase and sale of cross-border tertiary regulation energy concluded with the TSO from another market area – Article 5.9.4.;</p> <p>- foresees “pay-as-bid” for activated energy bids from balancing entities (as defined in Article 5.1.6) engaged in tertiary regulation - Article 5.12.3;</p> <p>- allows the price or method of price formation of engaged contractual balancing reserve to be defined in contracts referred to in Article 5.1.7. (contractual balancing reserve) - Article 5.12.5.</p>	<p>possibility for the TSO to receive balancing services from other TSOs.</p> <p>Notwithstanding the above-mentioned, it should also be noted that Article 5.12.3. of the Market Code currently foresees “pay-as-bid” pricing for activation of balancing energy bids for FRR/RR (tertiary regulation) which is <b><u>non-compliant</u></b> with “pay-as-cleared” pricing set out in Article 30 of the EB GL.</p> <p>Article 5.12.5. of the Market Code is less straightforward in this regard, as it leaves the pricing upon the relevant contracts (with a back-up solution stipulated in the Market Code in case the contracts do not foresee the price). Nevertheless, <b><u>it cannot be considered compliant</u></b> with Article 30 of the EB GL for the mere reason that such approach might not ensure the correct price signals and incentives to the market participants.</p> <p>Additionally, it should be noted that Article 5.5.5. of the <b>Market Code</b> limits the price difference of the activated energy in both directions and, therefore, appears to be <b><u>non-compliant</u></b> with the pricing principles set out in Article 30 Para 1 and 2 of the EB GL.</p>	<p>- <b>Articles 5.12.5 and 5.7. of the Market Code should be modified so as to allow offers, i.e. balancing energy bids to be submitted with associated prices by all participants in the balancing market (including suppliers/wholesale suppliers and other TSOs);</b></p> <p>- <b>while the transitional solution is linked with the process of the TSOs of the WB6 region joining MARI and TERRE projects (projects for establishment of the European mFRR and RR platforms), in the interim period it shall be ensured that the agreements concluded among EMS and the TSOs of Montenegro and Bosnia and Herzegovina on cross-border procurement/exchange of balancing energy are based on/aligned with the requirements of the EB GL (i.e. common merit order list, common definition of standard products, common pricing and settlement rules, etc.)</b></p>
<p><b>Article 32 – Procurement rules (balancing capacity)</b></p>	<p><b>The Energy Law, Market Code and Grid Code do not define reserve capacity</b></p> <p>Article 95 Para 2 of the <b>Energy Law</b> sets out that the ancillary services shall be procured on the basis of market principles, in accordance with the principles of transparency</p>	<p>The <b><u>definition of “reserve capacity”</u></b>, as foreseen in Article 3 Para 2 under 95) of the SO GL (“the amount of FCR, FRR or RR that needs to be available to the TSO”), <b><u>is missing in</u></b> Serbian legislation.</p> <p>However, Article 5.1.5. of the Market Code, read in conjunction with Article 6.2.2.1., 6.2.3.1. and 6.2.4.1. of the Grid Code, to a certain extent corresponds to “reserve</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that <b>Article 32 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <p>- <b>introduce a definition of “reserve capacity”</b> which will replicate the</p>

	<p>and non-discrimination, and in the manner stipulated in the Market Code</p> <p>Article 52 Para 1 under 1) of the <b>Energy Law</b> read in conjunction with Article 88, Para 3, under 2) and Para 2, under 9) states that the NRA shall regulate the price of primary regulation, while the prices of “power reserve lease” for system services of secondary and tertiary control may be regulated.</p> <p><b>The Market Code</b> contains scattered provisions on procurement, and sets out different regimes dependent on whether the reserves are procured from balancing entities, suppliers or other TSOs, as follows:</p> <p>Balancing entities -  Article 4.2.1. sets out that the TSO purchases system services in accordance with the ancillary services contract, which are concluded with the electricity producers, which are, in accordance with Energy Law and Grid Code, obliged to offer ancillary services to the TSO;  Article 5.2.1. foresees that the participation of balancing entities in the balancing mechanism is regulated by Ancillary services contract a (pursuant to Article 4.2. which obliges producers to specify</p>	<p>capacity” and can, <b><u>in substantive terms, be assumed as compliant with the EB GL.</u></b></p> <p>Article 95 Para 2 of the <b>Energy Law</b>, by foreseeing the main principles for procuring ancillary services, <b><u>in substantive terms, is compliant</u></b> with the principles based on which the rules for the procurement of balancing capacity should be defined, as foreseen in Article 32 Para 2 of the EB GL.</p> <p>The provisions of the <b>Energy Law</b> which enable the <b>potential price regulation of secondary and tertiary control are <u>non-compliant</u></b> with Article 32.2.a) of the EB GL which foresees that at least FRR and RR should be procured on a market-basis.</p> <p>Provisions on rules for the procurement of balancing capacity, as set out in the Market Code, can be considered as <b><u>non-compliant</u></b> with the requirements of Article 32 of the EB GL, as they are not procured in short-term and not market-based.</p>	<p>definition from the SO GL; this implies changing the terminology throughout the legislation (first of all in the Market Code and Grid Code) in terms of replacing primary, secondary and tertiary with FCR, FRR and RR;</p> <ul style="list-style-type: none"> <li>- <b>introduce provisions setting out the rules for the procurement of balancing capacity in the Market Code</b>, following the principles set out in the EB GL (market-based, short-term where economically efficient);</li> <li>- <b>ensure that the possibility of price regulation of secondary and tertiary control is not used in practice</b> (or eliminate these provisions if the legislative procedure permits this)</li> </ul>
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the generating units and amounts of primary, secondary and tertiary reserve which shall be available continuously on an annual basis and the consumer/buyer to specify its facility and the amount of tertiary reserve which shall available continuously on an annual basis) and the contract on participation in the balancing concluded with the TSO. This is to be read in conjunction with Article 5.1.5. under a) which stipulates that balancing reserve includes all available capacities of balancing entities, left after accepting daily schedules (the schedules are submitted by the BRP to which the balancing entities belong pursuant to Art. 5.2.3)

Suppliers and wholesale suppliers - Article 4.1.5. sets out that the TSO may obtain the tertiary regulation services from the supplier/wholesale supplier on the basis of ancillary services contract that is concluded with these market participants in accordance with transparent, non-discriminatory and market principles Article 5.2.4 foresees that the participation of Suppliers or Wholesale suppliers in the balancing mechanism is regulated by the Ancillary services contract (only Article 4.2.1 is applicable and it foresees the scope of the ancillary

services including primary, secondary, and tertiary reserve). Article 5.1.7. Para 1 under a) foresees that contractual balancing reserve includes the balancing reserve stipulated in the ancillary services contract between the TSO and Supplier or Wholesale supplier, while Article 5.1.7 Para 2 states that this contract, inter alia, defines the amount of the reserve.

Other TSOs-

Article 4.1.6. sets out that the TSO may arrange with other TSOs mechanisms for exchange of primary, secondary and tertiary regulation energy and joint use of primary, secondary and tertiary reserve, in accordance with Rules of the interconnection

Article 5.2.5. Para 1 under b) foresees that the participation of TSOs from other market areas in the balancing mechanism is regulated with contracts between TSOs governing the purchasing and selling of cross-border tertiary regulation energy and imbalance netting. Article 5.1.7 under b) states that the Contractual balancing reserve includes the balancing reserve stipulated in the contract regulating the purchase and sale of cross-border tertiary regulation energy and imbalance netting between TSOs. Further details on this contract are not provided in the

	<p>Market Code. Additionally, Article 4.1.6 foresees that the TSO may arrange, with other TSOs, mechanisms for the exchange of primary, secondary and tertiary regulation energy and joint use of primary, secondary and tertiary reserve, in accordance with Rules of the interconnection.</p> <p><b>The Grid Code</b> sets out the principles for determining the primary reserve – Article 6.2.2.1., and the minimal level of secondary and tertiary reserves in Article 6.2.3.1. and 6.2.4.1.</p>		
<p><b>Article 33 – Exchange of balancing capacity</b></p>	<p><b>Article 4.1.6. of the Market Code and Article 6.2.1.4. of the Grid Code</b> set out the possibility of exchange of primary, secondary and tertiary regulation energy between the TSOs and joint use of such reserves, in accordance with Rules of the interconnection</p> <p><b>The Grid Code</b> defines certain operational security preconditions for the cross-border exchange of electricity (Article 6.5.2.2.11.) with the neighboring TSO, and sets out the cooperation of the TSO with neighboring TSOs in order to coordinate exploitation and avoid incidents on tie-lines, as well as when the assistance of neighboring TSO is necessary to solve the problems in its system and vice</p>	<p>The current legal framework foresees the possibility to exchange balancing capacity among the TSO, but it does not contain any explicit requirements related to such exchange, nor necessity to coordinate these requirements with the NRA. Article 4.1.6. of the Market Code and Article 6.2.1.4. of the Grid Code contain the reference to ENTSO-E Rules of the interconnection.</p> <p>Therefore, the provisions of the Market Code and the Grid Code can be assessed as <b>partially compliant with the EB GL</b>, as they do not foresee for the TSOs exchanging or willing to exchange balancing capacity obligation to develop a proposal for common and harmonized rules and processes for the exchange of balancing capacity. According to the EB GL, this proposal is subject to the NRA’s approval which in Serbian case would be submitting amendments to AERS for approval</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 33 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: amendments to Article 4.1.6. of the Market Code and Article 6.2.1.4. of the Grid Code that would introduce requirements for exchange of balancing capacity pursuant to the provisions of the EB GL.</b></p>



	<p>versa, including the agreement for cross-border exchange of electricity in accordance with concluded agreements and rules for operation of interconnection (Article 6.5.3.2.11)but it does not elaborate on requirements for exchange of balancing capacity</p>	<p>(consent) under Article 53 under 9) of the Energy Law.</p>	
<p><b>Article 34 – Transfer of balancing capacity</b></p>	<p><b>There is no provision in the Market Code</b> allowing the BSPs to transfer their obligations to provide balancing capacity, within the geographical area in which the procurement of balancing capacity has taken place. Similarly, there is no provision defining the conditions under which the cross-border exchange of balancing capacity can take place, e.g. by taking into account the available cross-zonal capacity</p>	<p>As per the EB GL, there are two options – either the TSOs allow the BSPs to transfer their balancing capacity obligations, or the TSOs develop a proposal for requesting an exemption.</p> <p><b>The possibility for the BSPs to transfer their balancing capacity obligations <u>is missing</u></b> in Serbian legislation.</p> <p>The option of requesting an exemption, if that would be the case, can be carried out by submitting amendments to the Market Code to AERS for approval (consent) under Article 53 under 9) of the Energy Law.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 34 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Market Code a possibility for the BSPs to transfer their balancing capacity obligations</b> within the geographical area in which the procurement of balancing capacity has taken place.</p>
<p><b>Title IV Cross-zonal capacity for balancing services</b></p>			
<p><b>Article 37 – Cross-zonal capacity calculation (Exchange of balancing energy or imbalance netting process)</b></p>	<p>The Market Code and Grid Code do not specify the timeframe for updating of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting</p>	<p>While there are agreements in force, concluded among EMS and the neighboring TSOs on allocation of cross-border capacity, the explicit provisions setting out the update/recalculation of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting <b>are missing</b> in the legal acts.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 37 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: TSO should use the cross-zonal capacity remaining after the intraday cross-zonal gate closure time as proposed (in Task 4).</b> This provision should be introduce in the Market Code and/or Grid Code (and/or respective national rules and/or contracts governing</p>

			the allocation of cross-border capacities if necessary)
<p><b>Article 38 – General requirements (Exchange of balancing capacity or sharing of reserves)</b></p>	<p>Articles 5.2.5, 5.7.1 and 5.8.2 of the <b>Market Code</b> foresee the possibility of <b>purchasing cross-border tertiary regulation energy from TSOs from another market</b> area. Article 4.1.6 of the <b>Market Code</b> foresees the possibility to arrange, with other TSOs, mechanisms for the <b>exchange of primary, secondary and tertiary regulation energy and joint use of primary, secondary and tertiary reserve</b>, in accordance with Rules of the interconnection</p> <p><b>The Grid Code foresees the possibility of purchasing both secondary and tertiary regulation energy from a neighboring TSO in Articles 6.5.2.2.1, 6.5.2.2.4, 6.5.2.2.9, 6.5.2.2.10 and 6.5.2.2.11. Article 6.2.1.4. foresees the possibility to agree, with other Transmission system operators, mechanisms for the exchange of primary, secondary and tertiary regulation energy and joint use of primary, secondary and tertiary reserve, in accordance with regulations and rules of the interconnection operation</b></p> <p><b>The Market Code and Grid Code do not further specify how the exchange of balancing capacity and sharing reserves shall take place</b></p>	<p>(See the definition of “exchange of balancing capacity”)</p> <p>While the exchange of balancing energy is regulated in the Market Code and Grid Code respectively, provisions regulating how the exchange of balancing capacity and sharing reserves shall take place, including one of three methodologies (foreseen in Article 38 and Article 40 – 42 of the EB GL respectively) for allocating cross-zonal capacity, <u>are missing</u>.</p> <p>It should be noted that the EB GL allows the TSOs to allocate cross-zonal capacity for the exchange of balancing capacity and sharing reserves only if cross-zonal capacity is calculated in accordance with the capacity calculation methodologies developed pursuant to Regulation 2015/1222 (CACM GL) and 2016/1719 (FCA GL). Currently these two guidelines are taken into account in the agreements on allocation of cross-border capacities, concluded by EMS and TSOs of the neighboring EU Member States.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 38 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Market Code and the Grid Code (and/or respective national rules and/or contracts governing the allocation of cross-border capacities if necessary) provisions defining how the TSO calculates and allocates the available cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, pursuant to the general requirements set out in the EB GL.</b></p>

<p><b>Article 39 – Calculation of market value of cross-zonal capacity</b></p>	<p><b>The Market Code and Grid Code do not contain provisions setting out how the market value of cross-zonal capacity is calculated</b></p>	<p>Given that there is no methodology for allocating cross-zonal capacity, corresponding provisions setting out <b>how the market value of cross-zonal capacity is calculated</b> for the exchange of balancing capacity and sharing reserves are <u>missing</u> as well.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 39 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: based on the proposed solution for allocation of cross-zonal capacity, introduce in the Market Code and the Grid Code provisions defining how the market value of cross-zonal capacity is calculated.</b></p>
<p><b>Title V - Settlement</b></p>			
<p><b>Article 44 – General principles</b></p>	<p>Article 168 Para 2 of the Energy Law puts an obligation on the TSO to organize and administer the balancing market</p> <p><b>The Market Code</b> further elaborates the TSO's role for organizing and administering the balancing market which, among other things, include calculation of the amount of injected and withdrawn balancing energy and financial settlement on the basis of withdrawn/injected balancing energy for relevant market day - Article 5.1.1., 5.1.3. and 5.1.10.</p> <p><b>The Market Code</b> defines:</p> <ul style="list-style-type: none"> <li>- <b>the settlement of balancing energy with the BSPs</b>, in particular: <ul style="list-style-type: none"> <li>(a) determination of the quantity of engaged (activated)</li> </ul> </li> </ul>	<p>Chapter 6 of the Market Code, in broad terms, can be assessed as <u>partly compliant</u> with the general objectives of imbalance settlement set out in the EB GL.</p> <p>However, it should be noted that the Market Code contains rather open-ended provisions concerning the settlement rules with the providers of the contractual balancing reserve (suppliers/wholesale suppliers/other TSOs) which can be assumed as <u>partially compliant</u> with the main objective of creating a level-playing field among the BSPs without discrimination, and ensure that settlement rules are set and applied in a non-discriminatory, fair, objective and transparent basis (see also Article 16 – Role of BSPs).</p> <p>Even though AERS competence set out in Article 50 Para 2 of the Energy Law does not fully reflect the NRA's obligation to ensure that the settlement process is financially neutral</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 44 will be transposed into the national legislation in its integral text.</b></p> <p><b>No separate transitional solution is necessary regarding Article 44 (see solutions proposed for the following articles)</b></p>

	<p>balancing energy for each accounting interval on the basis of engaged secondary regulation upward and downward and issued instructions for tertiary regulation for the needs of power system balancing and for ensuring secure operation of the power system – Article 5.11 (applies to balancing entities);</p> <p>(b) calculation of total activated balancing energy volume in the power system for the secondary and tertiary regulation – Article 5.12.1. and 5.12.2.;</p> <p>(c) principle for determining the price for activated balancing energy for the tertiary regulation upward and downward from the balancing entities (“pay-as-bid” principle) for each settlement period – Article 5.12.3.;</p> <p>(d) principle for determining the activated contractual balancing reserve volume– Article 5.12.4(applies to suppliers/wholesale suppliers and other TSOs);</p> <p>(e) principle for setting the price/method for price formation for activated contractual balancing reserve – Article 5.12.5 (first sentence applies to suppliers/wholesale suppliers, and other TSOs, while</p>	<p>for the TSO, as required in Article 44 Para 2 of the EB GL, Article 90 and 91 of the Energy Law give the possibility to achieve the above-mentioned goal. Therefore, in substantive terms, these provisions can be assessed as <b><u>partially compliant</u></b>.</p>	
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the second sentence applies just to other TSOs).;

(f) calculation of the price for activated balancing energy for the secondary regulation for each settlement period – Article 5.12.7.

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- **the imbalance settlement with the BRPs**, in particular:

(a) calculation of total nominated position, total metered position and engaged balancing energy of the balancing group under responsibility of the BRP – Article 6.2.

(b) balancing group imbalance calculation – Article 6.3.;

(c) calculation of **imbalance settlement price** – Article 6.4.; imbalance settlement price is calculated for each accounting interval (i.e settlement period) (1 hour) **as the weighted price of activated tertiary and secondary regulation** (i.e activated explicit offers from the tertiary regulation, activated contractual balancing reserve when the TSO purchases balancing energy from other TSOs, suppliers or wholesale suppliers, activated secondary regulation and activated secondary regulation for the purposes of imbalance netting

	<p><b>Article 50 Para 2 of the Energy Law</b> confers on AERS the competence, when adopting methodologies and giving its consent to regulated prices to the TSO, to estimate and approve the short-term and long-term costs necessary for efficiency of operator’s activities. In addition, Article 90 and 91 set out main principles how the electricity transmission system tariffs shall be set</p>		
<p><b>Article 45 – Balancing energy calculation</b></p>	<p><b>The Market Code</b> sets out the calculation of total activated balancing energy volume for the secondary and tertiary regulation per each direction taking into account both upward and downward activation per each settlement period – Article 5.12.1. and 5.12.2.</p> <p><b>The Market Code</b> does not explicitly foresee any procedure for claiming the recalculation of the activated volume of balancing energy</p>	<p>Even though the Market Code uses the “old” terminology (primary, secondary, tertiary regulation), Article 5.12.1. and 5.12.2. of the Market Code can be assumed to be <b><u>compliant</u></b> with the EB GL.</p> <p>However, a provision setting out procedure for claiming the recalculation of the activated volume of balancing energy for FRR/RR is <b><u>missing</u></b>.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 45 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- introduce in the Market Code procedure for claiming the recalculation of the activated volume of balancing energy;</li> <li>- the terminology used in the Market Code should be aligned with the terminology used in the Guidelines (e.g. FCR/FRR/RR). This would require similar review of the Grid Code.</li> </ul>
<p><b>Article 47 – Balancing energy for frequency restoration process</b> &amp; <b>Article 48 – Balancing energy for reserve replacement process</b></p>	<p><b>The Market Code</b> sets out the calculation of total activated balancing energy volume for the secondary regulation per each direction taking into account both upward and downward activation and per each settlement period – Article 5.12.1.</p>	<p>Even though the Market Code uses the “old” terminology (primary, secondary, tertiary regulation), Article 5.12.1, 5.12.2, 5.12.3, and Article 5.14., in substantive terms, can be assumed to be <b><u>compliant</u></b> with the EB GL requirements for the calculation and settlement of the activated volume of balancing energy for FRR and RR.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 47 and 48 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: terminology used in the Market Code should be aligned with the terminology used in the</b></p>

	<p><b>The Market Code</b> sets out the calculation of total activated balancing energy volume for the tertiary regulation per each direction taking into account both upward and downward activation and per each settlement period – Article 5.12.2.</p> <p>Article 5.12.3. of the Market Code sets out the principle for determining the price for activated balancing energy for the tertiary regulation upward and downward from the balancing entities (“pay-as-bid” principle) for each settlement period</p> <p>The price for activated balancing energy for tertiary regulation purchased from the supplier, the wholesale supplier and other TSOs is determined in the respective contracts (Article 5.12.4, 5.12.5 and 5.12.7 of the Market Code)</p> <p>Chapter 5.14. of the <b>Market Code</b> covers the invoicing and payment for activated energy from the balancing entities, based on the volume and price of the activated energy for secondary and tertiary regulation</p>		<p><b>Guidelines (e.g. FRR/RR). This would require similar review of the Grid Code.</b></p>
<p><b>Article 49 – Imbalance adjustment to the balance responsible party</b></p>	<p><b>The Market Code</b> does not explicitly mention, nor define “imbalance adjustment” for the BRPs.</p>	<p>Explicit provision regulating the imbalance adjustment to the BRP is <b>missing</b> in Serbian legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 49 will be transposed</b></p>

	<p>Articles 6.1.1 and 6.1.4 (Balancing Group Deviation Accounting) and Article 6.2.3 (Determination of balancing group's total engaged balancing energy) of the <b>Market Code</b> foresee the notion of <b>“engaged balancing energy from balancing entities of each Balancing group”</b></p> <p><b>Article 5.9.5. of the Market Code</b> sets out the obligation for the TSO to record all instructions for balancing entities engagement, including reasons for engagement (power system balancing, provision of secure operation of the power system, etc.)</p>	<p>However, in Articles 6.1.1 and 6.1.4 (Balancing Group Deviation Accounting) and Article 6.2.3 (Determination of balancing group's total engaged balancing energy) the <b>Market Code</b> mentions <b>“engaged balancing energy from balancing entities of each Balancing group”</b> which is an essential element for determining (calculating) the imbalance of the respective Balancing Group under the responsibility of a Balance Responsible Party.</p> <p>Additionally, Article 5.9.5. of the Market Code ensures that the TSO accounts the activated volume of balancing energy and any volume activated for purposes other than balancing. Therefore, the provisions of the Market Code appear <b>in substance to be compliant</b> with the EB GL, according to which <b>the imbalance adjustment shall be applied to the concerned BRP for each activated balancing energy bid</b>, calculated by the TSO as the netted volume of (a) all balancing energy volumes from all activated bids for that ISP that assign this balancing energy to the concerned BRP and (b) all volumes activated by the TSO for purposes other than balancing, that are assigned to the concerned BRP.</p>	<p><b>into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance adjustment” in the Market Code</b> which will replicate the definition from the EB GL. This would additionally mean using “imbalance adjustment” in Articles 6.1.1 and 6.1.4, throughout Article 6.2.3, and in Article 6.3.1.1. of the Market Code instead of the current wording.</p>
<p><b>Article 50 – Intended exchanges of energy</b></p>	<p><b>The Market Code</b> does not contain explicit provisions TSO-TSO settlement rules for the intended exchanges of energy, but it does mention cross-border exchange of energy with another TSO in Article 4.1.6., 5.1.5. under c), 5.1.7. under b), 5.1.11. under d) and e), 5.1.12. under c) and d), 5.2.5., 5.7.1., 5.9.4., 5.12.5.</p>	<p>Explicit provisions regulating TSO-TSO settlement rules for the intended exchanges of energy from aFRR/mFRR/RR are <b>missing</b> in Serbian legislation.</p> <p>However, various articles in the Market Code appear <b>in substance to be compliant</b> with the rationale of EB GL for the intended exchanges of energy from aFRR/mFRR/RR, as they would allow for the TSO to fulfil the balancing needs by exchange of balancing energy between TSOs.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 50 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce explicit provisions in the Market Code that would clarify the intended exchanges of energy from aFRR/mFRR/RR with other TSOs, pricing</b></li> </ul>



			<p>in such exchanges, as well as whether imbalance netting can be applied for these exchanges;</p> <ul style="list-style-type: none"> <li>- ensure that the agreements concluded among EMS and the TSOs of Montenegro and Bosnia and Herzegovina on cross-border procurement/exchange of balancing energy are based on/aligned with the requirements of the EB GL (i.e. common merit order list, common rules for exchange of balancing energy, common pricing and settlement rules, etc.)</li> </ul>
<p><b>Article 52 – Imbalance settlement</b></p>	<p>The Market Code sets out <b>imbalance settlement with the BRPs</b>, in particular:</p> <ul style="list-style-type: none"> <li>- calculation of total nominated position, total metered position and engaged balancing energy of the balancing group under responsibility of the BRP – Article 6.2.;</li> <li>- imbalance calculation – Article 6.3.;</li> <li>- calculation of <b>imbalance settlement price</b> and the use of single imbalance pricing – Article 6.4.; imbalance settlement price is calculated for each settlement period (1 hour) <b>as weighted price of activated tertiary and secondary regulation</b></li> </ul> <p><b>The Market Code</b> does not explicitly mention “imbalance adjustment” for the BRPs, but Articles 6.1.1 and 6.1.4 (Balancing Group Deviation Accounting) and Article 6.2.3 (Determination of balancing</p>	<p>Chapter 6 of the Market Code, in broad terms, can be assessed as <b>partly compliant</b> with the requirements for imbalance settlement set out in the EB GL, as the provisions in chapter 6 of the Market Code, in substance, appear to ensure the main aim of the imbalance settlement – to ensure that BRPs support the system balance in an efficient way and to incentivise market participants in keeping and/or helping to restore the system balance.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 52 will be transposed into the national legislation in its integral text.</b></p> <p><b>No separate transitional solution is necessary regarding Article 52 (see solutions proposed for the following articles)</b></p>

	<p>group's total engaged balancing energy) of the <b>Market Code</b> foresee the notion of “<b>engaged balancing energy from balancing entities of each Balancing group</b>”</p> <p><b>The Market Code</b> does not explicitly mention “dual pricing”</p>		
<b>Article 53 – Imbalance settlement period</b>	<p><b>The Market Code</b> does not explicitly define “imbalance settlement period”, but it uses the notion of “accounting interval” in Article 2.1 and in Article 6.5.2 (Determination of fee for imbalance of balancing groups).</p> <p>Period of time defined in the Market Code for the accounting interval is 1 (one) hour – Article 2.1.</p>	<p>An explicit provision on “imbalance settlement period” is <b>missing</b> in the Market Code.</p> <p>However, the term “accounting interval” in the Market Code, when used in the context of imbalance settlement, appear to be used within the same meaning as “imbalance settlement period” in the EB GL.</p> <p>Yet, the period of time defined as accounting interval is <b>non-compliant with the EB GL</b>, as the EB GL target model foresees the imbalance settlement period of 15 minutes.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 53 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: So as to avoid unnecessary intervention in the text of the Market Code which makes over 30 references to the “accounting period”, not all of which are related to the “imbalance settlement period” as defined in the EB GL, the proposed solution is amending the existing “accounting interval” definition in the Market Code as follows: “Accounting interval – the period for which calculations are performed as defined by the Market rules, which is 1 (one) hour. When used in the context of imbalance settlement the accounting interval shall mean the time unit for which balance responsible parties' imbalance is calculated, which is 1 (one) hour.</b></p>
<b>Article 54 – Imbalance calculation</b>	<p><b>The Market Code</b> sets out the calculation of total nominated position, total metered position and engaged balancing energy of the balancing group under</p>	<p>Having in mind the analysis of Article 49 and Article 53, provisions of the Market Code appear to be <b>partly compliant</b> with imbalance calculation principles set out in the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 54 will be transposed into the national legislation in its integral text.</b></p>

	<p>responsibility of the BRP – in Articles 6.2.1., 6.2.2. and 6.2.3.</p> <p>The Market Code does not explicitly state that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals, but it does mention in Article 6.5.1.3. that for positive imbalance of a Balancing group with no withdrawal/injection points allocated, the TSO does not remunerate the BRP in the case of positive imbalance of the BRP's Balancing group</p>		<p><b>As a transitional solution:</b> see proposed solutions for Article 49 – Imbalance adjustment for the BRPs; Article 53 – Imbalance settlement period. Additionally, introduce a provision in the Market Code explicitly stating that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals.</p>
<p><b>Article 55 – Imbalance price</b></p>	<p>In <b>Article 6.4.1. the Market Code sets out that the imbalance settlement price</b> for each accounting interval is determined as the <b>weighted price of activated explicit offers from the Tertiary regulation, contractual engaged balancing reserve in case when the TSO purchases balancing energy from the TSOs from another market areas, Suppliers/Wholesale suppliers, engaged Secondary regulation and engaged secondary regulation for the purposes of imbalance netting process</b></p> <p><b>The Market Code</b> foresees that in case the imbalance price is negative in the accounting interval, the equalling to 0 EUR/MWh shall be adopted – Article 6.4.2.</p> <p><b>The Market Code</b> in Article 6.4.3. set out price cap for imbalance price</p>	<p>Having in mind the analysis of Article 53, provisions of the Market Code appear to be <u>partly compliant</u> with requirements for calculation of imbalance prices, as set out in the EB GL, especially regarding the price for negative imbalance.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 55 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> besides the proposal suggested for imbalance settlement period, the imbalance price setting principles in the Market Code shall be reviewed, especially regarding meeting the requirements of Para 4 and 5 of Article 55 of the EB GL.</p>

	<p>- imbalance settlement price can maximum be 1.5 times greater than the maximum price for the engaged balancing energy in regulation upward in that accounting interval</p> <p>Article 6.5.1.1. and 6.5.1.2. of the <b>Market Code</b> describes the payment of imbalance in case of positive and negative imbalance</p>		
<b>Article 56 – Procurement within scheduling area</b>	See analysis for Article 32	See analysis for Article 32	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 56 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> in addition to solutions proposed for regarding Article 32 of the EB GL, <b>introduce provisions setting out the rules for the settlement of at least FRR and RR in the Market Code.</b></p>
<b>Article 57 – Procurement outside a scheduling area</b>	See analysis for Article 33	See analysis for Article 33	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 57 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> in addition to solutions proposed regarding Article 33 of the EB GL, <b>introduce provisions setting out the rules for the settlement of procured balancing capacity in the Market Code.</b></p>

### 3. ALBANIA

The gap analysis takes into account the legislation that is in force in Albania at the moment of performing this analysis: **The Power Sector Law**<sup>5</sup>, the Provisional Rules of Albanian Electric Power Market from 25.08.2016 (hereinafter - **Provisional Market Rules**)<sup>6</sup>, Transitional Rules for Electricity Balancing Mechanism (hereinafter - **Transitional Balancing Rules**)<sup>7</sup> – which as per Article 16 there of „will apply until the International Finance Corporation sponsored final balancing rules enter into force.“, and the Transmission Network Code (hereinafter - **Grid Code**)<sup>8</sup>. In part, the analysis reflects on the Albanian legislation which has been passed but is not in force: Market Model set out in Decision 519 of 13.07.2016 (hereinafter - **Market Model**)<sup>9</sup> and the Albanian Electricity Market Rules (hereinafter - **Market Rules**)<sup>10</sup>, which will be applicable/come into force once the Albanian Power Exchange (hereinafter – APX) commences its operations. The (draft) “International Finance Corporation sponsored final balancing rules” are not publicly available, thus they were not assessed in this analysis, but they might have an impact on the proposed transitional solutions.

The gap analysis was mostly based on the English version of the above-mentioned legal acts, published on the NRA’s (ERE) and TSO’s (OST) website. Hence, some of the identified discrepancies might not be relevant due to inconsistencies between the Albanian and English version of the above-mentioned legal acts, as a result of translation.

Bilateral agreements between OST and neighboring TSOs were not analysed, as they are not publicly available. The existence of such contractual agreements was taken into account only to the extent that these agreements should be aligned with the relevant amendments to legal acts, proposed as transitional solutions.

EB GL/SO GL	National legislation	Level of compliance (compliant, non-compliant, partly compliant, missing)	Proposed changes
<b>Part I - General provisions of SO GL</b>			
<b>Article 3 – Definitions</b>			
<b>(6) “frequency containment reserves” (FCR)</b>	<b>The Grid Code</b> defines “FCR” as “frequency containment reserves (Reserves of Primary Control)” and uses throughout the text either	The definition of FCR provided in the <b>Grid Code</b> is <b>compliant</b> with the SO GL.	<b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>

<sup>5</sup> [http://www.ere.gov.al/doc/Law\\_on\\_energy\\_sector\\_approved\\_on\\_43.2015.pdf](http://www.ere.gov.al/doc/Law_on_energy_sector_approved_on_43.2015.pdf)

<sup>6</sup> <https://www.ost.al/wp-content/uploads/2016/04/Provisional-Market-Rules.pdf>

<sup>7</sup> [http://www.ere.gov.al/doc/Transitional\\_Rules\\_for\\_Electricity\\_Balancing\\_Mechanism.pdf](http://www.ere.gov.al/doc/Transitional_Rules_for_Electricity_Balancing_Mechanism.pdf)

<sup>8</sup> [http://www.ere.gov.al/doc/Transmission\\_Network\\_Code\\_14.06.2018.pdf](http://www.ere.gov.al/doc/Transmission_Network_Code_14.06.2018.pdf)

<sup>9</sup> [http://www.ere.gov.al/doc/Decision\\_No-519-dt-13-July-16\\_Market\\_Model.pdf](http://www.ere.gov.al/doc/Decision_No-519-dt-13-July-16_Market_Model.pdf)

<sup>10</sup> [http://www.ere.gov.al/doc/Albanian\\_Electricity\\_Market\\_Rules.pdf](http://www.ere.gov.al/doc/Albanian_Electricity_Market_Rules.pdf)

	<p>alone or in the context of primary reserve</p> <p><b>The Provisional Market Rules</b> mention “primary regulation” and in Article VIII.1.3. describe “primary reserve” as [the process of] “the generating units will assure the primary regulation of the frequency and active power at their own expense, in conformity to the technical requirements established in the Grid Code”</p>	<p><b>The Grid Code</b> uses the notion of “active power reserves” (e.g. in Article 182) but does not define the term itself.</p> <p>The definition/description of “primary reserve” used in the Provisional Market Rules can be assessed as <b><u>non-compliant</u></b> with the definition of FCR in the SO GL.</p>	<p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce a definition of “active power reserves” replicating the definition from Article 3 Para 2 under 16) of the SO GL in the Grid Code;</b></li> <li>- for the sake of clarity and to ensure coherence between the relevant acts, it is necessary to <b>align the terminology used throughout the Grid Code and the Provisional Market Rules.</b> This implies amendments to Article VIII.1.3. of the Provisional Market Rules (assuming they are still applicable at the time of revision).</li> </ul>
<p><b>(7) “frequency restoration reserves” (FRR)</b>  <b>(99) “automatic FRR”</b>  <b>(143) “manual FRR full activation time”</b></p>	<p><b>The Grid Code</b> defines “<b>FRR</b>” as “frequency restoration reserves (Reserves of Secondary Control)”</p> <p><b>The Grid Code</b> uses the term “automatic FRR”, as well as abbreviations “aFRR” and “mFRR”, without defining these terms. The same applies to the notion of “automatic/manual FRR full activation time” (e.g. in Article 169 Para 1 under f))</p> <p><b>The Provisional Market Rules</b> mention “secondary regulation” and in Article VIII.1.4. describe “secondary reserve” as “for the secondary regulation of active power, each generator is requested to provide reserve power limit, offered in MW and the degree of growth / decline of electric power in MW / min”</p>	<p>The definition of FRR provided in the <b>Grid Code is <u>compliant</u></b> with the SO GL, while the definitions of “<b>automatic FRR</b>” and “<b>manual FRR full activation time</b>” are <b><u>missing</u></b>.</p> <p>The definition/description of “secondary reserve” used in the <b>Provisional Market Rules</b> can be assessed as <b><u>non-compliant</u></b> with the definition of FRR in the SO GL.</p>	<p><b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: replicate the definitions of “automatic FRR” and “manual FRR full activation time” from the SO GL in the Grid Code.</b> This implies <b>aligning the terminology throughout the Grid Code and the Provisional Market Rules</b>, including amendments to Article VIII.1.4. of the Provisional Market Rules (assuming they are still applicable at the time of revision).</p>

<p><b>(8) “replacement reserves” (RR)</b></p>	<p><b>The Grid Code</b> abbreviates “RR” as “replacement reserves (Reserves of Tertiary Control)” and uses throughout the text, without defining the term. Though, Article 143 Para 3 under b) mentions that the Grid Code aims to [provide] “definition of common requirements and principles of [...] RR” and Annex A foresees that “the regulating reserves [...] RR are described in the Code”</p> <p><b>The Provisional Market Rules</b> mention “secondary regulation” and in Article VIII.1.5. describe “tertiary reserve” by explaining that “this reserve is used in order to assist the secondary regulation by creating a required regulation limit for it”</p>	<p>Even though the Grid Code uses the term “replacement reserves”/abbreviation “RR”, the definition of RR is <u>missing</u>.</p> <p>The definition/description of “tertiary reserve” used in the Provisional Market Rules can be assessed as <u>non-compliant</u> with the definition of RR in the SO GL.</p>	<p><b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- replicate the definition of “replacement reserve (RR)” from the SO GL in the Grid Code</li> <li>- for the sake of clarity and to ensure coherence between the relevant acts, it is necessary to align the terminology used throughout the Grid Code and the Provisional Market Rules. This implies amendments to Article VIII.1.5. of the Provisional Market Rules (assuming they are still applicable at the time of revision).</li> </ul>
<p><b>Title I - General provisions of EB GL</b></p>			
<p><b>Article 2 - Definitions</b></p>			
<p><b>(3) “balancing”</b></p>	<p><b>The Power Sector Law</b> defines “balancing” in Article 3 Para 1 under 4)</p> <p><b>The Provisional Market Rules</b> make a reference to definitions provided in the Power Sector Law (last para of Chapter I – Introduction).</p> <p><b>The Transitional Balancing Rules</b> do not define “balancing” but foresee “for the purpose of balancing”,</p>	<p><b>The Power Sector Law, and the Provisional Market Rules and Market Model</b> (which both make a reference to the Power Sector Law) <u>are compliant</u> with the definition of “balancing” in the EB GL.</p> <p><b>The Transitional Balancing Rules</b> Article 1 Para 1 sets out the scope of these rules and stipulates that they do so “in line with the requirements of the Power Sector Law and the Energy Community</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: The Grid Code and Market Rules should introduce a general reference that all other terms used in them have the meaning as defined in the Power Sector Law (thus covering the definition of “balancing” as provided in that Law)</b></p>

	<p>“balancing measures”, “system balancing”, and “balancing needs of OST” in Articles 3.1 under c), 7.2, 8.1, 8.7, 10.2 and 12.1. Article 1 Para 1 sets out the scope of these rules and stipulates that they do so “in line with the requirements of the Power Sector Law and the Energy Community law”</p> <p><b>The Grid Code</b> does not contain an explicit definition of “balancing” but uses the term in Articles 1.1., 109 Para 13 Sub-para 2, 191.1.f. under ii), and when defining the “Market Rules” and “Balancing Market” in the Terms and Definitions section</p> <p><b>The Market Model (before last para in the introduction)</b> make a reference to definitions provided in the Power Sector Law</p> <p><b>The Market Rules</b> do not contain an explicit definition of “balancing” but use the notion in Article 2.2.6. under ii) of the Market Rules (in the same manner as 191.1.f. under ii) of the Grid Code)</p>	<p>law”, which can be construed as applying the definitions used in the Power Sector Law, and can <b>in substance</b> be assessed as <b>compliant</b> in terms of the definition of “balancing”.</p>	
<p>(4) “balancing market”</p>	<p><b>The Power Sector Law</b> defines “balancing market” in Article 3 Para 1 under 5)</p> <p><b>The Provisional Market Rules</b> make a reference to definitions provided in the Power Sector Law (last para of Chapter I – Introduction).</p>	<p><b>The Power Sector Law, Grid Code, and the Provisional Market Rules and Market Model</b> (which both make a reference to the Power Sector Law) <b>are compliant</b> with the definition of “balancing market” in the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: The Market Rules should introduce a general reference that all other terms used in them have the meaning</b></p>



	<p><b>The Transitional Balancing Rules</b> Article 1 Para 1 sets out the scope of these rules and stipulates that they do so “in line with the requirements of the Power Sector Law and the Energy Community law”</p> <p><b>The Grid Code</b> defines “balancing market” in Section Terms and Definitions of Transmission Network Code</p> <p><b>The Market Model (before last para in the introduction)</b> make a reference to definitions provided in the Power Sector Law</p> <p><b>The Market Rules</b> do not define “balancing market” but use it in – Chapter I (Introduction) when defining “currency”, Art. 1.8 when stipulating that the Rules for the Balancing Market are drafted as a special document, as set of rules on its own, and Article 2.2.6. under ii, Chapter XI (Phase 2 – Opening of the Market)</p>	<p><b>The Transitional Balancing Rules</b> Article 1 Para 1 sets out the scope of these rules and stipulates that they do so “in line with the requirements of the Power Sector Law and the Energy Community law”, which can be construed as applying the definitions used in the Power Sector Law, and can <b>in substance</b> be assessed as <b>compliant</b> in terms of the definition of “balancing market”.</p>	<p><b>as defined in the Power Sector Law (thus covering the definition of “balancing market” as provided in that Law)</b></p>
<p><b>(3) “balancing services”</b></p>	<p><b>The Power Sector Law does not define “balancing services” but uses the notion in</b> <sup>11</sup>Article 19.1.c.</p>	<p><b>The Grid Code</b> is the only piece of Albanian legislation which provides a</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the</b></p>

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<sup>11</sup> According to OST, definition of Balancing service is given in Albanian version of Power Sector Law, as follows: “Balancing Service is the provision of contracted reserve capacity and/or balancing electricity used by the Transmission System Operator to perform balancing”. In English version of Power Sector Law this definition is missing.

	<p>under ii), Article 21 Para 6, Article 51 Para 1 under b), Article 55 Para 2 and 3, Article 62 Para 1 and 3, Article 63 Para 3 under e), Article 100 Para 1-3,</p> <p>The <b>Provisional Market Rules</b> do not provide a definition of “balancing services” but use the notion in Article II.2.3 under iii) and vij) and Article VII.2.4</p> <p><b>The Transitional Balancing Rules</b> contain a definition of “balancing services” in Article 3 para 1 under e)</p> <p><b>The Grid Code</b> contains a definition of “balancing services” in the Section - Terms and definitions of Transmission Network Code</p> <p><b>The Market Model</b> does not define “balancing services” but mentions them with regards to BSPs (definition in Introduction and in Article 3.4) as well as in Art 3.1 Para 2 indent 4</p> <p><b>The Market Rules</b> do not define “balancing services” but mention them in Article 2.5.1. and 2.2.6 under iv)</p>	<p>definition of “balancing services” which is <b>compliant</b> with the EB GL.</p> <p><b>The Transitional Balancing Rules contain a definition of “balancing services”</b> which is <b>non-compliant</b> with the EB GL, as <b>it only encompasses balancing energy</b>. The definition is not only non-harmonized with that of the Grid Code, but also appears to be inconsistent with the usage of the term in Article 6 Para 3 (which obliges a potential BSP to, <i>inter alia</i>, specify the capacity in MW).</p>	<p><b>definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- correct the definition in Transitional Balancing Rules so that it includes “or balancing capacity or both” and thus make it compliant with the definition from the EB GL. This would also imply further developing the provisions regarding balancing capacity appropriately throughout the text, while ensuring clarity in terms of ancillary and balancing services;</li> <li>- <b>introduce a definition of “balancing services” in the Provisional Market Rules, the Market Model and Market Rules</b> which will replicate the definition from the EB GL.</li> </ul> <p><b>Even though according to Article 2 Para 3 of the Transitional Balancing Rules, in case of inconsistency, these rules take precedence over the (Transitional) Market Rules, hereinafter in the text the amendments to the (Transitional) Market Rules are suggested for the sake of clarity and to ensure coherence between the relevant acts.</b></p>
<p><b>(4) “balancing energy”</b></p>	<p><b>The Power Sector Law does not define “balancing energy”</b> but mentions the “determination of energy amounts to be used for imbalance” in Article 100 Para 2 under b)</p>	<p>An explicit definition of “balancing energy” <b>is missing</b> in Albanian legislation.</p> <p>Article 8 Para 4 read in conjunction with Article 9 Para 4 of the <b>Grid Code</b> can in <b>substance</b> be assessed as <b>partially</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p>

	<p><b>The Provisional Market Rules do not define “balancing energy”</b> but mentions it in Art II.2.4 under iv), as well as “balancing energy purposes” in Article VI.1.1</p> <p><b>The Transitional Balancing Rules do not define “balancing energy”</b>, but use the notion when defining “balancing services” in Article 3 Para 1 under e), as well as under l) and in Article 7 Para 2, Article 8 Para 4, Article 9 Para 4, and Annex D under I (For Supplier Account (KESH))</p> <p><b>The Grid Code does not define “balancing energy”</b>, although it uses the notion when defining “Balancing Service” under Section Terms and definitions of Transmission Network Code. It also uses it in the context of ancillary services in Article 191 Para 1 under f.i) and under f.ii) in the context of balancing actions.</p> <p><b>The Market Model does not define “balancing energy”</b>, although it uses the notion in Article 2 Para 5 under iii), and in the context of ancillary services in Article 3.1 Para 2, first indent</p> <p><b>The Market Rules do not define “balancing energy”</b> but uses it in</p>	<p><b>compliant</b> with the definition from the EB GL (as balancing energy is “determined on the activation request by the TSO”, i.e. used by the TSO, and that “for each participant, acting in their capacity as balance service provider, OST will maintain accounts to calculate units of balancing energy provided”, thus stating that the balancing energy is provided by BSPs)</p>	<p><b>As a transitional solution: introduce a definition of the “balancing energy” in the Power Sector Law</b> (thus covering the Provisional Market Rules and the Market Model which make a reference to the definitions of the Power Sector Law), <b>the Transitional Balancing Rules, Grid Code, and Market Rules which would replicate the definition from the EB GL</b></p>
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	<p>the context of ancillary services in Article 2.2.6 under i)</p>		
<p><b>(5) “balancing capacity”</b></p>	<p><b>The Power Sector Law does not define “balancing capacity”.</b> The Law uses the notion of “capacity reserve” in Article 8 Para 1 under b)</p> <p><b>The Provisional Market Rules do not define “balancing capacity”.</b> The notion of “reserve capacity” is mentioned in Article VII.3.2.vii under a) in the context of the monthly operation plan of the TSO and ancillary services</p> <p><b>The Transitional Balancing Rules do not define “balancing capacity”.</b> Art 6 para 3 foresees that potential BSPs have to, <i>inter alia</i>, specify the capacity and the period from/to the balancing services are offered.</p> <p><b>The Grid Code does not provide a definition of “balancing capacity”.</b> It does use the notion of “contracted reserve capacity” when defining “Balancing Service” in the Section Terms and definitions of Transmission Network Code. It also covers FCR, FRR and RR dimensioning, technical minimum requirements, and their exchange/sharing within a synchronous area in Articles 164-189</p>	<p>An explicit definition of “balancing capacity” is <u>missing</u> in Albanian legislation.</p> <p><b>The Grid Code does</b> cover FCR, FRR and RR dimensioning, technical minimum requirements, and their exchange/sharing within a synchronous area in Articles 164-189. This implicitly means that the Grid Code on substance foresees reserve capacity, but falls short of clearly defining “balancing capacity”.</p> <p>Additional attention should be paid to the fact that the <b>Provisional Market rules, the Market Model and the Market Rules</b> link the term “reserve capacity” with the provision of ancillary services (defined in the Power Sector Law as “services necessary for reliable operation of the transmission or distribution system”) rather than balancing services, making the difference between the two services (ancillary and balancing) opaque, especially when taking into account that the <b>Market Model</b> and the <b>Market Rules</b> foresee that ancillary services are to be provided by/purchased from BSPs. This is further complicated by the fact that the <b>Transitional Balancing Rules</b> define Balancing services as balancing energy only, while the <b>Grid Code</b> correctly defines Balancing Services as balancing energy and/or balancing capacity or both. (also see: (3) “balancing</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “balancing capacity” in the in the Power Sector Law</b> (thus covering the Provisional Market Rules and the Market Model which make a reference to the definitions of the Power Sector Law), <b>the Transitional Balancing Rules, Grid Code, and Market Rules which would replicate the definition from the EB GL.</b> This would also imply further developing the provisions regarding balancing capacity appropriately throughout the text of the Transitional Balancing Rules, the Market Model, Provisional Market Rules, Market Rules and Grid Code, so as to ensure coherence between the relevant acts, as well as making a clear distinction between balancing and ancillary services and associated reserve capacity.</p>

	<p><b>The Market Model does not define “balancing capacity”.</b> It does use the notion of “reserve capacity” in the context of ancillary services in Article 3.1 Para 2, first indent, and the notion of “balancing reserves” in the context of performing necessary actions for balancing in Article 3.1. para 2, second indent, as well as in the context of the imbalance price in Article 3.1. para 2, indent 6.</p> <p><b>The Market Rules does not define “balancing capacity”.</b> They use the notion of “reserve capacity” in the context of ancillary services in Article 2.2.6 Para 1 under i) while they use the notion of “energy reserves” in Article 2.2.6. Para 2.</p>	<p>services” above and (6) “balancing service provider” below)</p>	
<p><b>(6) “balancing service provider”</b></p>	<p><b>The Power Sector Law</b> does not define BSPs<sup>12</sup>, but mentions them in Article 100 Para 1 and Para 2 under a)</p> <p><b>The Provisional Market Rules</b> do not define BSPs, but mentions it in Article IX.1.8, while using “providers of this service” in Article VII.2.4</p>	<p>The definition of BSPs is <u>missing</u> in the <b>Power Sector Law, Provisional Market Rules and Market Rules.</b></p> <p>The definition of BSP provided in Article 3 Para 1 under d) of <b>the Transitional Balancing Rules</b>, read in conjunction with Article 3 Para 1 under e) which defines balancing services, is assessed as <u>non-compliant</u>, as it only relates to balancing energy and misses the necessary link to</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b>  - <b>introduce a definition of “balancing service provider” in the in the Power Sector Law</b> (thus covering the Provisional Market Rules and the Market Model which make a reference to the</p>

<sup>12</sup> According to OST, definition of BSP is given in Article 3 (59) and Article 3 (69) in Albanian version of Power Sector Law, as follows: „Balancing Service Provider" is a participant in the electricity market that provides Balancing Services to the Transmission System Operator, on the basis of a balancing market participation contract, in accordance with the balancing rules of the electrical system“. In English version of Power Sector Law this definition is missing.

	<p><b>The Transitional Balancing Rules</b> define BSP in Article 3 Para 1 under d)</p> <p><b>The Grid Code</b> defines BSP in the Terms and definitions of Transmission Network Code Section</p> <p><b>The Market Model</b> does not define BSPs as such, but rather defines the notion “Balancing Service Parties” (definitions in Introduction). It however uses the term “Balancing Service Provider (BSP)” in Article 3.1 Para 2, first indent in the context of ancillary services, as well as in Article 3.4, and the term “Balancing Service Party (BSP)” in Article 3.1, Para 1, fourth indent.</p> <p><b>The Market Rules</b> do not define BSPs. The notion is used in Article 2.2.6 Para 1 under i) in the context of ancillary services, Article 2.4.2 in the context of concluding a standard agreement, and Article 2.5</p>	<p>reserve-providing units or reserve-providing groups as defined in the EB GL.</p> <p>The definition of BSP provided in the <b>Grid Code</b>, read in conjunction with the definition of balancing services, can <u>in substance</u> be assessed as <u>compliant</u> with the definition from the EB GL.</p> <p><b>The Market Model</b> uses inconsistent terminology by using Balancing Service Party and Balancing Service Provider interchangeably. Regardless of this inconsistency (which might be a result of translation), the definition of the notion(s) is <u>non-compliant</u> with the definition from the EB GL. Additionally, the usage of the notion of BSPs in the context of purchasing ancillary services, which include both balancing energy and reserve capacity, from all BSPs (according to Article 3.1.Para 2, first indent) complicates the assessment of the norms on substance, as they imply that BSPs provide balancing (reserve) capacity which would point towards <u>partial compliance on substance</u> with the definition from the EB GL. The same rationale on substance applies to the provision of Article 2.2.5 Para 1 under i) of <b>the Market Rules</b>. In both cases the clear differentiation between ancillary and balancing services is missing (also see definition of “balancing capacity” above).</p>	<p>definitions of the Power Sector Law), <b>which would replicate the definition from the EB GL</b></p> <ul style="list-style-type: none"> <li>- <b>remove the existing definition of BSP in the Transitional Balancing Rules and introduce the definition of BSP which would replicate the definition from the EB GL;</b></li> <li>- <b>remove the definition of “balancing service party” in the Market Model</b> (as the definition from the Power Sector Law would apply) <b>and ensure consistent use of BSP throughout the text;</b></li> <li>- <b>the introduction of the definitions, as mentioned above, would also imply further developing the provisions regarding balancing capacity appropriately throughout the text of the Transitional Balancing Rules, the Market Model, Provisional Market Rules, Market Rules and Grid Code</b> so as to ensure coherence between the relevant acts, as well as making a clear distinction between balancing and ancillary services and associated reserve capacity (also see transitional solution for “balancing capacity” above)</li> </ul>
<p><b>(7) “balance responsible party”</b></p>	<p><b>The Power Sector Law</b> defines “Balancing Responsibility” in Article</p>	<p>The provisions of the Power Sector Law (Article 3 Para 1 under 7), read in conjunction with Article 99 and Article 100 Para 2 under b) can be assessed as</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p>

	<p>3 Para 1 under 7)<sup>13</sup>, and uses the notion of BRP when elaborating Balancing Responsibility in Article 99 and Article 100 Para 2 under b)</p> <p><b>Provisional Market Rules do not define BRPs but</b> make a reference to definitions provided in the Power Sector Law (Last Para of Chapter I – Introduction) which, as mentioned above, defines “balance responsibility”. However, the Provisional Market Rules use the notion of BRP in Article VI.2.2, VII.2.2, XI.1.3 and Article 6 of Annex A, while it uses the notion of balance/balancing responsibility in Article VI.2.3 under i) and iii), Article VII.2.2, VII.2.3. and IX.1.5</p> <p><b>The Transitional Balancing Rules</b> define BRPs in Article 3 Para 1 under b)</p> <p><b>The Grid Code</b> defines BRP in the Terms and definitions of Transmission Network Code Section</p> <p><b>The Market Model (before last para in the introduction)</b> make a reference to definitions provided in</p>	<p><b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p>The provisions of Articles VII.2.2 and VII.2.3, read in conjunction with Article XI.1.3 of the <b>Provisional Market Rules</b>, can be assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p>The definition of BRP in the <b>Transitional Balancing Rules</b> provided in Article 3 Para 1 under b), read in conjunction with Article 3 Para 1 under c) is <b><u>compliant</u></b> with the definition from the EB GL.</p> <p>The definition of BRP in the <b>Grid Code</b> is <b><u>compliant</u></b> with the definition from the EB GL.</p> <p>The definition of BRP provided in the <b>Market Model</b> is <b><u>non-compliant</u></b> with the definition from the EB GL. However, the provisions of Article 2 Para 5 under iii), Article 3 Para 2, fourth indent, and Article 3.3 Para 6 can be assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p>The provisions of Article 2.2.6 Para 1 under iv) of the <b>Market Rules</b> can be</p>	<p><b>As a transitional solution: delete the definition of BRP in the Market Model, so as to ensure coherence with the Power Sector Law.</b></p>
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<sup>13</sup> According to OST, definition of BRP is given in Article 3 (59) and Article 3 (69) in Albanian version of Power Sector Law, as follows: „Balance responsible party" is a participant of the electricity market or its representative, responsible in front of the Transmission System Operator for imbalances created during its operation.“ In English version of Power Sector Law this definition is missing.

	<p>the Power Sector Law, but nevertheless defines BRPs in the Introduction Section, and develops the concept in Article 2 Para 5 under iii), Article 3 Para 2, fourth indent, and Article 3.3 Para 6</p> <p><b>The Market Rules</b> do not define BRPs, but uses the notion in Article 2.1.2, 2.1.5, 2.1.7, 2.1.8, 2.2.4, Article 2.2.6 Para 1 under iv), 2.3.6, 2.4, 2.5. of Chapter II, Art 1.1, 1.2, 1.5, 4.1, 4.2 of Chapter III, Article 1.1 under iii) of Chapter VI. The Market Rules also use the notion of responsible party in Article 2.2.6 Para 2 and contain a definition of “Imbalance Responsible Party” in Annex I (Definitions)</p>	<p>assessed as <b>compliant in substance</b> with the definition from the EB GL.</p>	
<p><b>(8) “imbalance”</b></p>	<p><b>The Power Sector Law</b> does not provide a definition of imbalances, but uses the notion in Article 3 Para 1 under 7), and 59), Article 69 Para 1 under 9), Article 81 Para 2, Article 99 Para 3 and 4, and Article 100 Para 2 under b)</p> <p><b>The Provisional Market Rules</b> do not define “imbalance” but use the notion extensively and with differing purposes throughout the text: Article VII.1.2, VII.2.3, VII.3.1, IX.1.1, IX.1.2, IX.1.3, IX.1.4, IX.1.6, IX.1.8, XI.1, XI.3.3, XI.3.5, XII.1, XII.2, XII.3, XIV.1, XIV.5.2, Annex A Article 8 Para 3, and Annex B</p>	<p>The explicit definition of “imbalance” is <b>missing</b> in Albanian legislation.</p> <p>The provisions of Article IX.1.1, read in conjunction with Articles XI.3.3 and XI.3.5 of the <b>Provisional Market Rules</b> can be assessed as <b>partially compliant in substance</b> with the definition from the EB GL (partially because there is no link to BRPs and no explicit mention of imbalance settlement period)</p> <p>The provisions of Article 8 of the <b>Transitional Balancing Rules</b> are assessed as <b>compliant in substance</b> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance” in the in Power Sector Law</b> (thus covering the Provisional Market Rules and the Market Model which make a reference to the definitions of the Power Sector Law), <b>the Transitional Balancing Rules</b> (as well as re-assessment whether the definition of “disbalance” is necessary and if so how it would be defined), <b>Grid Code and Market Rules</b> (where it would be necessary to delete or modify the definition of “imbalance responsible party” as well) <b>which would replicate the definition from the EB GL.</b></p>



**The Transitional Balancing Rules** do not define “imbalance”. They do contain a definition of “disbalance” in Article 3 Para 1 under o), but this notion used only in one place in Annex D. The Rules, however use the notion of “imbalance” extensively and with a differing purpose throughout the text: Article 3 Para 1 under b) and o), Article 5 Para 4, 5 and 6, Article 7 Para 1, Article 8, Article 9 Para 2 and 3, Article 12, Article 13 Para 2, and Annex D

**The Grid Code** does not define imbalances but uses the notion in Article 191 Para 1 under f) under iv) and v) (where it also uses the notion of “deviation”) and in the Terms and Definitions Section for defining “Market Operation”, “Market Rules”, and “Balancing Responsible Party”

**The Market Model** does not define “imbalance” but uses the notion in Article 2 Para 5 under iii), Article 3 para 2 indents four and five, and Article 3.3 Para 6.

**The Market Rules** do not define “imbalance”, but use the notion in Article 2.2.6 Para 1 under iv) and v) and Article 2.4.8 and in Annex I when defining “Imbalance Responsible Party”

<p><b>(9) “imbalance settlement”</b></p>	<p><b>The Power Sector Law</b> does not define imbalance settlement but uses the notion of being “financially responsible to the TSO for the settlement of imbalances” in Article 3 Para 1 under 7), “financial settlement of balance responsible parties for their imbalances” in Article 3 Para 1 under 59), “financial statements for payment of the reciprocal obligations for the imbalances” in Article 99 Para 3 , “financial settlement with balance service providers” in Article 100 Para 2 under a), and “determination of amounts to be used for imbalance and financial responsibilities of responsible parties in the balance group” in Article 100 Para 2 under b)</p> <p><b>The Provisional Market Rules</b> do not define imbalance settlement. They only foresee provisions related to invoicing related to imbalances in Articles IX.1.6, XII., and XII.3</p> <p><b>The Transitional Balancing Rules</b> do not define “imbalance settlement” but use the notion in Article 1 Para 1 (where they also use the notion of “financial settlement of imbalances of balance responsible parties”), Article 7 Para 3, Article 9 Para 1, Annex A1A under 2), and Annex C. Article 4 Para 11 foresees “payments resulting from the balancing mechanism settlement”,</p>	<p><b>The definition is <u>missing</u> in Albanian legislation.</b></p> <p><b><u>In substance</u></b>, the provisions of Article 3 Para 1 under 59) and Article 100 Para 2 under b) of the Power Sector Law appear to recognize the notion of “imbalance settlement” and can be assessed as <b><u>compliant</u></b> with the definition from the EB GL.</p> <p><b><u>In substance</u></b>, the provisions of Article 1 Para 1, Article 2 Para 1, Article 4 Para 10, Article 5 Para 1, and Article 9 Para 2, read in conjunction with Article 13 of the <b>Transitional Balancing Rules</b> can be assessed as <b><u>compliant</u></b> with the definition from the EB GL.</p> <p><b><u>In substance</u></b>, Article 3.1 Para 2 indent 5 of the <b>Market Model</b> and Article 2.2.6 Para 1 under iv) of the <b>Market Rules</b>, can be assessed as <b><u>partially compliant</u></b> with the definition from the EB GL (as they foresee financial settlement, but do not make an explicit link to BRPs).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance settlement” in the Provisional Market Rules, Transitional Balancing Rules, Market Model and Market Rules</b> which will replicate the definition from the EB GL. This would also mean streamlining the texts of these acts so as to ensure that the definition is used adequately throughout the text.</p>
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	<p>while Article 13 deals with “Financial Settlement”. Article 2 Para 1, Article 4 Para 10, Article 5 Para 1, Article 9 Para 2 also foresee “financial settlement”.</p> <p><b>The Grid Code</b> does not define “imbalance settlement” but it uses the notion in Article 191 Para 1 under f) iv) and v)</p> <p><b>The Market Model does not define</b> “imbalance settlement” but it uses the notion of “management of imbalances and their financial settlement” in in Article 3.1 Para 2 indent 5</p> <p><b>The Market Rules does not define</b> “imbalance settlement” but it uses the notion in Article 2.2.6 Para 1 under iv) and the notion of “management of imbalances and their financial settlement” in in Article 2.2.6 Para 1 under v)</p>		
<p><b>(10) “imbalance settlement period”</b></p>	<p><b>The Power Sector Law</b> does not define nor use the notion of “imbalance settlement period”</p> <p><b>The Provisional Market Rules</b> do not define “Imbalance settlement period”, but use the notion of “settlement period” in the Introduction under “Time”, Article VI.4.3, XI.3.2, XI.3.4 (here “liquidation period” is used), XIV.4.2 (here “liquidation period” is used),</p>	<p>The definition of “settlement period” in the <b>Transitional Balancing Rules</b> is <u>compliant</u> with the definition of “imbalance settlement period” and is understood as a different denomination for “imbalance settlement period” as defined in the EB GL.</p> <p>The provisions of <b>the Provisional Market Rules</b> (Article XI.3 read in conjunction with Article XI.1) and <b>Market Model</b> (Article 3.1 Para 2 indent 6), vaguely,</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution necessary.</b></p>

	<p>XIV.3.1, XIV.6, XIV.9.1, XIV.9.2 XIV.9.4, and Annex B</p> <p><b>The Transitional Balancing Rules</b> do not define “imbalance settlement period” but define “settlement period” in Article 3 Para 1 under g) and uses it further in Article 8 (Calculation of imbalances for BRPs), Article 12 (Prices for imbalances and balancing services)</p> <p><b>The Grid Code</b> does not define nor use the notion of “imbalance settlement period”</p> <p><b>The Market Model</b> does not define “imbalance settlement period” but uses the notion of “respective period” in Article 3.1 Para 2 indent 6) when referring to the imbalance price to be paid by the BRPs and the notion of “imbalance’s payment period” in Article 6 para 5</p> <p><b>The Market Rules</b> do not define nor use the notion of “imbalance settlement period”</p>	<p>implicitly, and partially reflect the definition from the EB GL, and can thus be assessed as <b><u>partially compliant in substance</u></b>.</p>	
<p><b>(11) “imbalance area”</b></p>	<p><b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, and Market Rules do not define “imbalance area”</b></p>	<p><b>Definition <u>missing</u>.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance area” in the Provisional Market Rules, Transitional Balancing Rules, Market Model and Market</b></p>

			<p><b>Rules</b> which will replicate the definition from the <b>EB GL</b>. This would also mean streamlining the texts of these acts so as to ensure that the definition is used adequately throughout the text.</p>
<p><b>(12) “imbalance price”</b></p>	<p><b>The Power Sector Law</b> does not define nor use the notion of “imbalance price”</p> <p><b>The Provisional Market Rules</b> contain a definition of “Electric Power Imbalance Price” in Article IX.1.2</p> <p><b>The Transitional Balancing Rules</b> do not define “imbalance price” but use the notion in Article 3 Para 1 under 1), the notion of “imbalance settlement price” in Article 1 Para 1, “price of imbalances” in Article 11 Para 1 and Para 4, Article 12, and Article 13.2</p> <p><b>The Grid Code</b> does not define “imbalance price” but uses the notion in Article 191, Para 1 under f) iv) and vi)</p> <p><b>The Market Model</b> does not define “imbalance price” but uses the notion in Article 3.1 Para 2 indent six, while indent four of the same Article mentions “compensation of imbalances...based on a single price system, by penalizing deviations in both directions”</p>	<p>The definition from the <b>Provisional Market Rules</b> can be assessed as <b>non-compliant</b> with the definition from the EB GL (as it does not contain a reference to the imbalance settlement period, imbalance direction or that it can be positive, zero or negative)</p> <p>Although <b>the Transitional Balancing Rules</b> do not provide an explicit definition of “imbalance price”, the provisions of Article 12, read in conjunction with Article 11 Para 1, describe how the “price of imbalances” are formed and are thereby <b>in substance compliant with the main elements of the definition of “imbalance price” from the EB GL</b> (as it is calculated for the imbalance settlement period and takes into account the direction of the imbalance, and implicitly covers that it can be positive, zero or negative dependent on the used reference to a market index (HUPX or SEEPEX as foreseen in Article 11 Para 1, 2, and 3)</p> <p>The usage of the notion of “imbalance price” in Article 191 Para 1 under f)vi) of the <b>Grid Code</b> can be assessed as <b>non-compliant in substance</b> with the definition from the EB GL, when read in conjunction with the definition of</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>Taking into account that the provisions of the Transitional Balancing rules are in substance compliant with the definition from the EB GL, no transitional solution is necessary in terms of the definitions in this act.</b></p> <p><b>Noting the above, it is advisable that (in order to ensure coherence between the acts dealing with the balancing issues in the long-term) the provisions of the Grid Code (Article 191, Para 1 under f) vi) and Article 3.1 Para 2 indent six of the Market Model be aligned with the definition of “imbalance price”.</b> This will also imply developing norms related to procuring and pricing of balancing capacity as a balancing service in line with the provisions of the EB GL.</p>

	<p><b>The Market Rules</b> do not define “imbalance price”. The provisions of Article 2.2.6 Para 1 under iv) appear to have the same rationale as the provisions of the Market Model, yet different and less clear wording is used (which might be a translation issue)</p>	<p>“imbalance” in the EB GL (both relating to energy volumes and not to reserve capacity as well, as foreseen in the Grid Code). The same applies to Article 3.1 Para 2 indent 6 of the <b>Market Model</b>.</p> <p>The provisions of Article 3.1 Para 2 indent four pf the <b>Market Model</b> (and Article 2.2.6 Para 1 under iv) of the <b>Market Rules</b> if read in the same way) can be assessed <b>as <u>partially compliant in substance</u></b> with the definition from the EB GL (as it does not contain references to the imbalance settlement period or that the price can be positive, zero or negative)</p>	
(13) “imbalance price area”	<p><b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, and Market Rules do not define “imbalance price area”</b></p>	<p><b>Definition <u>missing</u>.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p>As a transitional solution: <b>introduce a definition of “imbalance area” in the Provisional Market Rules, Transitional Balancing Rules, Market Model and Market Rules</b> which will <b>replicate the definition from the EB GL</b>. This would also mean streamlining the texts of these acts so as to ensure that the definition is used adequately throughout the text.</p>
(14) “imbalance adjustment”	<p><b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, and Market Rules do not define nor use “imbalance adjustment”</b></p>	<p><b>Definition <u>missing</u>.</b></p> <p>However, Article XI.3.3 Para 1 under iv) and Article XI.3.5 Para 1 under iv) of the <b>Provisional Market Rules</b> take into account the volumes delivered from balancing units when calculating the</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “Imbalance Adjustment” in the</b></p>

		<p>imbalance, and can be assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL. Partial compliance is due to the fact that the volumes are attributed to generation and supply (and not to BRPs), and there is no explicit link to the settlement period.</p> <p>The provisions of Article 8 Para 1, 4, and 7 (Calculation of imbalances for BRPs) of the <b>Transitional Balancing Rules</b>, on the other hand, foresee “activation for the purpose of system balancing”, “balancing energy activated from all balancing units allocated to the balance group” which are taken into account for determining the imbalance of the respective BRPs, and state that the imbalance volume is calculate by the TSO for each settlement period and for each BRP/balance group. As such the provisions can be assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p>	<p><b>Transitional Balancing Rules which will replicate the definition from the EB GL.</b> This would additionally mean using “imbalance adjustment” in Article 8 instead of the current wording. Such a definition could also be introduced in the <b>Provisional Market Rules</b>, and Article XI.3 amended accordingly.</p>
<p>(15) “allocated volume”</p>	<p>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, and Market Rules do not define nor use “imbalance adjustment”</p>	<p><b>Definition <u>missing</u>.</b></p> <p>The <b>Provisional Market Rules</b> do mention “metered electric power of the generating account” and “supply account metered electric power” in Article XI.1 suggesting that metered, i.e. physically injected/withdrawn energy is taken into consideration when calculating the imbalance. However, <b>at best</b>, these provisions can be taken as <b><u>partially compliant in substance</u></b>, as they do not make a reference to attributing these</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “Allocated volume” in the <b>Transitional Balancing Rules</b> which will replicate the definition from the EB GL. This would additionally mean using “allocated volume” in Article 8 instead of the current wording, as well as in Article 10 Para 1 with respect to the metered volumes (should become “allocated volume” to be provided by</p>

		<p>volumes to BRPs for the purpose of calculating their imbalance.</p> <p>Article 8 Para 3 of the <b>Transitional Balancing Rules</b> foresees the notion of “metered position”, read in conjunction with Article 8.1 thereof, can be assessed as <b><u>in substance compliant</u></b> with the definition of “allocated volume” from the EB GL (i.e. it relates to the sum of metered values from all injection and all withdrawal points allocated to the balance group and is used for the purpose of determining the imbalance of the BRP/Balance Group).</p>	<p>the DSO to the TSO. Such a definition could also be introduced in the <b>Provisional Market Rules</b>, and Article XI.1 amended accordingly.</p>
(16) “position”	<p><b>The Power Sector Law, The Grid Code, The Market Model, and The Market Rules</b> do not define “position”</p> <p>The <b>Provisional Market Rules</b> do not define the notion of “position”. They use the notion of “contract position” in Article XI.1 for the purpose of calculating imbalances</p> <p><b>The Transitional Balancing Rules</b> do not define “position”, but do foresee the notion of “final scheduled position” in Article 8 Para 1 and 2</p>	<p>The explicit definition of “position” is <b><u>missing</u></b> in Albanian legislation.</p> <p>The provisions of Article XI.1 of the <b>Provisional Market Rules</b> foreseeing “contract” position are assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL.</p> <p>However, the provisions of Article 8 Para 1 and 2 of the <b>Transitional Balancing Rules</b> are assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL (as the “sum of schedules” corresponds in substance to “declared volumes”, and taking into account that they are used for the calculation of the BRP imbalance).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “position” in the Transitional Balancing Rules</b> which will replicate the definition from the EB GL. This would additionally mean using “allocated volume” in Article 8 instead of the current wording.</p>
(17) “self-dispatching model”	<p>Chapter IV, in particular Article 99 and 100 of the <b>Grid Code</b> cover</p>	<p>An explicit <b><u>definition of “self-dispatching model”</u></b> is <b><u>missing</u></b> in Albanian legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the</b></p>



	<p>operational planning and scheduling process</p> <p>Article VII.4 of the <b>Provisional Market Rules</b> mentions possibility for the TSO to make further day-ahead and intraday adjustments to the generation and import schedule</p>	<p>Chapter IV, in particular Article 99 and 100 of the <b>Grid Code</b>, <u>in substantive terms</u>, can be assessed as <b>partially compliant</b> with the definition of “self-dispatching model” set out in EB GL, as these provisions cover scheduling process but skip dispatching process.</p> <p>As per <b>Article VII of the Provisional Market Rules</b>, the TSO determines the dispatch values, issues instructions directly to the resources and makes necessary adjustments (if there is not enough planned generation to meet demand).</p> <p>Taken in their totality, the above-mentioned provisions suggest some form of self-dispatching model, albeit not clearly set out, which renders the assessment of whether or not tasks and responsibilities of the TSO are consistent with the definition of “self-dispatching model” in the EB GL impossible.</p>	<p><b>definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: under condition that in practice the scheduling and dispatching model complies with the characteristics of self-dispatching model, introduce a definition of “self-dispatching” in the Grid Code which will replicate the definition from the EB GL.</b> This implies further amendments to Chapter IV of the Grid Code and, if necessary, to Article VII of the Provisional Market Rules.</p> <p>If, however, the scheduling and dispatching model used in Albania corresponds to a central dispatching model, further assessment of its elements (including but not limited to the concepts of “integrated scheduling process”, “integrated scheduling process gate closure time”, “conversion of bids in a central dispatching model”, etc.) should be carried out and explicit provisions in this respect introduced.</p>
<p><b>(21) “TSO-TSO model”</b></p>	<p><b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, and Market Rules</b> do not define “TSO-TSO model”</p> <p>Articles 55 Para 3 and Article 100 Para 4 of the <b>Power Sector Law</b> foresee the “exchange or share of balancing services with the TSOs of neighboring countries [...] in accordance with operational</p>	<p><b>The explicit definition of “TSO-TSO model” is missing</b> in Albanian legislation.</p> <p>The provisions of the <b>Power Sector law (Articles 55 Para 3 and Article 100 Para 4)</b> can in substance be assessed as <b>partially compliant in substance</b> with the definition from the EB GL (partially due to the fact that there is interchangeable use of neighboring TSOs/TSOs in the region)</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “TSO-TSO model” in the Transitional Balancing Rules</b> which will replicate the definition from the EB GL, <b>and introduce provisions which would generally foresee the possibility of exchange and sharing of balancing services with other TSOs</b></p>

	<p>agreements between system operators in the region”</p> <p>Chapter VI of the <b>Grid Code</b> contains provisions related to Load Frequency Control and Reserves and foresees the “sharing of active power reserves within the synchronous area”, common requirements for cross-border exchange, sharing, activation and reserve dimensioning”, and the conclusion of agreements between participating TSOs on sharing and activation of FRR and/or RR</p>	<p>The provisions of Chapter VI of the <b>Grid Code</b> are assessed as being <b><u>in substance compliant</u></b> with the definition from the EB GL (although there is no explicit link with BRPs).</p>	<p><b>(in line with the existing provisions of the Grid Code).</b></p>
<p><b>(22) “connecting TSO”</b></p>	<p><b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules</b> do not define “connecting TSO”</p> <p><b>The Grid Code</b> uses the notion of “Reserve Connecting TSO” throughout Chapter VI (Load Frequency Control and Reserves) without defining it</p>	<p><b>The explicit definition of “connecting TSO” is <u>missing</u> in Albanian legislation.</b></p> <p>The notion of “reserve connecting TSO” in the Grid Code is <b><u>in substance compliant</u></b> with the definition of “connecting TSO” from the EB GL, although the explicit link with BRPs is missing)</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “connecting TSO” in the Transitional Balancing Rules which will replicate the definition from the EB GL.</b></p>
<p><b>(23) “exchange of balancing services”</b></p>	<p><b>*Same as for “TSO-TSO” model (see (21) above)</b></p>	<p><b>The explicit definition of “exchange of balancing services” is <u>missing</u> in Albanian legislation.</b></p> <p>The provisions of the <b>Power Sector law (Articles 55 Para 3 and Article 100 Para 4)</b> can in substance be assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL (partially due to</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “exchange of balancing services” in the Transitional Balancing Rules which will replicate the definition from the EB GL. (also see: “(3) balancing services” above).</b></p>

		<p>the fact that there is interchangeable use of neighboring TSOs/TSOs in the region).</p> <p>The provisions of Chapter VI of the <b>Grid Code</b> are assessed as being <b><u>in substance compliant</u></b> with the definition from the EB GL.</p>	
<b>(24) “exchange of balancing energy”</b>	<b>*Same as for “TSO-TSO” model (see (21) above)</b>	<p>The explicit definition of “exchange of balancing energy” <b><u>is missing</u></b> in Albanian legislation.</p> <p>The provisions of Chapter VI of the <b>Grid Code</b> are assessed as being <b><u>in substance compliant</u></b> with the definition from the EB GL</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Introduce a definition of “exchange of balancing energy” in the Transitional Balancing Rules which will replicate the definition from the EB GL. (also see: “(4) balancing energy” above).</b></p>
<b>(25) “exchange of balancing capacity”</b>	<b>*Same as for “TSO-TSO” model (see (21) above)</b>	<p>The explicit definition of “exchange of balancing capacity” <b><u>is missing</u></b> in Albanian legislation.</p> <p>The provisions of Chapter VI of the <b>Grid Code</b> are assessed as being <b><u>in substance compliant</u></b> with the definition from the EB GL</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “exchange of balancing capacity” in the Transitional Balancing Rules which will replicate the definition from the EB GL. (also see: “(5) balancing capacity” above).</b></p>
<b>(26) “transfer of balancing capacity”</b>	<b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define “transfer of balancing capacity”</b>	<p>The explicit definition of “transfer of balancing capacity” <b><u>is missing</u></b> in Albanian legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “transfer of balancing capacity”</b></p>

			in the Transitional Balancing Rules which will replicate the definition from the EB GL.
(27) “balancing energy gate closure time”	<p>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define “balancing energy gate closure time”</p> <p>The provisions of Article 2 Para 1 (in relation to Article 12 Para 2 under c) and Article 12 Para 3 under c), read in conjunction with Article 11 and Article 6 Para 4 and 5) of the <b>Transitional Balancing Rules</b> foresee how balancing energy is activated</p>	<p>The explicit definition of “balancing energy gate closure time” is <u>missing</u> in Albanian legislation</p> <p>The provisions of Article 2 Para 1 of the <b>Transitional Balancing Rules</b> state that “These Balancing Rules cover the timeframe after the gate closure for any changes on balance responsible parties’ schedules by and between balance responsible parties in line with the Market Rules in force. <b>Orders given by OST after the above-mentioned gate closure are considered balancing orders and should be treated and compensated in line with these rules.</b> These provisions are assessed <u>as non-compliant in substance</u> with the definition from the EB GL, as there are no bids for activation to start off with, but the TSO gives orders for activation (“balancing orders”) which shall be compensated in line with the Transitional Balancing Rules. The Rules foresee that the compensation shall be done on the basis of the relevant market index multiplied by a defined incentive factor (Article 12 Para 2 under c) and Article 12 Para 3 under c), read in conjunction with Article 11 and Article 6 Para 4 and 5). <b>The inherent flaw of this solution is that the activation of balancing reserves, i.e. usage of balancing energy is not done on the basis of any kind of bids (hence there is no defined gate closure time), and the</b></p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: Introduce a definition of “balancing energy gate closure time” in the Transitional Balancing Rules</b> which will replicate the definition from the EB GL. This also requires the introduction of provisions which would <b>thoroughly overhaul the current framework and introduce balancing energy bids (for standard products on a common merit order list)</b> provided by the BSPs, and subsequently determine the <b>gate closure time for their submission.</b></p>

		TSO is obliged to aim at utilizing balancing services on a pro-rate basis to avoid any discrimination.	
(28) “standard product”	The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define “standard product”	The definition of “standard product” is <u>missing</u> in Albanian legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “standard product” in the Transitional Balancing Rules which will replicate the definition from the EB GL (for substantive elaboration of what “standard products” would be please refer below to explanation for Article 25 of the EB GL).</p>
(29) “preparation period”	The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define “preparation period”	The definition of “preparation period” is <u>missing</u> in Albanian legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “preparation period” in the Transitional Balancing Rules and Grid Code which will replicate the definition from the EB GL.</p>
(30) “full activation time”	<p>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define “full activation time”</p> <p>The Grid Code uses “full activation time” in Article 166 Para 1 (FCR technical minimum requirements), Article 168 para 1 under c) (FRR</p>	<p>The definition of “full activation time” is <u>missing</u> in Albanian legislation</p> <p>The relevant provisions of the Grid Code, read in their totality, can be assessed as <u>in substance compliant</u> with the definition from the EB GL.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “full activation time” in the Transitional Balancing Rules and Grid Code which will replicate the definition from the EB GL.</p>

	Dimensioning), Article 169 Para 1 under f) (FRR Technical minimum requirements), and the notion of “activation time” in Article 171 Para 1 under d) (RR Technical minimum requirements).		
<b>(31) “deactivation period”</b>	<p><b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules</b> do not define “deactivation period”</p> <p><b>The Grid code</b> does, however, use the notion of deactivation in Article 171 Para 1 under e) (RR Technical minimum requirements)</p>	<p><b>The definition of “deactivation period” is missing in Albanian legislation.</b></p> <p>The provision of Article 171 Para 1 under e) of the <b>Grid Code</b> can be assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as it does mention a set point, but does not contain notion of time.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “deactivation period” in the Transitional Balancing Rules and Grid Code</b> which will replicate the definition from the EB GL.</p>
<b>(32) “delivery period”</b>	<p><b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules</b> do not define “delivery period”</p> <p>The provisions of Article 166 Para 6, Article 169 Para 1 under e) i) and Article 171 Para 1 under f) i) of the Grid Code foresee the obligation of the reserve providing units to provide a time-stamped status indicating FCR is on or off/time-stamped Active Power data needed to verify FCR activation/time-stamped scheduled Active Power output (for activated FRR/RR)</p>	<p><b>The definition of “delivery period” is missing in Albanian legislation</b></p> <p>The mentioned provisions of the <b>Grid Code</b> implicitly foresee that the delivery period in the meaning of the definition of the EB GL can be monitored. Hence these provisions can be assessed as <b>partially compliant in substance</b> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “delivery period” in Transitional Balancing Rules and Grid Code</b> which will replicate the definition from the EB GL.</p>
<b>(33) “validity period”</b>	<b>The Power Sector Law, Provisional Market Rules, Transitional</b>	<b>The definition of “validity period” is missing in Albanian legislation</b>	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the</b>

	Balancing Rules, Grid Code, Market Model, Market Rules do not define “validity period”		<p>definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “validity period” in the Transitional Balancing Rules and Grid Code which will replicate the definition from the EB GL. This solution shall be viewed/applied together with the general overhaul of the current framework and introduction of balancing energy bids.</p>
(34) “mode of activation”	The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define “mode of activation”	The definition of “mode of activation” is <u>missing</u> in Albanian legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “mode of activation” in the Transitional Balancing Rules and Grid Code which will replicate the definition from the EB GL. This solution shall be viewed/applied together with the general overhaul of the current framework and introduction of balancing energy bids.</p>
(36) “specific product”	The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define “specific product”	The definition of “specific product” is <u>missing</u> in Albanian legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “specific product” in the Transitional Balancing Rules which will replicate the definition from the EB GL.</p>
(37) “common merit order list”	The Power Sector Law, Provisional Market Rules, Transitional	The definition of “common merit order list” is <u>missing</u> in Albanian legislation	The adoption of the EB GL under the auspices of the Energy Community will mean that the

	Balancing Rules, Grid Code, Market Model, Market Rules do not define “common merit order list”		<p>definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “common merit order list” in the Transitional Balancing Rules which will replicate the definition from the EB GL. This solution shall be viewed/applied together with the general overhaul of the current framework and introduction of balancing energy bids.</p>
(38) “TSO energy bid submission gate closure time”	The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define do not define “TSO energy bid submission gate closure time”	The definition of “TSO energy bid submission gate closure time” <u>is missing</u> in Albanian legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “TSO energy bid submission gate closure time” in the Transitional Balancing Rules and Grid Code which will replicate the definition from the EB GL. This solution shall be viewed/applied together with the general overhaul of the current framework and introduction of balancing energy bids.</p>
(39) “activation optimization function”	The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define do not define do not define “activation optimization function”	The definition of “activation optimization function” <u>is missing</u> in Albanian legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “activation optimization function” in the Transitional Balancing Rules and Grid Code which will replicate the definition from the EB GL. This solution shall be viewed/applied together with the general overhaul of the current framework and introduction of balancing energy bids.</p>



<p><b>(40) “imbalance netting process function”</b></p>	<p>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define “imbalance netting process function”</p> <p>The Grid Code uses the notion of “Imbalance Netting Process” in Article 153 Para 2 under b), Article 158, Article 161 Para 2, Article 161 Para 3, Article 162, and Article 185</p>	<p>The definition of “imbalance netting process function” <u>is missing</u> in Albanian legislation</p> <p>The provisions of the Grid Code, use the notion of “imbalance netting process” without references to the algorithm applied for operating the imbalance netting process and are hence assessed as <u>non-compliant in substance</u> with the definition of the “imbalance netting process function” provided in the EB GL.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “imbalance netting process function” in the Transitional Balancing Rules and Grid Code which will replicate the definition from the EB GL.</p>
<p><b>(41) “TSO – TSO settlement functions”</b></p>	<p>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define “TSO – TSO settlement functions”</p>	<p>The definition of “TSO – TSO settlement functions” <u>is missing</u> in Albanian legislation</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: Introduce a definition of “TSO – TSO settlement functions” in the Transitional Balancing Rules which will replicate the definition from the EB GL.</p>
<p><b>(42) “capacity procurement optimization function”</b></p>	<p>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules do not define do not define “capacity procurement optimization function”</p>	<p>The definition of “capacity procurement optimization function” <u>is missing</u> in Albanian legislation</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: Introduce a definition of “capacity procurement optimization function” in the Transitional Balancing Rules which will replicate the definition from the EB GL.</p>
<p><b>(45) “requesting TSO”</b></p>	<p>The Power Sector Law, Provisional Market Rules, Transitional</p>	<p>The explicit definition of “requesting TSO” <u>is missing</u> in Albanian legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the</p>

	<p><b>Balancing Rules, Grid Code, Market Model, and Market Rules</b> do not define “requesting TSO”</p> <p>Articles 55 Para 3 and Article 100 Para 4 of the <b>Power Sector Law</b> foresee the “exchange or share of balancing services with the TSOs of neighboring countries [...] in accordance with operational agreements between system operators in the region”</p> <p>Chapter VI of the <b>Grid Code</b> contains provisions related to Load Frequency Control and Reserves and foresees the “sharing of active power reserves within the synchronous area”, common requirements for cross-border exchange, sharing, activation and reserve dimensioning, and the conclusion of agreements between participating TSOs on sharing and activation of FRR and/or RR. More specifically, the Grid Code uses the notion of “Reserve Instructing TSO” in Article 169 Para 1 under b), c) and e), Article 171 Para 1 under b), c), e) and f), Article 174, para 3 under a), d), Article 175 Para 5 under a)</p>	<p>Article 55 Para 3 and Article 100 Para 4 of the Power Sector Law foresee exchanges between the TSOs. Hence, the notion of “requesting TSO” is implicitly present and these provisions can be assessed as <b>compliant in substance</b> with the definition of “requesting TSO” from the EB GL</p> <p>The provisions of Article 169 Para 1 under b) read in conjunction with c), and the provisions of Article 171 Para 1 under b) and d) read in conjunction with c) of the <b>Grid Code</b> are assessed as <b>compliant in substance</b> with the definition from the EB GL, and the notion of “Reserve Instructing TSO” can be considered as a different denomination for “requesting TSO” in the context of TSO-TSO cooperation.</p>	<p><b>definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Introduce a definition of “requesting TSO” in the Transitional Balancing Rules</b> which will replicate the definition from the EB GL.</p>
<p><b>Article 4 – Terms and conditions or methodologies of TSOs</b></p> <p><b>Article 5 – Approval of terms and conditions or methodologies of TSOs</b></p>	<p><b>The Power Sector Law</b> provides a general basis for:</p> <ul style="list-style-type: none"> <li>- Article 3 under 59 <b>defines the scope of the Market Rules</b>, including <b>balance responsibility, rules for balancing the electricity</b></li> </ul>	<p>Currently there is no legal obligation for the TSO to develop the exact terms and conditions or methodologies (all TSOs/TSOs of the relevant geographical/synchronous area proposals) required by the EB GL, at</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Articles 4 and 5 will be transposed into the national legislation in their integral text.</b></p>

	<p><b>system, rules for calculating imbalances of BRPs, rules for financial settlement of BRPs for their imbalances;</b></p> <ul style="list-style-type: none"> <li>- Article 19 – <b>ERE’s competence to approve the Market Rules</b> (Para 1 under a), <b>approve tariffs for balancing services</b> (Para 1 under c) ii)), <b>cooperate on cross-border issues</b> with other NRAs and with the EnC Regulatory Board for harmonizing the regulatory framework for the development of the regional electricity market (Para 1 under e));</li> <li>- Article 23 – <b>ERE’s obligation to cooperate</b> with the neighboring NRAs and with the EnC Regulatory Board in order to <b>coordinate the development and implementation of the grid code</b> (Para 1 under b));</li> <li>- Article 53 Para 3 and Article 100 Para 4 – the <b>TSO’s right to exchange/share the balancing services with the TSOs of neighboring countries</b>, for frequency regulation within the network, and obligation to cooperate with other TSOs of neighboring countries on <b>ensuring the balancing market at a regional level;</b></li> <li>- Article 62 Para 1 and 2 – the <b>TSO’s obligation to procure balancing or ancillary services via competitive non-discriminatory and transparent procedures</b></li> </ul>	<p>national or regional level, and for the NRAs to approve them.</p> <p>However, Article 3 under 59, Art.19 Para 1 under a) and e), Art.23 Para 1 under b), Art.53 Para 3, Art. 62 Para 1 and 2, Art. 63 Para 3 under e), Art. 98 Para 1, Art.100 Para 4 of the <b>Power Sector Law</b>, Chapter VII of the <b>Provisional Market Rules</b> and Article 146, 158, 159 – 162, 174 – 180, 185 Para 2 of the <b>Grid Code</b> can be assessed as <b>compliant in substance</b> with the EB GL requirements and can serve as a legal basis for developing a regional balancing market in the interim period (till the adoption of the EB GL under the auspices of the Energy Community).</p> <p>Yet, it should be noted that the current/future framework is inconsistent, as it envisages:</p> <ul style="list-style-type: none"> <li>- at least three legal acts regulating balancing matters with rather vague distinction between them (evidenced also by Article 2 Para 2 and 3 of the Transitional Balancing Rules);</li> <li>- two different type of NRA’s procedural involvement foreseen in the <b>Power Sector Law</b> (which might be a result of translation). While <b>in substantive terms ERE’s competence to approve</b> (Article 19 Para 1 under a)) <b>or adopt the Market Rules</b> (Article 98 Para 1), <b>approve procedures for procurement of balancing or ancillary services</b> (Article 62 Para 2), and <b>approve balancing rules</b> (Article 100 Para 1) <b>corresponds to the NRA’s approval of</b></li> </ul>	<p>Given that certain legal inconsistencies regarding the scope and approval of the balancing rules were identified, the following <b>transitional solutions are proposed:</b></p> <ul style="list-style-type: none"> <li>- <b>clarify in the Power Sector Law the scope of each of the secondary legislation act</b> (the (Provisional) Market Rules, (Transitional) Balancing Rules and the Grid Code) and to what extent each of these acts regulate electricity balancing, and to ensure that there is no overlap. When doing so it should be taken into account that current provisions of the Power Sector Law do not foresee the existence of a separate piece of secondary legislation such as the current Transitional Balancing Rules, but as an integral part of the Market Rules (Article 3 under 59)). If the current practice is to be incorporated into the Law appropriately, such separate Balancing Rules (and their content) should be foreseen explicitly;</li> <li>- <b>clarify in the Power Sector Law ERE’s competence to approve or adopt the Market Rules;</b></li> <li>- <b>ensure that the possibility of including redelegation norms in secondary legislation act is not used in practice</b> (specifying in which piece of secondary legislation a certain subject matter is regulated in shall already and finally be set out in primary legislation).</li> </ul>
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which shall be **approved by ERE** upon the TSO's proposal;

- Article 63 Para 3 under e) – the **scope of the Grid Code** that it, among other things, covers **balancing and ancillary services**;
- Article 98 Para 1 – **ERE's competence**, upon the TSO's proposal, **to adopt the Electricity Market Rules**, in accordance with this law and the Electricity Market Model, **including the rules for balancing and requests for reserve management**;
- Article 100 defines the **scope of terms and conditions to be included in balancing rules** which shall be **approved by ERE**, as well as the TSO's obligation to cooperate with neighboring TSOs to ensure the balancing market at the regional level

**The Provisional Market Rules:**

- **specify conditions for participation in the balancing electric power market** (Chapter VII);
- **foresee exchange/sharing of balancing services with the neighboring TSOs** to regulate the frequency within the network, **in accordance with the operational agreements between TSOs in the region and the provisions of the Power Sector Law** (Article II 2.3. under vii))

**the terms and conditions for the provision of balancing services**, as foreseen in Article 37 Para 6 of Directive 2009/72/EC and further elaborated by Article 3 and 4 of the EB GL, the clarification of the NRA's competence would be beneficial.

Article 19 Para 1 under c) ii) of the **Power Sector Law** and Article 4 – 13 of the **Transitional Balancing Rules** can be assessed as **partially compliant** with the EB GL requirements (See Article 16 "Role of BSPs", Article 32 "Procurement rules" and Article 44 "General principles" below).

**The Transitional Balancing Rules:**

- define the status of the rules as a complementary part to the Market Model and the associated Market Rules in force; in case of inconsistency between the Transitional Balancing Rules and Market Rules, the former shall prevail (Article 2 Para 2 and 3);
- set out provisions on BRPs and BSPs, mechanism for determining price of balancing services procured by the TSO, mechanism for calculating imbalance settlement price and financial settlement of imbalances of BRPs (Article 4 – 13)

**The Grid Code describes general requirements for:**

- **imbalance netting** (Article 146, 158, 161 and 185 Para 2);
- **cross-border FRR/RR activation process** (Article 159 – 162);
- **exchange/sharing of FRR/RR within a synchronous area** (Article 174 – 180, including the scope of Synchronous Area Operational Agreements (Article 174 Para 1 and Article 175 Para 1), FRR/RR Exchange Agreement (Article 174 Para 3) and FRR/RR Sharing Agreement (Article 175 Para 3))

**The Market Rules** contain a redelegation norm, **according to which the Rules for balancing**

	<p>market are drafted as a separate document (Article 1.8.)</p>		
<p><b>Article 6 – Amendments to terms and conditions or methodologies of TSOs</b></p>	<p>Article 22 under a) of the <b>Power Sector Law</b> sets out ERE’s competence to monitor the implementation of the Market Rules</p> <p>Article II 1.5. of the <b>Provisional Market Rules</b> and Article 1.4. of the <b>Market Rules</b> both contain identical provision on ERE’s obligation to review the Market Rules to ensure that they reflect the developments in the Albanian power sector and the regional market. Similarly, Article II 1.7. of the <b>Provisional Market Rules</b> and Article 1.6. of the <b>Market Rules</b> elaborate on ERE’s role in electric power market which includes approval of rules, codes and their amendments</p>	<p>Even though the Power Sector Law does not explicitly set out ERE’s competence to request amendments to the Market Rules/Balancing rules, such competence can be derived from ERE’s monitoring rights foreseen in Article 22 under a) of the <b>Power Sector Law</b>, which, read in conjunction with Article 19 Para 1 under a), Article 62 Para 2 and Article 98 Para 1 of the Law, Article II 1.5. of the <b>Provisional Market Rules</b> and Article 1.4. of the <b>Market Rules</b>, can be assessed as <b>compliant</b> with the EB GL.</p> <p>Even though there is no explicit provision on how the TSO can request amendments to the Market Rules/Balancing Rules, the corresponding right stems from the fact that the TSO elaborates these rules, hence it can initiate the amendments thereof.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 6 will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>
<p><b>Article 8 - Recovery of costs</b></p>	<p><b>The Power Sector Law</b> confers on ERE competence, when setting or approving the tariffs or tariff methodologies and regarding the balancing services, to ensure the appropriate short-term and long-term incentives for the TSO to increase efficiencies, foster market integration, security of supply and support of the related research activities – Article 21 Para 6</p>	<p>Currently there is no legal obligation for the TSO to undertake the obligations imposed by the EB GL, nor bear the costs related to the fulfilment of such obligations.</p> <p>However, Article 21 Para 6 of the <b>Power Sector Law</b> and Article 15 Para 2 of the <b>Transitional Balancing Rules</b> can be assessed as <b>in substance compliant</b> with the EB GL, as these provisions:</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 8 will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>

	<p>Article 15 Para 2 of the <b>Transitional Balancing Rules</b> sets out ERE’s obligation to ensure that any income or cost arising from the balancing mechanism is taken into account in the transmission tariff review</p>	<ul style="list-style-type: none"> <li>- set out/elaborate ERE’s competence to assess the costs imposed by the TSO related to the regional balancing market (“market integration”) and ensure they are recovered through network tariffs;</li> <li>- corresponds to the scope of general duties and powers set out in Article 37 Para 8 of Directive 2009/72/EC regarding the NRA’s obligation in fixing or approving the tariffs or methodologies and the balancing services, further elaborated by Article 8 of the EB GL</li> </ul>	
<p><b>Title II – Electricity balancing market</b></p>			
<p><b>Article 14 – Role of the TSOs</b></p>	<p><b>The Power Sector Law</b> sets out:</p> <ul style="list-style-type: none"> <li>- TSO’s obligation to <b>perform balancing of the system</b> on objective, transparent, non-discriminatory principles <b>in line with the applicable Grid Code and market rules</b> – Article 56 Para 1 under h);</li> <li>- TSO’s obligation to procure balancing or ancillary services required for operating the system through competitive non-discriminatory and transparent procedures that are approved by ERE – Article 62 Para 1 and 2;</li> <li>- TSO’s responsibility to prepare financial statement for payment of the reciprocal obligations for the imbalances caused by market participants – Article 99 Para 2 (as</li> </ul>	<p>Due to the fact that the <b><u>definition of “balancing services” that is compliant with the EB GL is provided only in the Grid Code</u></b>, while the <b><u>Transitional Balancing Rules contain a definition of “balancing services”</u></b> which is <b><u>non-compliant</u></b> with the EB GL (see also definition of “balancing services” above), <b>the role of the TSO</b>, as defined in the Power Sector Law, Provisional Market Rules, Market Rules, Transitional Balancing Rules and the Grid Code, <b><u>in substantive terms</u></b>, can be assessed only as <b><u>partially compliant</u></b> with the EB GL.</p> <p>In addition to the analysis on compliance with the definition of “self-dispatching model” (see above), it shall be noted that if the model used in Albania turns out to be a central dispatching model, OST have to notify to ERE in order to continue to</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 14 will be transposed into the national legislation in its integral text.</b></p> <p><b>No separate transitional solution is needed (see the proposed solution for “balancing services”)</b></p>

	<p>amended by Law No.7/2018 of 15.02.2018.);</p> <ul style="list-style-type: none"><li>- <b>TSO's responsibility for dispatching</b> the generating installations in line with the Grid Code and Market Rules – Article 61 Para 1 and 2</li></ul> <p><b>The Provisional Market Rules</b> mention:</p> <ul style="list-style-type: none"><li>- TSO's obligation to manage the physical balancing of the system under the terms of the Grid Code and procure ancillary services – Article II 2.3. under iv) and vi);</li><li>- TSO's obligation to ensure the system balancing services from the providers of this service in the balancing market, in conformity with the balancing rules; until the establishment of the balancing market the tariffs for obtaining the balancing service, are set according to the methodology defined by ERE</li><li>- Article VII.2.4;</li><li>- TSO's role to make further day-ahead and intraday adjustments to the generation and import schedule – Article VII.4</li></ul> <p><b>The Transitional Balancing Rules</b> foresee:</p> <ul style="list-style-type: none"><li>- the TSO as a central counterparty in the balancing mechanism and responsible to undertake measures for balance the system physically and manage the financial</li></ul>	<p>apply a central dispatching model, whereas, ERE shall verify whether the tasks and responsibilities of OST comply with the definition of “central dispatching model”, set out in Article 2 Para 18 of the EB GL.</p>	
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	<p>settlement process – Article 4 Para 10;</p> <ul style="list-style-type: none"> <li>- the TSO <b>will utilize balancing services based on the availability of BSPs</b> – Article 6 Para 1;</li> <li>- the TSO <b>procures balancing services from</b> the state-owned generator <b>KESH, under the regime of public service obligation based on the prices as defined in these rules</b> - Article 6 Para 1</li> </ul> <p><b>The Grid Code sets out</b> operational planning and scheduling in Chapter IV, Article 99 and 100 in particular regarding the <b>scheduling process</b></p> <p><b>The Market Model</b> sets out that TSO performs the function of the Balancing Market Operator by forecasting and <b>purchasing the ancillary services, divided into balancing energy and reserve capacity</b>, from <b>all BSPs</b>, on a weekly, day-ahead and intra-day basis according to market-based principles - Article 3.1.</p> <p><b>The Market Rules</b> reiterate the same provision in Article 2.2.6.</p>		
<p><b>Article 15 – Cooperation with DSOs</b></p>	<p><b>The Transitional Balancing Rules</b> mention TSO - DSOs cooperation in Article 8 Para 6 for calculating imbalance for BRPs and in Article 10 Para 1 on providing information to OST on metered volume per each BRP</p>	<p>Article 8 Para 6 and Article 10 Para 1 of the <b>Transitional Balancing Rules</b> can be assessed as <b>partially compliant</b>, as they only foresee the obligation of the DSO to provide necessary metering information aggregated per BRP to the TSO (and to develop load profiles) to enable the TSO to perform the imbalance settlement.</p>	<p><b>The adoption of the EB GL, as well as the SO GL (Article 182 in particular) under the auspices of the Energy Community will mean that Article 15 will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>

	<p><b>The Grid Code</b> sets out TSO-DSO cooperation regarding reserve providing groups or units connected to the DSO (OSHE) grid in Article 182</p>	<p>Article 182 of the <b>Grid Code</b> is <b>compliant</b> with the EB GL and SO GL, as it follows the same wording as Article 182 of the SO GL.</p>	
<p><b>Article 16 – Role of BSPs</b></p>	<p><b>The Transitional Balancing Rules:</b></p> <ul style="list-style-type: none"> <li>- according to the description of BSP, included in Article 3 Para 1 under d), the precondition for becoming a BSP is <b>registration</b> with OST;</li> <li>- registration process is mentioned by referring to the registration form in Annex 2A;</li> <li>- Article 6 describes the process how OST procures balancing services from BSPs, depending whether BSP is the state-owned generator KESH or other BSPs, the process for other BSPs to offer balancing services and the pro-rata principle utilizing these (other than KESH’s) services</li> </ul> <p><b>The Provisional Market Rules:</b></p> <ul style="list-style-type: none"> <li>- mention BSP it in Article IX.1.8, while using “providers of this service” in Article VII.2.4.;</li> <li>- set out that <b>balancing market participants that are ensuring ancillary services</b> must fulfil the terms of their <b>ancillary services agreements</b> – Article VII.2.6.;</li> <li>- contain rules for ancillary services, including provisions on annual procurement of ancillary services – Chapter VIII;</li> </ul>	<p>(See also definition of “balancing services” and “balance service provider”, and Article 14 “Role of TSOs”)</p> <p>Even though <b>FRR and RR prequalification process is mentioned</b> in the <b>Grid Code</b> and follows the same wording as Article 159 and 162 of the SO GL, the successful completion of <b>this process is not linked with the qualification process to become a BSP</b> according to the EB GL. Hence, Articles 169 and 171 of the <b>Grid Code</b> are <b>compliant only with the SO GL</b>.</p> <p>The <b>current framework regulating BSP status, rights and obligations</b> can be assessed as <b>non-compliant</b> with the EB GL, based on the following arguments:</p> <ul style="list-style-type: none"> <li>- The <b>Power Sector Law, (Market Model and the Market Rules</b> once they enter into force) set out that the TSO purchases <b>ancillary services</b> (divided into balancing energy and reserve capacity) from the/<b>all BSPs</b>. Yet, the provisions of the <b>Transitional Balancing Rules</b> foresee that the TSO procures balancing services from one BSP - the state-owned generator KESH, while procurement of balancing services from other BSPs is optional. However, when specifying how these other potential BSPs offer balancing services, these provisions mention</li> </ul>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 16 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- link the pre-qualification requirements mentioned in Article 169 and 171 of the Grid Code with the qualification process to become a BSP;</li> <li>- introduce in the Transitional Balancing Rules the possibility and procedure for all BSPs to submit offers (bids) for balancing capacity and balancing energy. Specific requirements can be maintained for the dominant BSP if it proves to provide higher economic efficiency;</li> <li>- once the Market Rules enter into force and till standard agreement mentioned in Article 2.4.2. of the Market Rules is approved, introduce an explicit provision in the Transitional Balancing Rules setting out the type of agreement the TSO and BSPs shall conclude and use this concept of agreement uniformly. This would require corresponding amendments to Article VII.2.6. of the Provisional Market Rules and definition of BSP in the Grid Code;</li> <li>- introduce a transitional definition of a standard product in the Transitional Balancing Rules, as proposed in the Final Report, Task 4.;</li> </ul>

	<p><b>The Market Rules</b> mention:</p> <ul style="list-style-type: none"> <li>- TSO defines the conditions to become BSP – Article 2.2.4.;</li> <li>- the signed agreement between the TSO and BSP shall be a <b>standard agreement, published and approved by ERE</b>, in a way that the rights and obligations of the parties shall be equal for all market participants, and shall be an <b>integral part/annex of the Balancing Rules</b> – Article 2.4.2.;</li> <li>- BSP is a BRP providing balancing services to the TSO – Article 2.5.1.;</li> <li>- <b>the conditions and terms for becoming a BSP are defined by the TSO</b> and regulated by the <b><u>agreement between the BSP and TSO</u></b> – Article 2.5.2.</li> </ul> <p><b>The Grid Code:</b></p> <ul style="list-style-type: none"> <li>- defines <b>BSP</b> as a Market Participant providing balancing services to OST, based on the <b><u>contract for participation in the balancing market</u></b> according to respective rules for providing balancing services for the system – Terms and Definitions Section;</li> <li>- mentions <b>FRR and RR prequalification process</b>, as well as the scope of this process respectively in Article 169 and 171.</li> </ul>	<p>capacity (Article 6 Para 3), while balancing services are defined as balancing energy only (and this is non-compliant with the EB GL);</p> <ul style="list-style-type: none"> <li>- the current framework mentions “ancillary services agreement”, “agreement between the BSP and TSO” and “contract for participation in the balancing market” without further specifying their content (<i>inter alia</i> what is the scope of such contract, what are essential elements, etc.), thus making it unfeasible to conclude which type of contract/agreement would correspond to a “contract for balancing capacity”, mentioned in Article 16 of the EB GL;</li> <li>- the current framework does not link the FRR/RR prequalification process and the process of becoming a BSP. Consequently, the non-discrimination among the BSPs/bids, as mentioned in Article 16 (7) of the EB GL, is not ensured;</li> <li>- as per the Transitional Balancing Rules (Article 2 Para 1), <b>the usage of balancing energy is not done on the basis of any kind of bids but rather by the TSO giving orders for activation (“balancing orders”). Hence, provisions on submitting bids for balancing energy are missing. Similarly, there are no provisions on how BSPs can submit balancing capacity bids.</b> As such, Chapter VIII of the Provisional Market Rules, and Article 6 of the Transitional Balancing Rules lack clear guidance on how the</li> </ul>	<ul style="list-style-type: none"> <li>- introduce an explicit provision in the Transitional Balancing Rules forbidding to predetermine the prices for balancing energy bids from these products in a contract for balancing capacity (see together with the above-mentioned solution on contractual relationship)</li> </ul> <p>t5rr</p>
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		<p>procurement of balancing capacity and balancing energy is effectuated. This shortcoming largely stems from the fact that there is no proper definition of the balancing services in Albanian legislation, nor clear distinction between the term “ancillary services” and “balancing services” which are used in parallel.</p> <p>The definition and requirements for standard and specific balancing products <b>are missing</b> in Albanian legislation, so is a legal provision forbidding to predetermine the prices for balancing energy bids from these products in a contract for balancing, as required by Article 16 Para 6 of the EB GL.</p>	
<p><b>Article 17 – Role of BRPs</b></p>	<p><b>The Power Sector Law:</b></p> <ul style="list-style-type: none"> <li>- defines “Balancing Responsibility” in Article 3 Para 1 under 7), which involves the obligation of a market participant to balance generation, consumption, and electricity purchase/selling processes and being financially responsible to the TSO for the settlement of imbalances;</li> <li>- foresees an <b>exemption</b> from the above-mentioned BRP’s obligation <b>for priority producers</b> in Article 99 Para 4 which is further regulated in</li> </ul>	<p>The Power Sector Law (Article 3 Para 1 under 7) and the Transitional Balancing Rules (Article 1 under b) and Article 5 Para 1) stipulate the obligation of the BRP to balance generation, consumption, and electricity purchase/selling processes and being financially responsible for the imbalances to be settled with the TSO, and is therefore <b>compliant</b> with Article 17 the EB GL.</p> <p>Even though Annex D Point/Para 3 of the Transitional Balancing Rules does not explicitly refer to the intraday cross-zonal gate closure time, it does foresee the possibility for the market participants (BRPs) to change their position 60 minutes before hour H.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 17 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce explicit provisions in the Transitional Balancing Rules allowing a BRP to change its position prior to the intraday cross-zonal gate closure time.</b> Such provision should be included in the main text of the Rules (not as an example for calculation of imbalances). This implies amending Annex D.</p>

	<p>the Law on the Promotion of Use of Energy from Renewable Sources<sup>14</sup> ;  - sets out that the electricity market participants may arrange their balance responsibility by concluding a balance responsibility contract with the TSO, thus acquiring the status of a BRP, or by signing a contract on transferring the balance responsibility to another BRP, thus becoming a member of the balancing group of this BRP, in accordance with the market rules - Article 99 Para 2</p> <p><b>The Transitional Balancing Rules</b> reiterate BRPs responsibility to nominate balanced schedules and be financially responsible for imbalances in Article 1 under b) and Article 5 Para 1. The Rules as an example for calculation of imbalances mention the possibility for the market participants to change their declaration of the physical nomination of the programs through the intraday process within the specified deadline, and is required to perform the nomination up to 60 minutes before (not later than) that the physical flow of the streams occurs for the declared time - Annex D Point/Para 3</p>	<p>While taking into account that the gate closure time for intraday capacity allocation on different borders might vary depending on inter-TSO agreements/arrangements, the current legal framework can be assessed as <b>compliant in substance</b> with the requirements of the EB GL to the extent that it allows the BRP to change its schedule.</p> <p>In this regard, it should also be noted that there is no regional intraday market, nor decision on intraday cross-zonal gate opening and closure time in the WB6 region as part of single intraday market coupling process.</p>	
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<sup>14</sup> According to Article 22 Para 5 of the Law on the Promotion of Use of Energy from Renewable Sources, until the creation of the balance market, but not later than 31 December 2022, the existing priority producers shall not be responsible for the costs of the caused disbalance. These costs are taken into consideration by ERE on the electric energy distribution fee

	<p><b>The Market Rules</b> foresee:</p> <ul style="list-style-type: none"> <li>- TSO defines the conditions to become BRP – Article 2.2.4.;</li> <li>- the above-mentioned terms and conditions shall ensure non-discriminatory treatment of all BRPs and shall be published – Article 2.4.1.;</li> <li>- the signed agreement between the TSO and BRP shall be a <b>standard agreement</b>, published and approved by ERE, in a way that the rights and obligations of the parties shall be equal for all market participants, and shall be an integral part/annex of the Balancing Rules – Article 2.4.2.</li> </ul>		
<p><b>Article 18 – Terms and conditions related to balancing</b></p>	<p><b>The Power Sector Law</b> defines:</p> <ul style="list-style-type: none"> <li>- the general scope of the Market Rules (Article 3 under 59);</li> <li>- general scope of balancing rules (Article 100 Para 2);</li> <li>- TSO's obligation to develop a proposal for procedure for procurement of balancing or ancillary services, subject to ERE's approval (Article 62 Para 1 and 2)</li> </ul> <p><b>The Transitional Balancing Rules</b> cover:</p> <ul style="list-style-type: none"> <li>- general rights and responsibilities of BSPs and BRPs (Article 4 and 5);</li> <li>- procurement of balancing services (Article 6);</li> <li>- balancing measures taken by OST (Article 7);</li> </ul>	<p><b><u>The terms and conditions for the BSPs</u></b> set out in the Power Sector Law, Transitional Balancing Rules, Provisional Market Rules and Market Rules can be assessed as <b><u>partially compliant</u></b> with Article 18 of the EB GL, as they cover some essential requirements, while completely missing others (e.g. clear requirements for provision of balancing services are missing, FRR/RR qualification process mentioned in Article 169 and 171 of the Grid Code is not linked with the qualification process for becoming a BSP, etc.).</p> <p>The same applies to the <b><u>terms and conditions for the BRPs</u></b>, as the scope of the Market Rules is <b><u>partially compliant</u></b> with the scope of the terms and</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 18 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>expand the scope of the Transitional Balancing Rules by replicating the scope of terms and conditions for the BSPs and the BRPs, as set out in Article 18 of the EB GL. This would require amendments on requirements for provisions of balancing services and the qualification requirements for the BSPs, defining standard products in the interim period, etc.;</b></li> <li>- ensure the compliance among the Transitional Balancing Rules and the Provisional Market Rules, instead of relying on interpretations according to Article 2</li> </ul>

	<ul style="list-style-type: none"> <li>- calculation of imbalances for BRPs (Article 8);</li> <li>- BRPs accounts and metering (Article 9 and 10);</li> <li>- calculation of the price for imbalances and balancing services (Article 11);</li> <li>- prices for imbalances and balancing services (Article 12);</li> <li>- financial settlement (Article 13)</li> </ul> <p>The <b>Provisional Market Rules</b> mention settlement of ancillary service cost which is set out in in the Ancillary Service Tariffs (Article VIII.4.1), approved by ERE (Article VIII.4.2) and paid to each generator unit that have assured ancillary service (Article VIII.4.3)</p> <p>The <b>Market Rules</b> foresee that the settlement of imbalances shall be based on the rules for calculating the imbalances, ensuring the appropriate incentives for the market participants to be balanced in real time or close to real time - Article 2.2.6. under iv)</p>	<p>obligations for the BRPs foreseen in Article 18 of the EB GL.</p>	<p>Para 3 (<i>*Note: according to Article 2 Para 3 of the Transitional Balancing Rules, in case of any inconsistency between the provisions set under these Balancing Rules and Market Rules, these rules should prevail</i>)</p>
<p><b>Article 24 – Balancing energy gate closure time</b></p>	<p><b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules</b> do not contain provisions on balancing energy gate closure time</p> <p>The provisions of Article 2 Para 1 (in relation to compensation (prices for</p>	<p>(See also definition of “balancing energy gate closure time” and “standard product”)</p> <p>As noted earlier, the provisions of the <b>Transitional Balancing Rules</b> foresee the TSO gives orders for activation of balancing reserves (“balancing orders”) which shall be compensated in line with</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 24 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- introduction of <b>the transitional definition of “balancing energy gate closure time” in the Transitional Balancing Rules;</b></li> </ul>

	<p>imbalance and balancing services) foreseen in Article 12 Para 2 under c) and Article 12 Para 3 under c), read in conjunction with Article 11 and Article 6 Para 4 and 5) of the <b>Transitional Balancing Rules</b> foresee how balancing energy is activated</p>	<p>the Transitional Balancing Rules. Since there is no possibility for BSPs submit bids for balancing energy, consequently there is no balancing energy gate closure time foreseen. Hence, the provisions regulating the balancing energy gate closure time are <b>missing</b> in Albanian legislation.</p> <p>As per EB GL, the balancing energy gate closure time shall be defined for each standard product, at least for RR, mFRR and aFRR. As identified above, the standard balancing products are not defined in Albanian legislation. Hence, the current regulation is <b>non-compliant</b> with Article 24 of the EB GL.</p>	<ul style="list-style-type: none"> <li>- <b>introduction of provisions on balancing energy bids (for standard products on a common merit order list)</b> provided by the BSPs and on <b>the gate closure time</b> for their submission;</li> <li>- <b>along with introducing the transitional definition of a standard product in the Transitional Balancing Rules</b>, as proposed in the Final Report, Task 4, <b>the balancing energy gate closure time should be set out</b> in line with the criteria envisaged in Article 24 Para 2 of the EB GL.</li> </ul>
<p><b>Article 25 – Requirements for standard products</b></p>	<p><b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules</b> do not define, nor set out requirements for standard products</p>	<p>(See also definition of “standard product”)</p> <p>As identified above, the standard products for balancing energy and balancing capacity are not defined in Albanian legislation, i.e. <b>missing</b>. Hence, it is not feasible to assess the compliance of minimum characteristics of the standard products, set out in Article 25 of the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 25 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce transitional definition and technical characteristics of a standard product in the Transitional Balancing Rules</b>, as proposed in the Final Report, Task 4.</p>
<p><b>Article 26 – Requirements for specific products</b></p>	<p><b>The Power Sector Law, Provisional Market Rules, Transitional Balancing Rules, Grid Code, Market Model, Market Rules</b> do not define, nor set out requirements for specific products</p>	<p>(See also definition of “specific product”)</p> <p>Specific products for balancing energy and balancing capacity, applicable for the local market, are not defined in Albanian legislation, i.e. <b>missing</b>.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 26 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: if the TSO identifies the necessity for specific products, the requirements for specific products, as well as</b></p>



		Hence, it is not feasible to assess the compliance of minimum characteristics of the specific products, set out in Article 26 of the EB GL.	<b>the regular review thereof should be foreseen in the Transitional Balancing Rules, following the rationale of Article 26 of the EB GL.</b>
<b>Title III – Procurement of balancing services</b>			
<b>Article 29 – activation of balancing energy bids from common merit order list</b>	<p><b>The Transitional Balancing Rules</b> foresee how balancing energy is activated and how prices for balancing services are set – provisions of Article 2 Para 1, Article 6 Para 4 and 5, Article 11 and Article 12 Para 2 under c) and Article 12 Para 3 under c). The cross-border exchange of balancing energy is by no means covered in the <b>Transitional Balancing Rules</b></p> <p>The <b>Power Sector Law</b> mentions the “exchange or share of balancing services with the TSOs of neighboring countries [...] in accordance with operational agreements between system operators in the region” in Articles 55 Para 3 and Article 100 Para 4</p> <p>Chapter VI of the <b>Grid Code</b> contains provisions related to Load Frequency Control and Reserves and provides general requirements for cross-border exchange and activation of FRR and/or RR or operating the imbalance netting process, as well as the conclusion of agreements between participating TSOs on sharing and/or activation of</p>	<p>As noted above, the provisions of the <b>Transitional Balancing Rules</b> foresee the TSO gives orders for activation of balancing reserves (“balancing orders”) which shall be compensated in line with the Transitional Balancing Rules (i.e. on the basis of the relevant market index multiplied by a defined incentive factor; see Article 12 Para 2 under c) and Article 12 Para 3 under c), read in conjunction with Article 11 and Article 6 Para 4 and 5).</p> <p>The fact that the <b>activation of balancing reserves, i.e. usage of balancing energy is not done on the basis of any kind of bids</b>, and the TSO is merely obliged to aim at utilizing balancing services on a pro-rata basis to avoid any discrimination, allows to assess the above-mentioned provisions of the Transitional Balancing Rules as <b>non-compliant with the provisions of the EB GL foreseeing the existence of the balancing energy bids and related concepts thereof, including Article 29 – 31</b> of the EB GL.</p> <p>It goes without saying that due to the above-mentioned fact, the provisions regulating the activation of balancing energy bids from common merit order list, pricing for balancing energy and cross-zonal capacity used for exchange of</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 29 - 31 will be transposed into the national legislation in its integral text.</b></p> <p><b>Even though the transitional solution to a large extent depends on the process of the TSOs of the WB6 region joining MARI and TERRE (optional) projects</b>, i.e. projects for establishment of the European mFRR and RR platforms, the following interim solutions are proposed:</p> <ul style="list-style-type: none"> <li>- along with a <b>thorough overhaul of the current framework and introduction of balancing energy bids (for standard products on a common merit order list)</b> provided by the BSPs and ensuring the application of the “pay-as-cleared” (marginal pricing) principle, <b>expand the scope of the Transitional Balancing Rules by replicating the scope of Article 29 - 30 of the EB GL</b>, i.e. addressing the cross-border exchange of balancing energy and pricing of balancing energy and cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process;</li> <li>- ensure that the operational agreements, as foreseen in Article 161 of the Grid Code, whether already concluded or to be concluded during the interim period are aligned Article 29 – 31 of the EB GL, especially regarding the common merit</li> </ul>
<b>Article 30 – Pricing for balancing energy and cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process</b>			
<b>Article 31 – Activation optimisation function</b>			

	<p>FRR and/or RR, or implementing imbalance netting process</p>	<p>balancing energy or for operating the imbalance netting process, and activation optimization function, as per Article 29 - 31 of the EB GL, are <b>missing</b> in Albanian legislation.</p> <p>It should also be noted that Article 11 of the <b>Transitional Balancing Rules</b> sets out that the price for balancing services (in the absence of commercially driven offers by BSPs) is calculated based on the relevant market index, corrected by incentive factors. The rules do not elaborate on the methodology how the price for activated balancing energy would be set if there were commercially driven offers from BSPs within the TSO's scheduling area, let alone for the cross-border exchange of balancing energy. Hence, Article 11 of the <b>Transitional Balancing Rules</b> can be assessed as <b>non-compliant</b> with the rationale of Article 30 of the EB GL.</p> <p>The provisions of Chapter VI of the <b>Grid Code</b> can be assessed as <b>partially compliant</b> with Article 29 - 31 of the EB GL, as they merely foresee the possibility for cross-border exchange and activation of balancing energy for mFRR/RR, while leaving up to the operational agreements (which, where existent, are not publicly available) to define the roles and responsibilities of the participating TSOs.</p>	<p>order list, methodology for determining prices for the balancing energy resulting from the activation of energy bids for FRR and RR, etc.</p>
<p><b>Article 32 – Procurement rules (balancing capacity)</b></p>	<p><b>The Power Sector Law</b> sets out TSO's obligation to ensure "capacity</p>	<p>The term "reserve capacity" is used the <b>Provisional Market rules, the Market</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that</b></p>

	<p>reserve” (Article 8 Para 1 under b), as well as that <b>ERE approves tariffs for balancing services</b> (Article 19 Para 1 under c ii)), but only until the establishment of the balancing market (Article 100 Para 3), and controls whether the suppliers are respecting the terms and conditions of the contract or are providing services consistently with requirements established by the terms of their license or any regulation approved by ERE (Article 20 under h))</p> <p><b>The Provisional Market Rules</b> mentions “reserve capacity” (Article VII.3.2.vii under a) in the context of the monthly operation plan of the TSO and ancillary services). Additionally, the rules mention settlement of ancillary service cost which is set out in in the Ancillary Service Tariffs (Article VIII.4.1), approved by ERE (Article VIII.4.2) and paid to each generator unit that have assured ancillary service (Article VIII.4.3)</p> <p><b>The Transitional Balancing Rules</b> in Art 6 para 3 foresee that potential BSPs have to, <i>inter alia</i>, specify the capacity and the period from/to the balancing services are offered</p> <p><b>The Grid Code</b> mentions FCR, FRR and RR dimensioning in Article 165, 168 and 170 respectively, as well as</p>	<p><b>Model and the Market Rules</b> and is linked with the provision of ancillary services (defined in the Power Sector Law as “services necessary for reliable operation of the transmission or distribution system”) rather than balancing services, making the difference between the two services (ancillary and balancing) opaque. Besides, the <b>Transitional Balancing Rules</b> define Balancing services as balancing energy only.</p> <p>Therefore, it can be assessed that the <b>definition of “reserve capacity”</b>, as foreseen in Article 3 Para 2 under 95) of the SO GL (“the amount of FCR, FRR or RR that needs to be available to the TSO”), <b>is missing</b> in Albanian legislation.</p> <p>Similarly, clear provisions on procurement of balancing capacity are <b>missing</b> in Albanian legislation.</p> <p>The wording of Article 165, 168 and 170 of <b>the Grid Code</b> follows the wording of Article 127, 157 and 160 of the SO GL. However, as there are no clear provisions on procurement of balancing capacity as such and the link between these two sets of rules. Article 165, 168 and 170 of the Grid Code alone can only be assessed as <b>partially compliant</b> with Article 32 of the EB GL.</p> <p>Even though the difference between the balancing and ancillary services is unclear in Albanian legislation, as is the scope of</p>	<p><b>Article 32 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce/align a definition of “reserve capacity” in the Transitional Balancing Rules and Grid Code</b>, which will replicate the definition from the SO GL; this implies amendments throughout the legislation to ensure the use of “reserve capacity” uniformly;</li> <li>- <b>introduce provisions setting out the rules for the procurement of balancing capacity in the Transitional Balancing Rules</b>, following the principles set out in the EB GL (market-based, short-term where economically efficient);</li> <li>- <b>ensure that the possibility of price regulation of procurement of balancing capacity is not used in practice</b> (or eliminate these provisions if the legislative procedure permits this)</li> </ul>
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	<p>exchange/sharing of FRR and RR within the synchronous area – Article 174/175,</p> <p><b>The Market Model</b> uses the notion of “reserve capacity” in the context of ancillary services in Article 3.1 Para 2, first indent, and the notion of “balancing reserves” in the context of performing necessary actions for balancing in Article 3.1. para 2, second indent</p> <p><b>The Market Rules</b> use the notion of “reserve capacity” in the context of ancillary services in Article 2.2.6 Para 1 under i) while they use the notion of “energy reserves” in Article 2.2.6. Para 2.</p>	<p>balancing services (currently defined as balancing energy only), Article 19 Para 1 under c) ii) of the <b>Power Sector Law</b> and Article VIII.4.1. and 4.2. of the <b>Provisional Market Rules</b> enabling the <b>price regulation</b> for balancing/ancillary services are <b>non-compliant</b> with Article 32 Para 2 under a) of the EB GL which foresees that at least FRR and RR should be procured on a market-basis.</p> <p>Having in mind all above-mentioned, it should also be noted that ERE has adopted decision No 184, dated 20.08.2018.<sup>15</sup> (based, among other things, on Article 20 under h) of the Power Sector Law and Transitional Balancing Rules), in which ERE approves the contract concluded among OST and KESH on provision of balancing services (balancing capacity and balancing energy) in the period of time from 01.01.2018. to 31.12.2018. and sets out that the prices and fees mentioned in this contract are not subject to approval of ERE. While in the contract itself the parties agree on a set price for balancing capacity from FRR and RR (which are not subject to approval of ERE, based on the suggestion of the Ministry of Infrastructure and Energy), while the price of balancing energy is approved by ERE decision.</p> <p>Hence, it appears that the legal and regulatory framework is, if not</p>	
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<sup>15</sup> [http://www.ere.gov.al/doc/VENDIM\\_NR.184\\_2018.pdf](http://www.ere.gov.al/doc/VENDIM_NR.184_2018.pdf) . Note: since the decision is not available in English, the feasibility of its detailed assessment is limited

		<p>contradictory <i>per se</i>, then inconsistent or unclear, or in the worst case scenario is incorrectly implemented.</p>	
<p><b>Article 33 – Exchange of balancing capacity</b></p>	<p>Articles 55 Para 3 and Article 100 Para 4 of the <b>Power Sector Law</b>, and Article II 2.3. under vii) of the <b>Provisional Market Rules</b> foresee the possibility to exchange or share <u>balancing services</u> with the TSOs of neighboring countries in accordance with operational agreements between system operators in the region</p> <p>Article 147, 174 – 179 and 183 of the <b>Grid Code</b> contain provisions on exchange of active power reserves within the synchronous area, common requirements for cross-border exchange, sharing, activation, and the conclusion of agreements between participating TSOs on sharing and activation of FRR and/or RR.</p> <p>Article 183 specifically mentions:</p> <ul style="list-style-type: none"> <li>- OST shall inform NRA on the content of Synchronous Area Operational Agreement, no later than one month before its entry in force;</li> <li>- TSO of LFC Block (when block has more than one TSO) shall share the contents of its LFC Block Operational Agreement with NRA no later than one month of entry in force</li> </ul>	<p><b>The Power Sector Law, Provisional Market Rules and Grid Code</b> foresee the possibility to exchange balancing services (note: only the Grid Code refers explicitly to the exchange of <u>balancing capacity</u>, while balancing services, as defined in the <b>Transitional Balancing Rules</b>, refer to balancing energy only) capacity among the TSOs, but they do not specify requirements for such exchange, nor the necessity to coordinate these requirements with the NRA. These matters are left to be regulated in the operational agreements, the content of which shall be disclosed to ERE no later than one month before the agreement enters into force.</p> <p>Having in mind the above-mentioned, Article 55 Para 3 and Article 100 Para 4 of the <b>Power Sector Law</b>, Article II 2.3. under vii) of the <b>Provisional Market Rules</b>, and provisions of Chapter VI of the <b>Grid Code</b>, can be assessed as <u>partially compliant with the EB GL</u>, since they do not foresee for the TSOs exchanging or willing to exchange balancing capacity, the obligation to develop a proposal for common and harmonized rules and processes for the exchange of balancing capacity. These rules and processes can be part of the operational agreements, as set out in the Grid Code, yet, they should be subject to prior NRA’s approval (see</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 33 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- introduce provisions setting out the rules for the procurement of balancing capacity in the <b>Transitional Balancing Rules, as well as amendments that would introduce requirements for exchange of balancing capacity pursuant to the provisions of the EB GL;</b></li> <li>- in case common and harmonized rules and processes for the exchange of balancing capacity are/will be included in the operational agreements, ensure that in practice ERE is properly informed and involved in prior approval of such rules (even though formally ERE might not have to approve the operational agreements as such) and it can coordinate its approval with other NRAs pursuant to Article 19 Para 1 under e) and Article 23 Para 1 under b) of the Power Sector Law.</li> </ul>

		Article 5 Para 3 under b) and c) of the EB GL). In the Albanian case that would be submitting amendments to the <b>Transitional Balancing Rules*</b> to ERE for approval under Article 19 Para 1 under a), Article 62 Para 2 and Article 98 Para 1 of the <b>Power Sector Law (*see above: transitional solution for Article 4/Article 5 – (Approval of) Terms and conditions or methodologies of TSOs).</b>	
<b>Article 34 – Transfer of balancing capacity</b>	<b>There are no provisions</b> allowing the BSPs to transfer their obligations to provide balancing capacity, within the geographical area in which the procurement of balancing capacity has taken place. Similarly, there is no provision defining the conditions under which the cross-border exchange of balancing capacity can take place, e.g. by taking into account the available cross-zonal capacity	As per the EB GL, there are two options – either the TSOs allow the BSPs to transfer their balancing capacity obligations, or the TSOs develop a proposal for requesting and exemption.  <b>The possibility for the BSPs to transfer their balancing capacity obligations is <u>missing</u></b> in Albanian legislation. The option of requesting an exemption, if that would be the case, can be carried out by submitting amendments to the <b>Transitional Balancing Rules*</b> to ERE for approval under Article 19 Para 1 under a), Article 62 Para 2 and Article 98 Para 1 of the <b>Power Sector Law (*see above: transitional solution for Article 4/Article 5 – (Approval of) Terms and conditions or methodologies of TSOs).</b>	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 34 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: introduce in the Transitional Balancing Rules a possibility for the BSPs to transfer their balancing capacity obligations</b> within the geographical area in which the procurement of balancing capacity has taken place, or the possibility for the TSO to request an exemption.
<b>Title IV Cross-zonal capacity for balancing services</b>			
<b>Article 37 – Cross-zonal capacity calculation (Exchange of balancing energy or imbalance netting process)</b>	<b>There are no provisions</b> specifying the timeframe for updating of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting	Since there are no explicit provisions in legal acts, nor publicly available information on intraday capacity allocation rules on the borders of Albania with its neighboring countries, it can be assessed that the provisions setting out	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 37 will be transposed into the national legislation in its integral text.</b>

		<p>the update/recalculation of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting <b>is missing</b>.</p> <p>Additionally, there is no regional intraday market, nor decision on intraday cross-zonal gate opening and closure time in the WB6 region.</p>	<p><b>As a transitional solution: TSO should use the cross-zonal capacity remaining after the intraday cross-zonal gate closure time as proposed (in Task 4). This provision should be introduced in the Transitional Balancing Rules and the Grid Code</b> (and/or respective national rules and/or contracts governing the allocation of cross-border capacities if necessary).</p>
<p><b>Article 38 – General requirements (Exchange of balancing capacity or sharing of reserves)</b></p>	<p>Articles 55 Para 3 and Article 100 Para 4 of the <b>Power Sector Law</b>, and Article II 2.3. under vii) of the <b>Provisional Market Rules foresee</b> the possibility to exchange or share <u>balancing services</u> with the TSOs of neighboring countries in accordance with operational agreements between system operators in the region</p> <p>Article 147, 174 – 179 and 183 of the <b>Grid Code</b> contain provisions on exchange of active power reserves within the synchronous area, common requirements for cross-border exchange, sharing, activation, and the conclusion of agreements between participating TSOs on sharing and activation of FRR and/or RR.</p>	<p>Provisions regulating how the exchange of balancing capacity and sharing reserves shall take place, including one of three methodologies (foreseen in Article 38 and Article 40 – 42 of the EB GL respectively) for allocating cross-zonal capacity, are <b>missing</b>.</p> <p>It should be noted that the EB GL allows the TSOs to allocate cross-zonal capacity for the exchange of balancing capacity and sharing reserves only if cross-zonal capacity is calculated in accordance with the capacity calculation methodologies developed pursuant to Regulation 2015/1222 (CACM GL) and 2016/1719 (FCA GL). Since the agreements concluded by OST and neighboring TSOs, are not publicly available, it is not feasible to assess whether these two guidelines are taken into account.</p> <p>With regard to long-term and day-ahead capacity allocation it should be noted that the explicit allocation of available</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 38 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Transitional Balancing Rules and the Grid Code (and/or respective national rules and/or contracts governing the allocation of cross-border capacities if necessary) provisions defining how the TSO calculates and allocates the available cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, pursuant to the general requirements set out in the EB GL.</b></p>

		<p>capacity on Montenegro-Albania and Albania-Greece borders are done by SEE CAO. The <b>Rules for explicit Daily Capacity Allocation on Bidding Zone borders serviced by SEE CAO</b><sup>16</sup> set out:</p> <ul style="list-style-type: none"> <li>- in case the Daily Transmission Rights holder reserves its Physical Transmission Rights for the balancing services, such Cross Zonal Capacity shall be excluded from the application of the Use It Or Lose It principle - Article 35 Para 3</li> <li>- in accordance with applicable national legislation, a TSO may be required to provide balancing services, in which case it may notify the Allocation Platform of its rules on balancing. If and to the extent that the TSO shall provide balancing services in accordance with applicable national legislation, such rules on balancing shall become and form part of the Allocation Rules, applicable to the relevant Bidding Zone border – Article 38</li> </ul>	
<p><b>Article 39 – Calculation of market value of cross-zonal capacity</b></p>	<p><b>There are no provisions setting out how the market value of cross-zonal capacity is calculated</b></p>	<p>Given that there is no methodology for allocating cross-zonal capacity, corresponding provisions setting out <b>how the market value of cross-zonal capacity is calculated</b> for the exchange of balancing capacity and sharing reserves are <u>missing</u> as well.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 39 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: based on the proposed solution for allocation of cross-zonal capacity, introduce in the Transitional Balancing Rules provisions defining how the</b></p>

<sup>16</sup> [http://www.seecao.com/sites/default/files/documents/document/2\\_SEECAO\\_Daily%20Allocation%20Rules\\_final\\_0\\_0.pdf](http://www.seecao.com/sites/default/files/documents/document/2_SEECAO_Daily%20Allocation%20Rules_final_0_0.pdf)



			market value of cross-zonal capacity is calculated.
<b>Title V - Settlement</b>			
<b>Article 44 – General principles</b>	<p><b>The Power Sector Law</b> mentions:</p> <ul style="list-style-type: none"> <li>- “financial settlement of balance responsible parties for their imbalances” in Article 3 Para 1 under 59);</li> <li>- “financial statements for payment of the reciprocal obligations for the imbalances” in Article 99 Para 3;</li> <li>- “financial settlement with balance service providers” in Article 100 Para 2 under a);</li> <li>- “determination of amounts to be used for imbalance and financial responsibilities of responsible parties in the balance group” in Article 100 Para 2 under b)</li> </ul> <p><b>The Transitional Balancing Rules:</b></p> <ul style="list-style-type: none"> <li>- aim “to ensure an efficient and non-discriminatory balancing mechanism that will give incentive to market participants that are balance responsible parties to preserve the balance, as well as to offer balancing services” - Article 1 Para 2;</li> <li>- set out mechanism for calculating imbalance settlement price which is calculated as the relevant market index multiplied by a defined incentive factor - Article 11 and 12;</li> </ul>	<p><b>Article 3 Para 1 under 59), Article 99 Para 3, Article 100 Para 2 under a) and b) of the Power Sector Law</b>, in substantive terms, can be assessed as <b>compliant</b> with the general objectives of imbalance settlement set out in the EB GL.</p> <p>Article 21 Para 6 of the <b>Power Sector Law</b> covers the requirement, set out in Article 44 of the EB GL, for the NRAs to ensure that the imbalance settlement mechanism is <b>financially neutral</b> for the TSO. In this regard, <b>Article 21 Para 6 of the Power Sector Law and Article 9 Para 5 of the Transitional Balancing Rules</b> are <b>compliant</b> with the EB GL. It is, however, worth noting, that the imbalance settlement mechanism (Article 9 Para 5 of the Transitional Balancing Rules) does not attain the financial neutrality of the TSO <i>per se</i>, but that this is attained by <i>post factum</i> intervention of the ERE</p> <p>At the same time, it should be noted that:</p> <ul style="list-style-type: none"> <li>- the fact that the imbalance price in the <b>Transitional Balancing Rules</b> is linked to HUPX/SEEPEx day-ahead market prices multiplied by incentive factor does not mean the settlement price is market-based;</li> <li>- the <b>Transitional Balancing Rules</b> contain <b>vague (unclear) provisions on the settlement of balancing energy with</b></li> </ul>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that <b>Article 44 will be transposed into the national legislation in its integral text.</b></p> <p><b>No separate transitional solution is necessary regarding Article 44 (see solutions proposed for the following articles)</b></p>

- set out financial settlement of imbalances of BRPs - Article 13;

- state that the **settlement of “unintended deviations of OST with its neighboring systems is done based on regional arrangements** resulting with compensation program and is outside the scope of this mechanism” - Article 7 Para 4;

- set out that “the **balancing mechanism is based on the principle of maintaining the neutral position of the TSO**, which should not be gained or lost by the application of the balancing mechanism. If such a difference (gain or loss) is evidenced in a given year, then this is subject to the tariff regulation by the ERE” - Article 9 Para 5;

- at the same time, “due to the pricing model used, OST account for managing the financial settlement of balancing mechanism may not be financially neutral on the annual basis” - Article 15 Para 1

**The Transitional Balancing Rules provide vague distinction (if any) between the settlement of balancing energy with BSPs and imbalance settlement with BRPs.** It is evidenced, e.g. by Article 11 Para 1 and Article 12. Article 12 refers to **BRPs** only, while both in Para 2 and 3 under c) it mentions that **BRPs that were dispatched to increase/decrease electricity**

**BSPs.** The usage of terms BSP and BRP throughout the text is subject to interpretation, i.e. whether a particular provision implies that BSP is a part of the BRP group or special category of BRP, or refers to BRP/BSP only (e.g. Article 6 Para 5 in the context of Article 12).

Hence, these provisions of the **Transitional Balancing Rules** (or lack of clear provisions thereof) can be assessed as **non-compliant** with the main objective of creating a level-playing field among the BSPs without discrimination and ensure that settlement rules are set and applied in a non-discriminatory, fair, objective and transparent basis (see also definition of “balancing services” and Article 16 “Role of BSPs”).

	<p><b>production or reduce/increase demand as balancing services</b> will be paid the price calculated based on HUPX price multiplied by the relevant factor.</p> <p><b>The Power Sector Law</b> confers on ERE competence, when setting or approving the tariffs or tariff methodologies and regarding the balancing services, to ensure the appropriate short-term and long-term incentives for the TSO to increase efficiencies, foster market integration, security of supply and support of the related research activities – Article 21 Para 6</p>		
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<p><b>Article 45 – Balancing energy calculation</b></p> <p><b>Article 47 – Balancing energy for frequency restoration process</b></p> <p><b>Article 48 – Balancing energy for reserve replacement process</b></p>	<p><b>The Transitional Balancing Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- <b>balancing energy activated balancing services</b> under these rules <b>equals to the sum of balancing energy activated from all balancing units allocated to the balance group. Activated balancing energy is determined based on the activation requested by the TSO and the such activation is considered change in the schedule of BRP</b> - Article 8 Para 4;</li> <li>- calculation of price for activation of energy for upward and downward regulation – Article 12 Para 2 and 3 under c);</li> <li>- special rules for calculation of balancing energy delivered by KESH and calculation of price for activated “reserve” – Annex D</li> </ul> <p><b>The Transitional Balancing Rules</b> mention in Annex D “activation of secondary and tertiary control reserves”, “balancing power delivered in rising direction for automatic and manual adjustment”, “balancing power delivered in landing direction for automatic and manual adjustment”, “increasing or decreasing generation in the context of automatic and manual secondary adjustment”, “request to activate manual reserve”, <b>without further specifying activated volume for the frequency</b></p>	<p>(See also Article 44 “General principles”)</p> <p>As noted earlier, the provisions of the <b>Transitional Balancing Rules</b> regarding settlement of balancing energy with <b>BSPs</b> are poorly developed, leaving space for interpretation.</p> <p>Article 8 Para 1, Article 8 Para 4 and Article 12 Para 2 and 3 under c), and Annex D of the <b>Transitional Balancing Rules, at best</b>, can be assessed as <b>partly compliant</b> with the requirements of Article 45, 47 and 48 of the EB GL, to the extent that these provisions cover calculation of the activated volume of balancing energy (as such without specifying whether it is activated for FRR/RR) for each imbalance settlement period and each direction. However, these provisions, Article 12 Para 2 and 3 under c) in particular, are <b>non-compliant</b> with the requirements of Article 47 and 48 Para 2, i.e. table 1 set out in Article 46 of the EB GL, as they do not explicitly set out how the payment for balancing energy is defined if the activated balancing energy is negative and the balancing energy price is positive/negative.</p> <p>Additionally, <b>clear provisions on how activated volume of balancing energy for FRR and RR is calculated and settled with the concerned BSPs</b> (not as a part of a BRP group) <b>are missing</b>. Similarly, a <b>provision setting out the procedure for claiming the recalculation of the</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 45, 47 and 48 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce in the Transitional Balancing Rules clear provisions on how activated volume of balancing energy for FRR and RR is calculated and settled with the concerned BSPs, pursuant to Article 45, 47 and 48 of the EB GL;</b></li> <li>- <b>introduce in the Transitional Balancing Rules procedure for claiming the recalculation of the activated volume of balancing energy;</b></li> <li>- <b>the terminology used in the Transitional Balancing Rules should be aligned with the terminology used in the Guidelines (FRR/RR) and as already foreseen in the Grid Code</b></li> </ul>
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restoration process and the reserve replacement process

The **Transitional Balancing Rules** do not foresee any procedure for claiming the recalculation of the activated volume of balancing energy

The **Grid Code** define FRR and RR, while use "old" terminology in brackets to explain FRR (Reserves for Secondary Control) and RR (Reserves for Tertiary Control)

activated volume of balancing energy for FRR/RR is missing.

<p><b>Article 49 – Imbalance adjustment to the balance responsible party</b></p>	<p><b>The Transitional Balancing Rules</b> does not explicitly mention, nor define “imbalance adjustment” for the BRPs, but the rules set out:</p> <ul style="list-style-type: none"> <li>- for <b>BRPs</b> with metering points registered on its name/account, <b>imbalance is determined based on the metered position and final scheduled position, including any activation for the purpose of system balancing</b>, for each settlement period separately – Article 8 Para 1;</li> <li>- <b>balancing energy activated balancing services</b> under these rules equals to the sum of balancing energy activated from all balancing units allocated to the balance group. <b>Activated balancing energy is determined based on the activation requested by the TSO and the such activation is considered change in the schedule of BRP</b> - Article 8 Para 4;</li> <li>- imbalance volume is calculated by OST for each settlement period, for each BRP. Where more than one BRP have formed a balance group for the purpose of balancing in line with Article 5, OST will calculate the volume of net imbalances for the balance group. The balance group is considered as single BRP for the purpose of scheduling and settlement – Article 8 Para 7;</li> <li>- “balancing power delivered in the rising direction, for automatic manual adjustment” and “balancing</li> </ul>	<p><b>Explicit provision</b> regulating the imbalance adjustment to the BRP is <b>missing</b> in Albanian legislation.</p> <p>Article 8 Para 1, 4, and 7, and Annex D of the <b>Transitional Balancing Rules</b> can be assessed to be <b>partially compliant</b> with the EB GL, as they describe how OST determines the activated volume of balancing energy per BRP for each ISP separately, and activated balancing energy is accounted for in calculating the imbalance for the BRPs.</p> <p>However, <b>as per the EB GL, the imbalance adjustment shall be applied to the concerned BRP for each activated balancing energy bid</b>, calculated by the TSO as the netted volume of (a) all balancing energy volumes from all activated bids for that ISP that assign this balancing energy to the concerned BRP and (b) all volumes activated by the TSO for purposes other than balancing, that are assigned to the concerned BRP.</p> <p>Explicit provision on how OST determines the volume of energy activated for purposes other than balancing is <b>missing</b> (it can only be assumed under Article 9 of the Transitional Balancing Rules that such accounting is done, albeit not explicitly mentioned).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 49 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- along with a <b>thorough overhaul of the current framework and introduction of balancing energy bids, introduce a definition of “imbalance adjustment” in the Transitional Balancing Rules which will replicate the definition from the EB GL</b> and use the term throughout the text instead of the current wording;</li> <li>- <b>introduce clear provisions in the Transitional Balancing Rules that would replicate the requirements for imbalance adjustment to the BRPs pursuant to Article 49 the EB GL</b>, including the clear provisions on how the volumes activated by the TSO for purposes other than balancing are determined and assigned to the concerned BRP for the purpose of imbalance calculation</li> </ul>
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	power delivered in the landing direction, for automatic manual adjustment” is taken into account for imbalance calculation – Annex D		
<b>Article 50 – Intended exchanges of energy</b>	<p>Articles 55 Para 3 and Article 100 Para 4 of the <b>Power Sector Law</b>, and Article II 2.3. under vii) of the <b>Provisional Market Rules foresee</b> the possibility to exchange or share <u>balancing services</u> with the TSOs of neighboring countries in accordance with operational agreements between system operators in the region</p> <p>Article 147, 174 – 179 and 183 of the <b>Grid Code</b> contain provisions on exchange of active power reserves within the synchronous area, common requirements for cross-border exchange, sharing, <u>activation</u>, and the conclusion of agreements between participating TSOs on sharing and <u>activation</u> of FRR and/or RR</p>	Even though the provisions of the <b>Power Sector Law</b> , <b>Provisional Market Rules</b> and <b>Grid Code</b> allow for the TSO to fulfil the balancing needs by exchange of balancing energy from aFRR/mFRR/RR between TSOs, explicit provisions regulating TSO-TSO settlement rules for such exchanges are <u>missing</u> in Albanian legislation.	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 50 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- introduce explicit provisions in the <b>Transitional Balancing Rules and Grid Code</b> that would clarify the intended exchanges of energy from aFRR/mFRR/RR with other TSOs, pricing in such exchanges, as well as whether imbalance netting can be applied for these exchanges;</li> <li>- ensure in practice, when concluding agreements between participating TSOs, they follow the same common rules for settlement, following the requirements set out in Article 50 of the EB GL.</li> </ul>
<b>Article 52 – Imbalance settlement</b>	<p><b>The Transitional Balancing Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- mechanism for calculating imbalance settlement price which is calculated as the relevant market index multiplied by a defined incentive factor - Article 11 and 12;</li> <li>- financial settlement of imbalances of BRPs - Article 13</li> </ul>	Having in mind the assessment under Article 44 “General provisions” and Article 49 “Imbalance adjustment to the balance responsible party” of the EB GL, the provisions of the <b>Transitional Balancing Rules</b> appear to be <u>non-compliant</u> with the requirements for imbalance settlement set out in the EB GL.	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 52 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: the Transitional Balancing Rules, Grid Code and Market Model shall be reviewed</b>, by setting out explicitly which imbalance pricing model shall be applied (if necessary, by indicating which one is the target model and which the transitional</p>

	<p><b>The Transitional Balancing Rules</b> do not explicitly mention “imbalance adjustment” for the BRPs, but it is implied under Article 8 Para 1, 4, and 7 of the rules.</p> <p><b>The Transitional Balancing Rules</b> do not explicitly mention “dual pricing”, but Article 12 Para 2 and 3 under a) and b) foresee different prices for positive imbalances and negative imbalances within the same ISP</p> <p><b>The Grid Code</b> mentions in Article 191 Para 1 under f) iv) that the imbalance price mechanism is based on “single price system penalizing deviations in both directions”, without further developing on single imbalance pricing.</p> <p>The same applies to Article 3.1 Para 2 indent 4 of the <b>Market Model</b></p>	<p>The imbalance pricing mechanism set out in Article 12 of the <b>Transitional Balancing Rules</b> imply application of dual pricing for all imbalances, while the <b>Grid Code</b> and the <b>Market Model</b> mentions the single imbalance pricing (as the only imbalance pricing model), without further elaborating this pricing model. Hence, there is inconsistency in the current/future legal framework.</p> <p>According to the EB GL, all TSOs shall implement the single imbalance pricing, while dual imbalance pricing is foreseen as an exception, the usage of which the TSO shall propose and justify to its relevant NRA, along with the methodology for applying dual pricing. Due to the fact that <b>currently the ISP is non-compliant with the requirements of the EB GL</b> (see next Article 53 “Imbalance settlement period”) <b>and having in mind the interim solution for imbalance settlement period</b> (Final report, Task 4), <b>the imbalance pricing model set out in the Transitional Balancing Rules <i>per se</i> is not contrary to the EB GL.</b> However, the legal framework needs to be clarified, by setting out explicitly which imbalance pricing model shall be applied.</p> <p>Additionally, if the dual pricing shall remain applicable in Albania, e.g. to ensure operation security, OST needs to propose to ERE the application and methodology for dual pricing.</p>	<p>solution), as well as conditions on when the TSO may propose to its NRA the application of dual pricing and which justification shall be provided.</p>
<p><b>Article 53 – Imbalance settlement period</b></p>	<p><b>The Transitional Balancing Rules</b> set out that the “settlement period</p>	<p>While an explicit provision defining “imbalance settlement period” <b>is missing</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that</b></p>



	<p>is time unit for which the imbalance of a BRP is calculated and it is <b>1 hour</b> – Article 3 Para 1 under g)</p>	<p>in Albanian legislation, the term “settlement period” used in the <b>Transitional Balancing Rules</b> appear to be used within the same meaning as “imbalance settlement period” in the EB GL and thus is <b>in substance compliant</b>. Yet, the period of time defined as settlement period is <b>non-compliant with the EB GL</b>, as the EB GL target model foresees the imbalance settlement period of 15 minutes.</p>	<p><b>Article 53 will be transposed into the national legislation in its integral text.</b></p> <p><b>Having in mind the interim solution for imbalance settlement period</b> (Final report, Task 4, <b>no separate transitional solution is necessary.</b></p>
<p><b>Article 54 – Imbalance calculation</b></p>	<p><b>The Transitional Balancing Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- mechanism for calculating imbalance settlement price which is calculated as the relevant market index multiplied by a defined incentive factor - Article 11 and 12;</li> <li>- “realized balances”, planned balances” and “balancing power delivered in the rising direction, for automatic manual adjustment”/ “balancing power delivered in the landing direction, for automatic manual adjustment” is taken into account for imbalance calculation – Annex D</li> </ul> <p><b>The Transitional Balancing Rules</b> do not explicitly state that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals</p>	<p>Provisions of the <b>Transitional Balancing Rules</b> appear to be <b>partly compliant</b> with imbalance calculation principles set out in the EB GL, as they foresee to use realized position, planned position and activated energy (in substance compliant with allocated volume, final position and imbalance adjustment, set out in the EB GL) for the imbalance calculation. Partial compliance stems from the analysis of Article 49 and Article 53 of the EB GL (see above), as well as from the absence of explicit provisions setting out that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 54 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> along with the proposed solutions for Article 49 “Imbalance adjustment for the BRPs” introduce a provision in the <b>Transitional Balancing Rules</b> explicitly stating that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals.</p>
<p><b>Article 55 – Imbalance price</b></p>	<p><b>The Transitional Balancing Rules</b> set out mechanism for calculating imbalance settlement price which is</p>	<p>Article 12 of the <b>Transitional Balancing Rules</b>, read in conjunction with Article 11 Para 1, describes how the “price of</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that</b></p>

	<p>calculated as the relevant market index multiplied by a defined incentive factor - Article 11 and 12</p> <p>The <b>Grid Code</b> mentions that “the energy imbalance price will be set based on the real cost for the TSO to balance the system for the given period covering balancing reserves and energy and the imbalance price to be paid by BRPs will be based on this price” - Article 191 Para 1 under vi)</p>	<p>imbalances” is formed. However, Article 12 Para 3 under a) refers to situation when the system is long and BRP has negative imbalance but, instead of being paid, BRP “will pay” to the TSO. Article 12 Para 3 under and under b) refers to situation when the system is long and BRP has positive imbalance but, instead of being obliged to pay the TSO, BRP “will be paid”. Hence, Article 12 of the <b>Transitional Balancing Rules</b> is <b>non-compliant with the principles of calculation of “imbalance price” from the EB GL</b>, table 2 of Article 55 of the EB GL in particular. Additionally, it should be noted that the reference to HUPX index in Article 11 and 12 does not address the situation when/if HUPX price is negative. However, it should be noted that the mere fact that imbalance prices are calculated as HUPX or SEEPEX market index multiplied by a defined incentive factor does not necessarily ensure the compliance with limits of imbalance prices for negative/positive imbalances, as foreseen in Article 55 Para 4 and 5 of the EB GL.</p>	<p><b>Article 55 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> the <b>Transitional Balancing Rules</b> shall be reviewed, especially regarding meeting the requirements of Para 4 and 5 of Article 55 of the EB GL. This solution shall be viewed/applied together with the general overhaul of the current framework and introduction of balancing energy bids.</p>
<p><b>Article 56 – Procurement within scheduling area</b></p>	<p>See analysis for Article 32</p>	<p>See analysis for Article 32</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 56 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> in addition to solutions proposed for regarding Article 32 of the EB GL, <b>introduce provisions setting out the rules for the settlement of at least FRR and RR in the Transitional Balancing Rules.</b></p>

<b>Article 57 – Procurement outside a scheduling area</b>	See analysis for Article 33	See analysis for Article 33	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 57 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution:</b> in addition to solutions proposed for regarding Article 33 of the EB GL, <b>introduce provisions setting out the rules for the settlement of procured balancing capacity in the Transitional Balancing Rules.</b>
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## 4. KOSOVO\*<sup>17</sup>

The gap analysis was based on the English version of the Energy Law<sup>18</sup>, Electricity Law<sup>19</sup>, Law on the Energy Regulator (hereinafter – NRA Law)<sup>20</sup>, Market Rules (version 2.0. that was still in force when the analysis was commenced), Kosovo Electricity Market Design (hereinafter - Market Design)<sup>21</sup>, Grid Code (Operational Planning Code) (hereinafter - Grid Code (OP)),<sup>22</sup> Grid Code (Planning Code)<sup>23</sup>, Grid Code (Balancing Code) (hereinafter - Grid Code (Balancing))<sup>24</sup>, Methodology for Calculating Imbalance and Compensation Prices (hereinafter – Methodology)<sup>25</sup> and Rule on Maximum Allowed Revenues of Transmission System Operator and Market Operator (hereinafter – MAR Rules)<sup>26</sup>, published on NRA (ERO) and TSO (KOSTT) websites. **Note:** version 3.0. of the Market Rules was adopted by ERO on 30.10.2018.<sup>27</sup> However, since the document is available on KOSTT website in Albanian language only and the automated translation into English was of extremely poor quality, the latest version of the Market Rules was taken into account to the maximum extent possible in this analysis, while it also relied on the published English text of the previous Market Rules, which might have an impact on the proposed transitional solutions.

Bilateral agreements between the Kosovo\* TSO (KOSTT) and neighboring TSOs were not analysed in detail but they were taken into account to the extent that these agreements should be aligned with the relevant amendments to legal acts, proposed as transitional solutions.

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<sup>17</sup> \* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

<sup>18</sup> [http://ero-ks.org/2016/Ligjet/LIGJI\\_PER\\_ENERGJINE\\_ang.pdf](http://ero-ks.org/2016/Ligjet/LIGJI_PER_ENERGJINE_ang.pdf)

<sup>19</sup> [http://ero-ks.org/2016/Ligjet/LIGJI\\_PER\\_ENERGJINE\\_ELEKTRIKE\\_ang.pdf](http://ero-ks.org/2016/Ligjet/LIGJI_PER_ENERGJINE_ELEKTRIKE_ang.pdf)

<sup>20</sup> [http://ero-ks.org/2016/Ligjet/LIGJI\\_PER\\_RREGULLATORIN\\_E\\_ENERGJISE\\_ang.pdf](http://ero-ks.org/2016/Ligjet/LIGJI_PER_RREGULLATORIN_E_ENERGJISE_ang.pdf)

<sup>21</sup> [http://www.kostt.com/website/index.php?option=com\\_content&view=article&id=420&Itemid=474&lang=en](http://www.kostt.com/website/index.php?option=com_content&view=article&id=420&Itemid=474&lang=en)

<sup>22</sup> [http://www.kostt.com/website/images/stories/dokumente/tjera/Kodet\\_/Kodi\\_i\\_Rrjetit\\_ver\\_2.3/kodi\\_i\\_rrjetit\\_me\\_pass/Grid\\_Code\\_-\\_Operational\\_Planning\\_Code\\_2018.pdf](http://www.kostt.com/website/images/stories/dokumente/tjera/Kodet_/Kodi_i_Rrjetit_ver_2.3/kodi_i_rrjetit_me_pass/Grid_Code_-_Operational_Planning_Code_2018.pdf)

<sup>23</sup> [http://www.kostt.com/website/images/stories/dokumente/tjera/Kodet\\_/Kodi\\_i\\_Rrjetit\\_ver\\_2.3/kodi\\_i\\_rrjetit\\_me\\_pass/Grid\\_Code\\_-\\_Planning\\_Code\\_2018.pdf](http://www.kostt.com/website/images/stories/dokumente/tjera/Kodet_/Kodi_i_Rrjetit_ver_2.3/kodi_i_rrjetit_me_pass/Grid_Code_-_Planning_Code_2018.pdf)

<sup>24</sup> [http://www.kostt.com/website/images/stories/dokumente/tjera/Kodet\\_/Kodi\\_i\\_Rrjetit\\_ver\\_2.3/kodi\\_i\\_rrjetit\\_me\\_pass/Grid\\_Code\\_-\\_Balancing\\_Code\\_2018.pdf](http://www.kostt.com/website/images/stories/dokumente/tjera/Kodet_/Kodi_i_Rrjetit_ver_2.3/kodi_i_rrjetit_me_pass/Grid_Code_-_Balancing_Code_2018.pdf)

<sup>25</sup> [http://www.kostt.com/website/images/stories/dokumente/tjera/Methodology\\_for\\_Imabalance\\_calcaultion\\_and\\_compensation\\_program\\_price.pdf](http://www.kostt.com/website/images/stories/dokumente/tjera/Methodology_for_Imabalance_calcaultion_and_compensation_program_price.pdf)

<sup>26</sup> <http://ero-ks.org/2017/Rregullat/TSO-MO%20Pricing%20Rule.pdf>

<sup>27</sup> [http://ero-ks.org/2018/Vendimet/V\\_1066\\_2018\\_eng.pdf](http://ero-ks.org/2018/Vendimet/V_1066_2018_eng.pdf)

EB GL/SO GL	National legislation	Level of compliance (compliant, non-compliant, partly compliant, missing)	Proposed changes
Part I - General provisions of SO GL			
Article 3 – Definitions			
(6) “frequency containment reserves” (FCR)	<p>The Energy Law, NRA Law, Electricity Law, Methodology and MAR Rules do not define, nor use “FCR” or “primary (control) reserves”</p> <p>The Market Design does not define “FCR”/“primary (control) reserves”, but mentions in Heading 13 frequency regulation, by the provision of primary response in the context of ancillary services</p> <p>The Market Rules define “frequency containment reserve” in Article 1.5.1.</p> <p>The Grid Code (General provisions) defines “primary control reserve” in Article 13.1.</p> <p>The Grid Code (Balancing) defines “primary voltage control” in Article 3.6.1. and “primary reserve” in Article 4.4.2.2.</p>	<p>Even though the “old” terminology is used and the term “active power reserve” (which as per the SO GL covers the balancing reserves available for maintaining the frequency), the Grid Code (General provisions) definition of “primary control reserve” and the Grid Code (Balancing) definition of “primary voltage control” and “primary reserve” can be assessed as <u>compliant in substance</u> with the definition of FCR from the SO GL, as they do not refer to containment of system frequency after the occurrence of imbalance.</p> <p>Having this in mind and the fact that the definition of “frequency containment reserve” from the Market Rules contains a reference to the Grid Code, the definition of FCR in the Market Rules can be assessed as <u>partially compliant</u> with the definition of FCR from the SO GL.</p>	<p>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution:</p> <ul style="list-style-type: none"> <li>- introduce a definition of “active power reserves” replicating the definition from Article 3 Para 2 under 16) of the SO GL in the Grid Code (General provisions);</li> <li>- introduce a definition of “FCR” replicating the definition from the SO GL in the Grid Code (General provisions). This implies aligning the terminology throughout the Grid Code.</li> </ul>
(7) “frequency restoration reserves” (FRR) (99) “automatic FRR” (143) “manual FRR full activation time”	<p>The Energy Law, NRA Law, Electricity Law, Market Rules Methodology and MAR Rules do not define, nor use “FRR” or “secondary (control) reserve”</p>	<p>Even though the “old” terminology is used, the definition of “secondary control reserve” from the Grid Code (General provisions) and the definition of “secondary voltage control” and “secondary reserve” in the Grid Code (Balancing) can be assessed as <u>compliant in</u></p>	<p>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p>

	<p><b>The Market Design</b> does not define “FRR”/ “secondary (control) reserve” but mentions “secondary reserve” in Heading 10, Heading 13 and Heading 19</p> <p><b>The Grid Code (General provisions)</b> defines “secondary control reserve” in Article 13.1.</p> <p><b>The Grid Code (Balancing)</b> defines “secondary voltage control” in Article 3.6.2. and “secondary reserve” in Article 4.4.3.1.</p>	<p><b>substance</b> with the definition of FRR from the SO GL, as they refer to the secondary control range between the working point and the maximum/minimum value, maintenance of the required voltage levels and reactive power reserves and restoration of system frequency.</p>	<p><b>As a transitional solution: replicate the definitions from the SO GL in the Grid Code (General provisions).</b> This implies aligning the terminology throughout the Grid Code.</p>
<p><b>(8) “replacement reserves” (RR)</b></p>	<p><b>The Energy Law, NRA Law, Electricity Law, Methodology and MAR Rules</b> do not define, nor use “RR”/“tertiary (control) reserve”</p> <p><b>The Market Design</b> does not define “RR”/ “tertiary (control) reserve” but mentions “tertiary reserve” in Heading 13 and Heading 19</p> <p><b>The Market Rules</b> define “replacement reserve” in Article 1.5.1.</p> <p><b>The Grid Code (General provisions)</b> defines “tertiary control reserve” in Article 13.1.</p> <p><b>The Grid Code (Balancing)</b> defines “tertiary voltage control” in Article 3.6.3., “tertiary control reserve” in Article 4.4.4.2, “fast tertiary</p>	<p>Even though the “old” terminology is used, the <b>Grid Code (General provisions)</b> definition of “tertiary control reserve” and the <b>Grid Code (Balancing)</b> definition of “tertiary voltage control”, “fast tertiary control reserve” and “slow tertiary control reserve” can be assessed as <b>compliant in substance</b> with the definition of RR from the SO GL, as they refer to stabilizing the power system balance and frequency and provision of the required reactive power reserve for the purposes of exercising secondary voltage control when needed.</p> <p>Having this in mind and the fact that the definition of “replacement reserve” from the <b>Market Rules</b> contains a reference to the Grid Code, the definition of RR in the <b>Market Rules</b> can be assessed as <b>partially compliant</b> with the definition of FCR from the SO GL.</p>	<p><b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: replicate the definition from the SO GL in the Grid Code (General provisions).</b> This implies aligning the terminology throughout the Grid Code.</p>

	<b>control reserve</b> ” in Article 4.4.4.3. and <b>“slow tertiary control reserve”</b> in in Article 4.4.4.5.		
<b>Title I - General provisions of EB GL</b>			
<b>Article 2 - Definitions</b>			
<b>(5) “balancing”</b>	<p><b>The Energy Law and the NRA Law</b> do not define “balancing”</p> <p><b>The Electricity Law</b> defines “balancing” in Article 3 under 1.2</p> <p><b>The Market Design</b> does not define but uses the notion of “physical balancing” in Part 1 Heading 3, paragraph 2 (Page 13), and “balancing” in indent 4 (Page 14), Heading 18, paragraph 2 indent 3 (Page 28)</p> <p><b>The Market Rules</b> define “balancing” in Article 1.5.1.</p> <p><b>The Grid Code (OP)</b> does not define but uses the notion of “real-time balancing stage” in Article 1.1 and “energy balancing” in Article 4.4</p> <p><b>The Grid Code (Balancing),</b> although devoted to a large extent to balancing, does not contain a definition of “balancing” and uses the notion only in Article 2.1. under c), Article 2.4.9.4, Article 4.5.2.4</p>	<p>The definition of “balancing” in the <b>Electricity Law and the MAR Rules</b>, which are identical, are assessed as <b>partially compliant</b> with the EB GL, as it contains a reference to the entirety of processes through which TSO maintains the system frequency within the defined limits, but misses to make references to all timelines, continuity, and compliance with the amount of reserves needed with respect to the required quality in line with the SO GL.</p> <p>The definition of “balancing” in the <b>Market Rules</b> is assessed as <b>non-compliant</b> with the definition from the EB GL, as it contains no elements from this definition.</p> <p>Article 1.1. of the <b>Grid Code (Balancing)</b> foresees that “This balancing code covers real time operation and the processes and procedures that the TSO will use to balance the system. This covers active power flows, control of frequency and control of voltage and reactive power”. This provision can only be assessed as <b>partially compliant in substance</b> it covers frequency control but only relates to real-time (not all time frames), and makes no references to continuity or to</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Replicate the definition from the EB GL in the Market Rules and the Grid Code (Balancing) and the Electricity Law (if the legislative procedure opens the opportunity for this) (*this also implies aligning the terminology with that of Article 3 under 6),7), and 8) of the SO GL)</b></p>

	<p><b>The Methodology</b> does not define “balancing” but uses the notion in Article 1.1 and Article 3.2.3</p> <p><b>The MAR Rules</b> define “balancing” in Article 2 under 1.55</p>	<p>compliance with the amount of reserves needed with respect to the required quality.</p>	
(6) “balancing market”	<p><b>The Energy Law, NRA Law, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and MAR Rules do not define “balancing market”</b></p> <p><b>The Electricity Law</b> does not define the “balancing market” but uses the notion in Article 22 Para 9, the notion of “balancing electricity market” in Article 22 Para 8, Para 9, Para 11, and the notion of “electricity balancing market” in Article 23 Para 11</p> <p><b>The Market Design does not define “balancing market” but uses the notion in Part I, Heading 1, Paragraph 2 (Page 10)</b></p>	<p>There <b>definition of “balancing market”</b> is missing in Kosovo* legislation.</p> <p>The provisions of the <b>Electricity Law</b> are assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as they set out the roles of TSO and the MO with respect to the balancing market and that the participation in this market is regulated through agreements on balancing service provision with BSPs.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: Introduce a general definition of “balancing market” in the Market Rules (and in the Electricity Law if the legislative procedure opens the possibility for this) which will replicate the definition from the EB GL.</b></p>
(3) “balancing services”	<p><b>The Energy Law, Market Rules, Market Design, and the Methodology do not define “balancing services”</b></p> <p><b>The Electricity Law defines “balancing services” in Article 3 Para 1 under 1.70. It also defines “ancillary services” in Article 3</b></p>	<p><b>The definition from the Electricity Law is assessed as <u>compliant</u> with the definition from the EB GL.</b></p> <p><b>The Market Design</b> does not use or define “balancing services”. However, it does define “ancillary services” in Part I, Heading 13 (Ancillary Service Contracting and Pricing) – this section foresees that ancillary services</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>A transitional solution is deemed not necessary as the definition from the</b></p>



	<p><b>Para 1 under 1.69 as a wider term than “balancing services”</b></p> <p><b>The NRA Law does not define “balancing services” but uses the notion in Article 15 Para 1 under 1.1.2</b></p> <p><b>The Grid Code (OP) does not define nor use “balancing services”. It uses the notion of “ancillary services” in Article 4.4.7</b></p> <p><b>The Grid Code (Balancing) does not define nor use “balancing services”. IT uses the notion of “ancillary services agreements” and “balancing mechanism” throughout the whole text but without defining them.</b></p> <p><b>The MAR Rules do not define but use the notion of “balancing services” in Article 3 Para 1 under 1.53 when defining TSO, Article 12 Para 1</b></p>	<p>include “primary response” (without elaboration) and secondary and tertiary reserves (i.e. capacity), but foresees that “ancillary services” include black start, MVAR support and Voltage control. Heading 15 (Day-ahead activities) mentions bids for increasing/decreasing production/consumption (which in substance corresponds to balancing energy). Hence, the provisions of the Market Design are assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as ancillary services implicitly include balancing capacity, while “balancing energy” is implicitly covered separately.</p> <p><b>The Market Rules</b> do not define or use “balancing services”. They do not define the notion of “ancillary services” (Article 1.3.2 Terms used in the Market Rules shall have the same meanings as the terms used in the prevailing legislation or Licences, as appropriate) either but the definitions (Article 1.5.1) of Ancillary Service Contract, Ancillary Service Contract (Negative) Reservation Price, and Ancillary Service Contract Utilisation Price, Reserve, Secondary Reserve, Tertiary Reserve, Bid, Offer, and Balancing Mechanism, taken in their totality foresee that ancillary services also include capacity (“secondary and tertiary reserves”) and energy (“MWh instructed for delivery (offtake)”, buying/selling energy in the Balancing Mechanism for the TSO to carry out balancing, etc.). Taking into account the definitions of balancing energy and balancing capacity from the EB GL (as essential elements of the definition of balancing</p>	<p><b>Electricity Law is assessed as compliant with the definition from the EB GL.</b></p> <p><b>However, it has to be noted that although the Electricity Law foresees such a definition, none of the secondary legislation acts (except for the MAR Rules) are aligned with its terminology and use the wider term of “ancillary services” to cover “balancing services” as well, which in return invokes the need for interpretation and lack of clarity. Hence, the proposal is to align the terminology in all secondary legislation with that of the Electricity Law and use the notion of “balancing services” where appropriate throughout the texts.</b></p>
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		<p>services), the provisions of the Market Rules are assessed as <b>partially compliant in substance</b> with the definition from the EB GL (see: definition of “balancing energy” and “balancing capacity” below)</p>	
<p><b>(4) “balancing energy”</b></p>	<p><b>The Energy Law, NRA Law, The Grid Code (OP), Grid Code (Balancing) and Methodology do not define “balancing energy”</b></p> <p><b>The Electricity Law</b> defines “balancing energy” in Article 3 Para 1 under 1.12</p> <p><b>The Market Design</b> does not define but uses the notion in Part 1, Heading 3, second paragraph (Page 13)</p> <p><b>The Market Rules</b> do not define balancing energy but use the notion in one place - Article 2.1.2.b)(ii).</p> <p><b>The MAR Rules</b> do not define but use the notion of “balancing energy” in Article 13 Para 2.</p>	<p><b>The definition from the Electricity Law is assessed as <u>compliant</u> with the definition from the EB GL.</b></p> <p><b>The Market Rules</b> do not define balancing energy but use the notion in one provision - Article 2.1.2.b) (ii). The Rules, in Article 1.3.2, contain a reference norm (“Terms used in the Market Rules shall have the same meanings as the terms used in the prevailing legislation or Licenses, as appropriate”), which can be construed as a reference to the Electricity Law as well. Regardless of this, the definitions of Bid, Offer and Balancing Mechanism (Article 1.5.1) read together imply that the energy that the bids and offers pertain to are bought and sold in the Balancing Mechanism in order for the TSO to carry out real-time balancing of the system, thus making the provisions of the Market Rules <b>compliant in substance</b> with the definition from the EB GL.</p> <p><b>The Grid Code (OP)</b> does not define or use “balancing energy”, but Article 4.4.5.1. contains a norm which refers to the Market Rules “A trading party can submit bids and offers in respect of their balancing units as per the market rules.” This implicitly means that the assessment above for the Market Rules applies here as well.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>Although the definition from the Electricity Law is assessed as compliant and a transitional solution is deemed unnecessary, it is worth considering using the notion of “balancing energy” in the Market Rules wherever appropriate so as to streamline the terminology with the Electricity Law.</b></p>

		<p><b>The Methodology</b> does not define balancing energy. However, the definitions of Bid, Offer and Balancing Mechanism (Article 4.1) read together imply that the energy that the bids and offers pertain to are bought and sold in the Balancing Mechanism in order for the TSO to balance the system, thus making the provisions of the Market Rules <b><u>compliant in substance</u></b> with the definition from the EB GL.</p>	
<p><b>(5) “balancing capacity”</b></p>	<p><b>The Energy Law</b> does not define “balancing capacity”. It mentions levels of capacity reserves in Article 8 (Energy Balance) under 10.4 12.3, 12.4 but not in the context of the EB GL definition.</p> <p><b>The Electricity Law</b> defines “balancing capacity” in Article 3 Para 1 under 1.23, but does not use the notion further in the text</p> <p><b>The NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and MAR Rules</b> do not define “balancing capacity”</p>	<p><b>The definition from the Electricity Law is assessed as <u>non-compliant</u></b> as it does not contain any of the elements of from the definition from the EB GL, aside that it relates to reserve capacity.</p> <p><b>The Market Design</b> does not define or use “balancing capacity”. However, the provisions of Part I, Heading 13 (Ancillary Service Contracting and Pricing) foresee that as per an ancillary service agreement for secondary reserve the Party (read as BSP in the context of the EB GL) agrees to reserve a specified amount of capacity on designated generating units, while the ancillary service agreement for tertiary reserve is a contract to provide additional generating output or load reduction. Article 15 (Balancing Mechanism: Day-Ahead and in Real-Time) foresees the collection of bids and offers, but does not provide any link between the volume of reserved capacity that the BSP has agreed to hold and the obligation for submitting bids (and offers) for the corresponding volume of balancing energy, but rather introduces a presumption that “any energy called for by Secondary or Tertiary Reserve will be deemed to have been delivered to the</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce a definition of “balancing reserves” in the Market Rules which will replicate the definition from the EB GL and ensure that it is used properly throughout the text;</b></li> <li>- <b>align the definition in the Electricity Law with that of the EB GL (if the legislative procedure provides an opportunity for this).</b></li> </ul>

		<p>system, treated as a response to a Balancing Mechanism Instruction and settled under the Balancing Mechanism". As such, these provisions can, at best, be assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL.</p> <p><b>The Market Rules</b> do not use or define "balancing capacity". When analysing the definitions of Ancillary Service Contract, Ancillary Service Contract (Negative) Reservation Price, and Ancillary Service Contract Utilisation Price, Reserve, Secondary Reserve, Tertiary Reserve, Reserve Margin Capacity, Reserve Negative Margin Capacity, Bid, Offer, and Balancing Mechanism (Article 1.5.1), taken in their totality foresee that ancillary services also include capacity ("secondary and tertiary reserves") and energy ("MWh instructed for delivery (offtake)", buying/selling energy in the Balancing Mechanism for the TSO to carry out balancing, etc.). but there is no visible link between the volume of reserve capacity under the ancillary service contract and the obligation of the service provider to submit bids for the corresponding volume of energy. On the contrary, Article 13 foresees that the TSO will utilize the contract at its discretion (Article 13.3.1) and the price applied will be the Ancillary Service Contract Utilisation Price (Article 13.2.9 Para 1 under f) and Para 2). Thus, the provisions of the Market Rules are assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL.</p>	
(6) "balancing service provider"	The Energy Law, NRA Law, Market Design and MAR Rules do not	The definition in the Electricity Law is assessed as <b><u>partially compliant</u></b> with the	The adoption of the EB GL under the auspices of the Energy Community will

	<p>define “balancing service provider” (BSP)</p> <p><b>The Electricity Law</b> defines BSP in Article 3 Para 1 under 1.47.</p> <p><b>The Market Rules</b> define BSP in Article 1.5.1.</p> <p><b>The Grid Code (OP)</b> does not define BSP. It uses the notion of “ancillary services provider” in Article 4.4.7</p> <p><b>The Grid Code (Balancing)</b> does not define BSP. It uses the notion of “ancillary services provider” in Article 2.3.1 under e), Article 2.4.6.2, the notion of “provider” in Article 2.4.7.2 (referring both to providers of services under the balancing mechanism and ancillary services contracts), Article 2.4.9.1, Article 2.5.2 Para 1 under c), and Article 2.6.1.4</p> <p><b>The Methodology</b> does not define BSP but uses the notion in Article 3.2.3.</p>	<p>definition from the EB GL, as it does not make a reference to reserve providing units or groups.</p> <p>The definition of BSP in the <b>Market Rules</b> is <b>compliant</b> with the definition from the EB GL.</p> <p>Article 2.4.9.1, Article 2.5.2 Para 1 under c) of the <b>Grid Code (Balancing)</b> implicitly relate to the elements of the EB GL definition and are hence assessed as <b>partially compliant</b> in substance with the definition from the EB GL.</p> <p><b>The MAR Rules</b> do not define BS. As they make a reference to the definitions in the Energy Law, Electricity Law and NRA Law (Article 2 Para 2), with regard to the definition of BSP, the assessment above for the Electricity Law would apply to the MAR Rules as well.</p>	<p><b>mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: having in mind Article 1.3.2. of the Market Rules</b> (makes a reference according to which the Terms used in the Market Rules shall have the same meanings as the terms used in the prevailing legislation), <b>the definition in the Electricity Law should be aligned with that of the EB GL</b> (if the legislative procedure provides an opportunity for this).</p>
<p><b>(7) “balance responsible party”</b></p>	<p><b>The Energy Law, NRA Law, Grid Code (OP), Grid Code (Balancing), and the MAR Rules</b> do not define “balance responsible party” (BRP).</p> <p><b>The Electricity Law</b> defines BRP in Article 3 Para 1 under 1.4.</p>	<p><b>The definition of “balance responsible party” from the Electricity Law and Market Rules are assessed as <u>compliant</u> with the definition from the EB GL.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>

	<p><b>The Market Design</b> does not define BRP but uses the notion in Part I, Heading 1, first paragraph (Page 10).</p> <p><b>The Market Rules</b> define BRP in Article 1.5.1.</p> <p><b>The Methodology does not define or use the notion of BRP. Instead, it separately specifies the responsibility of producers (Article 3.4.2), Suppliers (Article 3.5.1), Public Supplier (Article 3.6.1) to pay for imbalances caused</b></p>		
<p><b>(8) “imbalance”</b></p>	<p><b>The Energy Law, NRA Law, Grid Code (OP), and the MAR Rules do not define “imbalance”</b></p> <p><b>The Electricity Law</b> does not define “imbalance” but uses it in Article 3 Para 1 under 1.5, Article 16 Para 1 under 1.26, Para 2, Article 22 Para 10, Article 28 Para 1 under 1.23, Article 62 Para 3.</p> <p><b>The Market Design</b> does not explicitly define “imbalance” but does provide guidance on how it should be defined in Part I, Heading 9, paragraph 4 (Page 19) and last paragraph of Part I, Heading 12 (Page 22), uses it in Part I, Heading 1, paragraph 3 ( on Page 10), Part I, Heading 14,</p>	<p><b>The Market Rules</b> foresee the definition of Energy Imbalance as the difference (in MWh) between the Metered Energy and the contracted energy for an Account. It could be assumed that “metered energy” could be read as “allocated volume” as defined in the EB GL and “contracted energy” could be read as “position” as defined in the EB GL for an Account. However, since there is no reference to “imbalance adjustment”, the definition of “Energy Imbalance” is assessed as <u>partially compliant in substance</u> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: amend the definition of “energy imbalance” in the Market Rules which will replicate the definition from the EB GL and ensure that it is used appropriately throughout the text. This also implies introducing and using the definitions of “allocated volume”, “position”, “imbalance adjustment” appropriately in the Market Rules (see below: definition of “allocated volume”, “position”, “imbalance adjustment”)</b></p>

	<p>Paragraph 3 (on Page 24), and elaborates on how the energy imbalance calculation is to be performed in Part I, Heading 17 (Page 25-27 relevant)</p> <p><b>The Market Rules</b> do not define “imbalance” but Article 1.5.1 foresees the definition of “Energy Imbalance”</p> <p><b>The Grid Code (Balancing)</b> does not define but uses the notion of “imbalance” in Article 2.4.4.1, 2.4.14 under b), and 2.6.1.7</p> <p><b>The Methodology</b> does not define “Imbalance” but uses the notion in Article 3.1.3, Article 3.1.4, Article 3.3.1, Article 3.4.3, Article 3.4.4, Article 3.5.1 and Article 3.6.1</p>		
<p><b>(9) “imbalance settlement”</b></p>	<p><b>The Energy Law, NRA Law, Market Design, Grid Code (OP), Grid Code (Balancing), Methodology and MAR Rules</b> do not define “imbalance settlement”.</p> <p><b>The Electricity Law</b> does not define “imbalance settlement”, but defines “final settlement” in Article 3 Para 1 under 1.5.</p> <p><b>The Market Rules</b> do not define “imbalance settlement”, but define “settlement” in Article 1.5.1</p>	<p><b>The Electricity Law</b> does not define “imbalance settlement”, but defines “final settlement” (Article 3 Para 1 under 1.5) which includes (financial) liabilities of parties for caused imbalances which can, read in conjunction with the definition of “balance responsibility” and “balance responsible party”, be assessed as <u>compliant in substance</u> with the definition from the EB GL.</p> <p><b>The Market Design</b> does not define “imbalance settlement” but uses the notion of financial settlement in relation to the Balancing Mechanism in Part I, Heading 3, first paragraph 1, 2, and 4 (on Page 13), and paragraph 3 (on Page 14). Part I, Heading 19,</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce the definition of “imbalance settlement” in the Market Rules which will replicate the definition from the EB GL and ensure that it is used appropriately throughout the text.</b></p>

		<p>first paragraph (on Page 30) appears to deal with “imbalance settlement” in substance, but uses the notion of Trading Party (instead of BRP), and is as such assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL.</p> <p><b>The Market Rules</b> do not define “imbalance settlement”, but define “<b>settlement</b>” in Article 1.5.1 as a generic term which does not comply with the definition from the EB GL. Regardless of this definition, the Market Rules use “<b>energy imbalance settlement</b>” when defining TSO Balancing Account, TSO Trade Account in Article 2.2.2 and 2.2.4 but in none of them in the context of the EB GL definition. However, if the provisions of the Market Rules are read in the context of Article 25 Para 1 of the Electricity Law (“Each electricity market participant shall have balance responsibility”) and taking notice of Article 3.3.1. of the Market Rules, these provisions can thereby be assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL.</p> <p><b>The Methodology</b> does not define “imbalance settlement” but (in Article 3.1.3) foresees the calculation of obligations that the parties have for the caused imbalances which, read in conjunction with Article 3.4.4 , Article 3.5.1, Article 3.6.1, and all of them in the context of Article 25 Para 1 of the Electricity Law (as explained above), can be assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL.</p>	
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<p><b>(10) “imbalance settlement period”</b></p>	<p><b>The Energy Law, NRA Law, Grid Code (OP), Grid Code (Balancing), and the MAR Rules</b> do not define “imbalance settlement period” (ISP)</p> <p><b>The Electricity Law</b> does not define (ISP) but uses the notion of “settlement period” in Article 22 Para 10</p> <p><b>The Market Design</b> does not define ISP but uses the notion of “settlement period” in Part I, Heading 17, first paragraph under Trading Parties Imbalance (on Page 26), Heading 19, paragraph 2 (on Page 29), Heading 21, first paragraph (on Page 33).</p> <p><b>The Market Rules</b> do not define ISP but define the notion of “settlement period” in Article 1.5.1.</p> <p><b>The Methodology</b> does not define ISP. It uses the notion of “settlement period” (which it does not define) but not in the context of calculating the imbalance of a BRP</p>	<p><b>An explicit definition of “imbalance settlement period” is <u>missing</u> in the Kosovo* legislation.</b></p> <p>Article 22 Para 10 of the <b>Electricity Law</b>, when read in conjunction with Article 25 Para 1, can be assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p>The definition of “settlement period” in the <b>Market Rules</b> is much wider and as such assessed as <b><u>non-compliant</u></b> with the definition of ISP from the EB GL. However, Article 16.5. uses “settlement period” also in the context of Energy Imbalance calculation (see definition of “imbalance” above) and is assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL, as the term “energy imbalance” in the Market Rules in substantive terms corresponds to “imbalance” in the EB GL and Article 16.5. of the <b>Market Rules</b> refers to a “Trading Party” registered with a BRP.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: introduce the definition of “imbalance settlement period” in the Market Rules which will replicate the definition from the EB GL and ensure that it is used appropriately throughout the text.</b></p>
<p><b>(11) “imbalance area”</b></p>	<p><b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules</b> do not define “imbalance area”</p>	<p><b>Definition of “imbalance area” is <u>missing</u> in Kosovo* legislation.</b></p> <p>Article 1.1. and 2.1 of the <b>Methodology</b> mentions the methodology for calculating imbalance prices for Trading Parties/parties</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p>

		<p>in the electricity market in Kosovo*, which gives a territorial reference (although even here not referring to imbalances but rather to imbalance prices). However, given the shortcomings in terms of the definitions of “imbalance” and the non-usage of the notion of “BRPs” as foreseen in the Electricity Law (but using other terms such as trading parties/parties in the electricity market), this provision of the Methodology can only be assessed, at best, as <b><u>partially compliant in substance</u></b> with the definition from the EB GL.</p>	<p><b>As a transitional solution: introduce a definition of “imbalance area” in the Market Rules which will replicate the definition from the EB GL.</b></p>
<p><b>(12) “imbalance price”</b></p>	<p><b>The Energy Law, NRA Law, Grid Code (OP), Grid Code (Balancing), and the MAR Rules</b> do not define “imbalance price”</p> <p><b>The Electricity Law</b> does not define “imbalance price” but uses the notion in Article 22 Para 10</p> <p><b>The Market Design</b> defines “imbalance price” in Appendix B</p> <p><b>The Market Rules</b> contain a vague definition of imbalance price in Article 1.5.1 which basically makes a reference to Section 15 of the Rules</p> <p><b>The Methodology</b> provides a definition of “imbalance price” in Article 4.1, but this “definition” only makes a reference to Article 6.4 therein.</p>	<p><b>The definition of “imbalance price” in the Market Design is assessed as <u>non-compliant</u></b> with the definition from the EB GL, as it does not contain any of the essential elements of this definition.</p> <p>The <b>Market Rules</b> contain a vague definition of imbalance price in Article 1.5.1 which basically makes a reference to Section 15 of the Rules, while Article 1.7.1 (variables) makes a link between imbalance price and the “settlement period” (<i>note: settlement period is not defined in line with the EB GL – see above</i>). Section 15, specifically Article 15.3 sets out how the imbalance price calculation is performed and encompasses both directions. There are however no explicit references to zero or negative prices. Hence, taken in their totality, the provisions of the Market Rules are assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL.</p> <p><b>The Methodology</b> provides a definition of “imbalance price” in Article 4.1, but this</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution introduce the definition of “imbalance price” in the Market Rules which will replicate the definition from the EB GL and ensure that it is used appropriately throughout the text.</b></p>

		<p>“definition” only makes a reference to Article 6.4 therein. Article 6.4., on the other hand, only covers the calculation of the imbalance price in the situation when the system imbalance was negative (while Article 6.3 covers the situation when the system imbalance was positive). Regardless of this omission in referencing, when the provisions of Article 6 as a whole are analyzed, there is mention of “settlement period” in Article 6.2.1 without defining what it means, but there is no explicit mention of zero or negative prices. As such, the provisions of the Methodology are assessed as <b>partially compliant in substance</b> with the definition from the EB GL.</p>	
<p><b>(13) “imbalance price area”</b></p>	<p><b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “imbalance price area”</b></p>	<p><b>The definition of “imbalance price area” is <u>missing</u> in Kosovo* legislation.</b></p> <p>(See definition of “imbalance area” above)</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution introduce the definition of “imbalance price area” in the Market Rules which will replicate the definition from the EB GL and ensure that it is used appropriately throughout the text.</b></p>
<p><b>(14) “imbalance adjustment”</b></p>	<p><b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “imbalance adjustment”</b></p>	<p><b>The definition of “imbalance adjustment” is <u>missing</u> in Kosovo* legislation.</b></p> <p>The <b>Market Design</b> does not define “imbalance adjustment”. In Part I, Heading 17 (Trading Parties Imbalance), last paragraph (on page 26) indirectly and vaguely hints that the difference between the instructed and nominated position will be</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: introduce a definition of “imbalance adjustment” in the Market Rules which will replicate the</b></p>

		<p>taken into account in the calculation of the imbalance of the trading party. The last two paragraphs of Heading 14 on page 24 (Balancing Mechanism: Day-Ahead and in Real-Time) give some more elaboration on this. In their totality, these provisions appear to contain some elements of the definition from the EB BL, and can thus, at best, be assessed as <b><u>partially compliant in substance</u></b> with it.</p> <p>The <b>Market Rules</b> do not define “imbalance adjustment”. Articles 12.3 (Effects of Bids and Offers Acceptance) and Article 14 (Settlement) differ significantly both in terms of terminology and conceptually from the logic of the EB GL, and even if there are some similarities to some of the essential elements of the definition of “imbalance adjustment” from the EB GL, they are too vague and undistinguishable, rendering the provisions in their totality <b><u>non-compliant in substance</u></b> with the definition from the EB GL (see above definition of BSP, imbalance settlement period, BRP, and imbalance - as essential elements of the definition of “imbalance adjustment”).</p>	<p>definition from the EB GL, and ensure it is used appropriately throughout the text.</p>
<p><b>(15) “allocated volume”</b></p>	<p><b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “allocated volume”.</b></p> <p><b>The Market Design</b> foresees that “actual energy” shall be taken into account for the calculation of the</p>	<p><b>The definition of “allocated volume” is <u>missing</u> in Kosovo* legislation.</b></p> <p><b>The Market Design</b> foresees that “actual energy” shall be taken into account for the calculation of the imbalance of a Trading Party. Under the assumption that the notion of “actual energy” corresponds to “energy physically injected or withdrawn from the system”, trading parties are considered BRPs</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “allocated volume” in the Market Rules which will replicate the</b></p>

	<p>imbalance of a Trading Party - Part I, Heading 17 (Trading Parties Imbalance), last paragraph (on page 26).</p> <p><b>The Market Rules</b> foresee the definition of “metered energy” in Article 1.5.1 (“the energy (in MWh) deemed to have been produced or consumed by a Balancing Unit at the transmission boundary for the purposes of Settlement)</p>	<p>in the context of Article 25 Para 1 of the Electricity Law, the provisions of the Market Design can be assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p><b>The Market Rules</b> definition of “metered energy” read in conjunction with the definition of “energy imbalance” can at best be assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL (see above the definition of “imbalance”).</p>	<p>definition from the EB GL, and ensure it is used appropriately throughout the text.</p>
(16) “position”	<p><b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules</b> do not define “position”</p> <p>The <b>Market Design</b> does not define “position”, but it states that nominated position will be taken into account in the calculation of the imbalance of the trading party (if not modified by the Instructed position). -- Part I, Heading 17 (Trading Parties Imbalance), last paragraph (on page 26).</p>	<p>The definition of “position” is <b><u>missing</u></b> in Kosovo* legislation.</p> <p>The <b>Market Design</b> does not define “position”, but it states that nominated position will be taken into account in the calculation of the imbalance of the trading party (if not modified by the Instructed position). The last two paragraphs of Heading 14 on page 24 (Balancing Mechanism: Day-Ahead and in Real-Time) give some more elaboration on this, and can at best be assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL.</p> <p>For the assessment of the provisions of the <b>Market Rules</b> see definition of “imbalance” above.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: introduce a definition of “position” in the Market Rules which will replicate the definition from the EB GL, and ensure it is used appropriately throughout the text</b></p>
(17) “self-dispatching model”	<p><b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules</b> do not define “self-dispatching model”</p>	<p>An explicit definition of “self-dispatching model” as such is <b><u>missing</u></b> in Kosovo* legislation.</p> <p>Heading 11.2.1. of the <b>Market Design</b>, Section 2.4.3. and Article 2.6.1.5. of the <b>Grid</b></p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p>

	<p><b>The Market Design</b> envisages day-ahead planning in Heading 11.2.1.</p> <p><b>The Grid Code (General provisions)</b> defines “dynamic dispatch parameters as “the physical characteristics of generating units (and certain large demand customers) that inform the TSO as to how output can change at the relevant generating unit (or offtake unit)” – Article 13.1.</p> <p><b>The Grid Code (Balancing)</b> mentions that all parties have to respond to dispatch instructions within a tolerable time and accuracy and to fulfil their requirements under the self-commitment process as per section 2.4.3. (i.e., real-time dispatch) – Article 2.6.1.5.</p> <p>The <b>Grid Code (OP)</b> sets out physical notifications in Article 4.4.1.</p>	<p><b>Code (Balancing)</b>, Article 13.1. of the <b>Grid Code (General provisions)</b>, as well as Article 4.4.1. of the <b>Grid Code (OP)</b> can be assessed as <b>partially compliant in substance</b> with the self-dispatching model set out in EB GL.</p>	<p>Given that the self-dispatching definition in the EB GL is provided so as to differentiate those options in the EB GL applicable to the self-dispatching model and those applicable to the central dispatching model, there is <b>no need for any transitional solution.</b></p>
<p><b>(21) “TSO-TSO model”</b></p>	<p><b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules</b> do not define “TSO-TSO model”</p> <p><b>The Grid Code (Balancing)</b> contain notion of TSO-TSO model in Article</p>	<p>The explicit definition of “TSO-TSO model” is <u>missing</u> in Kosovo* legislation.</p> <p>Article 4.4.1.2., Article 4.4.3.9. and Article 4.4.4.7. under c) of the <b>Grid Code (Balancing)</b> can be assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as these provisions mention the possibility to obtain secondary/tertiary load frequency</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “TSO-TSO model” in the Market Rules</b> which will replicate the</p>

	4.4.1.2., Article 4.4.3.9. and Article 4.4.4.7. under c)	control from other power systems/TSOs, but miss the link to the respective balancing service provider.	definition from the EB GL, and introduce provisions which would generally foresee the possibility of exchange and sharing of balancing services with other TSOs (in line with the existing provisions of the Grid Code).
(22) “connecting TSO”	*Same as for “TSO-TSO” model (see (21) above)	<p>The explicit definition of “connecting TSO” is <u>missing</u> in Kosovo* legislation.</p> <p>The notion of connecting TSO is implicitly included in the provisions of the Grid Code (Balancing) (see definition of “TSO-TSO model” above). These provisions miss the link to the balancing service providers and balancing responsible parties, as well as compliance with the terms and conditions related to balancing and are therefore assessed as <b>non-compliant in substance</b> with the definition from the EB GL.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “connecting TSO” in the Market Rules which will replicate the definition from the EB GL.</p>
(23) “exchange of balancing services”	*Same as for “TSO-TSO” model (see (21) above)	<p>The explicit definition of “exchange of balancing services” is <u>missing</u> in Kosovo* legislation.</p> <p>Article 4.4.1.2., Article 4.4.3.9. and Article 4.4.4.7. under c) of the Grid Code (Balancing) can be assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as these provisions mention the possibility to obtain secondary/tertiary load frequency control from other power systems/TSOs, but do not explicitly mention balancing energy from secondary/tertiary regulation (balancing services in the EB GL can mean energy or capacity, or both).</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “exchange of balancing services” in the Market Rules and Grid Code which will replicate the definition from the EB GL.</p>

<p>(24) “exchange of balancing energy”</p>	<p>*Same as for “TSO-TSO” model (see (21) above)</p>	<p>(See also definition of “exchange of balancing services”)</p> <p>The explicit definition of “exchange of balancing energy” <u>is missing</u> in Kosovo* legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “exchange of balancing energy” in the Market Rules and Grid Code which will replicate the definition from the EB GL.</p>
<p>(25) “exchange of balancing capacity”</p>	<p>*Same as for “TSO-TSO” model (see (21) above)</p>	<p>The explicit definition of “exchange of balancing capacity” <u>is missing</u> in Kosovo* legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “exchange of balancing capacity” in the Market Rules and Grid Code which will replicate the definition from the EB GL.</p>
<p>(26) “transfer of balancing capacity”</p>	<p>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define do not define “transfer of balancing capacity”</p>	<p>The explicit definition of “transfer of balancing capacity” <u>is missing</u> in Kosovo* legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “transfer of balancing capacity” in the Market Rules and Grid Code which will replicate the definition from the EB GL.</p>



<p>(27) “balancing energy gate closure time”</p>	<p>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “balancing energy gate closure time”</p> <p>The Market Rules define “gate closure time” in Article 1.1.5., as well as set out timeframe for Trading parties, participating in balancing mechanism, to submit bids/offers – Article 12.6.3. under f) iv)</p>	<p>The explicit definition of “balancing energy gate closure time” <u>is missing</u> in Kosovo* legislation</p> <p>However, the provisions of Article 1.1.5. and 12.6.3. under f) iv) of the Market Rules can be assessed as <u>partially compliant in substance</u> with the requirements of the definition of “balancing gate closure time” in the EB GL only to the extent that these provisions foresee time when submission/update of bids/offers are no longer possible.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “balancing energy gate closure time” in the Market Rules which will replicate the definition from the EB GL, and use the notion accordingly throughout the text.</p>
<p>(28) “standard product”</p>	<p>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “standard product”</p>	<p>The definition of “standard product” <u>is missing</u> in Kosovo* legislation</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “standard product” in the Market Rules which will replicate the definition from the EB GL (for substantive elaboration of what “standard products” would be please refer below to explanation for Article 24 of the EB GL).</p>
<p>(29) “preparation period”</p>	<p>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “preparation period”</p>	<p>The definition of “preparation period” <u>is missing</u> in Kosovo* legislation</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “preparation period” in the</p>

			<b>Market Rules</b> which will replicate the definition from the EB GL.
<b>(30) “full activation time”</b>	The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “full activation time”	The definition of “full activation time” <u>is missing</u> in Kosovo* legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “full activation time” in the Market Rules which will replicate the definition from the EB GL.</p>
<b>(31) “deactivation period”</b>	The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “deactivation period”	The definition of “deactivation period” <u>is missing</u> in Kosovo* legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “deactivation period” in the Market Rules and/or Grid Code which will replicate the definition from the EB GL.</p>
<b>(32) “delivery period”</b>	The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “delivery period”	The definition of “delivery period” <u>is missing</u> in Kosovo* legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “delivery period” in the Grid Code which will replicate the definition from the EB GL.</p>
<b>(33) “validity period”</b>	The Energy Law, Electricity Law, NRA Law, Market Design, Market	The definition of “validity period” <u>is missing</u> in Kosovo* legislation	The adoption of the EB GL under the auspices of the Energy Community will

	Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “validity period”		<p>mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “validity period” in the Market Rules which will replicate the definition from the EB GL.</p>
(34) “mode of activation”	The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “mode of activation”	The definition of “mode of activation” is <u>missing</u> in Kosovo* legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “mode of activation” in the Market Rules and/or Grid Code which will replicate the definition from the EB GL.</p>
(36) “specific product”	The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “specific product”	The definition of “specific product” is <u>missing</u> in Kosovo* legislation	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “specific product” in the Market Rules which will replicate the definition from the EB GL.</p>
(37) “common merit order list”	The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “common merit order list”	<p>The definition of “common merit order list” is <u>missing</u> in Kosovo* legislation.</p> <p>Article 22 Para 9 and Article 23 Para 11 under 1.1. of the <b>Electricity Law</b> do not elaborate on the concept of “economic merit order list” and “economic precedence list”. While it is likely possible that the above-mentioned</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “common merit order list” in</p>

	<b>The Electricity Law</b> mentions “economic merit order list” and “economic precedence list” in Article 22 Para 9 and Article 23 Para 11 under 1.1.	terms could be considered as corresponding to the definition of “common merit order list” from the EB GL, however, since there is no further elaboration on “economic merit order list” and “economic precedence list”, it is <b>not feasible to precisely determine their compliance with the definition from the EB GL.</b>	<b>the Market Rules</b> which will replicate the definition from the EB GL, <b>as well as foresee the obligation for the TSOs in the interim period to establish common merit order list for FRR/RR</b> (also see definitions of “frequency restoration reserves” and “replacement reserves”).
(38) “TSO energy bid submission gate closure time”	<b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules</b> do not define “TSO energy bid submission gate closure time”	The definition of “TSO energy bid submission gate closure time” <b>is missing</b> in Kosovo* legislation	The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.  <b>As a transitional solution: introduce a definition of “TSO Energy bid submission gate closure time” in the Market Rules</b> which will replicate the definition from the EB GL.
(39) “activation optimization function”	<b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules</b> do not define “activation optimization function”	The definition of “activation optimization function” <b>is missing</b> in Kosovo* legislation	The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.  <b>As a transitional solution: introduce a definition of “activation optimization function” in the Market Rules</b> which will replicate the definition from the EB GL.
(40) “imbalance netting process function”	<b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules</b> do not define	The definition of “imbalance netting process function” <b>is missing</b> in Kosovo* legislation	The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.

	“imbalance netting process function”		<b>As a transitional solution: introduce a definition of “imbalance netting process function” in the Market Rules which will replicate the definition from the EB GL.</b>
<b>(41) “TSO – TSO settlement function”</b>	<b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “TSO – TSO settlement functions”</b>	<b>The definition of “TSO – TSO settlement functions” <u>is missing</u> in Kosovo* legislation</b>	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: introduce a definition of “TSO – TSO settlement functions” in the Market Rules which will replicate the definition from the EB GL.</b>
<b>(42) “capacity procurement optimization function”</b>	<b>The Energy Law, Electricity Law, NRA Law, Market Design, Market Rules, Grid Code (OP), Grid Code (Balancing), Methodology, and the MAR Rules do not define “capacity procurement optimization function”</b>	<b>The definition of “capacity procurement optimization function” <u>is missing</u> in Kosovo* legislation</b>	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: introduce a definition of “capacity procurement optimization function” in the Market Rules which will replicate the definition from the EB GL.</b>
<b>(45) “requesting TSO”</b>	<b>*Same as for “TSO-TSO” model (see (21) above)</b>	<b>The explicit definition of “requesting TSO” <u>is missing</u> in Kosovo* legislation.</b>	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: introduce a definition of “requesting TSO” in the Market Rules and Grid Code which will replicate the definition from the EB GL.</b>

<p><b>Article 4 – Terms and conditions or methodologies of TSOs</b></p>	<p><b>The NRA Law sets out:</b>  - <b>NRA’s obligation to cooperate with NRAs in the region, promote TSOs regional cooperation</b> and coordinate the development of grid codes for the TSOs and other market participants – Article 14;</p>	<p>Currently there is no legal obligation for the TSO to develop the exact terms and conditions or methodologies required by the EB GL, at national or regional level, and for the NRA to approve them.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Articles 4 and 5 will be transposed into the national legislation in their integral text.</b></p>
<p><b>Article 5 – Approval of terms and conditions or methodologies of TSOs</b></p>	<p>- <b>NRA’s competence to establish terms and conditions for provision of balancing services</b> which shall provide appropriate incentives for network users to balance their input and off-takes; the balancing services shall be provided in a fair and non-discriminatory manner and should be based on objective criteria – Article 15 Para 1 under 1.1.2.</p> <p><b>The Electricity Law envisages:</b>  - <b>balancing rules shall be submitted for approval to the NRA by the TSO. The terms and conditions, including the rules and tariffs for the provision of such services by the TSO shall be established pursuant to a methodology approved by the NRA</b> – Article 19 Para 4;  - the TSO’s obligation to promote <b>operational arrangements in order to ensure integration of balancing and reserve power mechanism</b> – Article 21 Para 3;  - the <b>TSO’s and market operator’s (MO) competences in the</b></p>	<p>The current legal basis set out in the <b>NRA Law, Electricity Law, Market Design and Grid Code</b> can be assessed as <b>compliant in substance</b> with the EB GL, as it provides:  - general rules for TSO’s tasks and responsibilities related to balancing, including preparing balancing rules, and regional cooperation;  - ERO’s competence to approve the Balancing Rules and Market Rules which corresponds to the NRA’s approval of the terms and conditions for the provision of balancing services, as foreseen in Article 37 Para 6 of Directive 2009/72/EC and further elaborated by Article 3 and 4 of the EB GL, which can be used as a starting point for developing a regional balancing market in the interim period (till adoption of the EB GL under the auspices of the Energy Community).</p> <p>It should be noted that the Electricity Law foresees the TSO’s obligation to elaborate the balancing rules, in which the terms and conditions, including the rules and tariffs for the provision of balancing services shall be established pursuant to a methodology approved by the NRA.  Yet, in practice, the balancing rules are a part of the Market Rules which are formally</p>	<p><b>As a transitional solution: clarify the scope of balancing rules and the party responsible for their elaboration.</b> This implies the amendments to the NRA Law and Electricity Law, shall the opportunity to amend these primary legislation acts occur.</p>

	<p><b>balancing market</b> – Article 22 Para 8 - 10 and Para 12, Article 23 Para 9 under 9.16. and Article 23 Para 11;</p> <p>- <b>the MO's obligation to prepare and amend Electricity Market Design, and prepare Market Rules</b> in line with the Market Design and review them regularly – Article 23 Para 6 and 7</p> <p><b>The Market Design</b> describes long-term vision, among other things, for the MO's/TSO's tasks related to the Balancing Mechanism (BM) (Heading 3), contracting of ancillary services and pricing (Heading 13), procedures and principles how the TSO manages BM in day-ahead and real-time (Heading 14), submission of bids and offers within the BM (Heading 15), imbalance calculation (Heading 17), trading parties' imbalance (Heading 16), imbalance price calculation (Heading 18), settlement (Heading 19), BM payments/charges (Heading 20), Market Rules modification procedure (Heading 26)</p> <p><b>The Grid Code (Balancing)</b> mentions:</p> <p>- <b>the TSO is</b> responsible for enabling LFC in the Kosovo* power system <b>either using its own resources or in co-operation with</b></p>	<p>elaborated by the MO in line with the Electricity Law. Having in mind Article 62 Para 4 and 5 of the Electricity Law, this might not be an issue in the transitional period, while might raise concerns once the MO obtains its full-fledged status foreseen in Article 23 of the Electricity Law. It should also be noted that Article 62 Para 4 and 5 of the Electricity Law (or any other provision) does not foresee criteria which shall be met to consider that the transitional period has expired.</p>	
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	<p><b>other regional TSOs</b> – Article 4.4.1.2.;</p> <p>- [in case of poor performance of the generating units participating in automatic secondary control reserve] <b>the TSO is entitled to acquire additional amount of secondary load-frequency control from another source</b> – Article 4.4.3.9.;</p> <p>- <b>fast and/or slow tertiary control may be obtained from other power systems</b> – Article 4.4.4.7. under c)</p>		
<p><b>Article 6 – Amendments to terms and conditions or methodologies of TSOs</b></p>	<p><b>The NRA Law mentions NRA’s competence to establish terms and conditions for provision of balancing services</b> – Article 15 Para 1 under 1.1.2.</p> <p>As per the <b>Electricity Law</b>, the <b>balancing rules</b>, elaborated by the TSO, <b>shall be established pursuant to a methodology approved by the NRA</b> – Article 19 Para 4</p> <p><b>The Electricity Law</b> also sets out the <b>MO’s obligation to prepare the Market Rules and review them regularly</b> – Article 23 Para 7</p> <p><b>The Market Rules</b> foresee that modification of Market Rules will take place upon ERO’s instructions – Article 20.1.1.</p>	<p>While not explicitly mentioned, the mere fact that ERO has competence to establish terms and conditions for provision of balancing services (based on which the TSO shall prepare the balancing rules) should enable the NRA to request necessary amendments throughout the process of approving the balancing rules, as well as request amendments later on.</p> <p>The same can be concluded about the requesting necessary amendment to the Market Rules, part of which currently are the balancing rules.</p> <p>Hence, the provisions of the <b>NRA Law and Electricity Law</b> setting out ERO’s competence can be assessed as <b><u>compliant in substance</u></b> with the EB GL.</p> <p>Even though there is no explicit provision on how the TSO/MO can request amendments to the balancing rules/Market Rules, the corresponding right stems from the fact that the TSO/MO elaborates the balancing</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 6 will be transposed into the national legislation in its integral text.</b></p> <p><b>No separate transitional solution is necessary.</b></p>



		rules/Market Rules, hence they can initiate the amendments thereof.	
<b>Article 8 - Recovery of costs</b>	<p><b>The NRA Law</b> sets out:</p> <ul style="list-style-type: none"> <li>- <b>NRA's competence to approve methodologies</b> that are used to calculate transmission tariffs – Article 15 Para 1 under 1.1.1.;</li> <li>- <b>NRA's obligation to ensure that tariffs</b> regulated for energy activities are reasonable, and <b>system operators are granted appropriate incentives</b>, in both the short and the long term, to increase efficiencies in system performance and foster market integration – Article 15 under 1.5. and 1.16.;</li> <li>- tariff methodology shall encourage load balancing tariffs – Article 47 under 3.9.</li> </ul> <p><b>The Market Rules</b> note that the TSO, MO and all trading parties will submit to ERO all necessary data to facilitate tariff calculation and approval – Article 17.1.</p> <p><b>The MAR Rules</b> foresee how the cost of ancillary and balancing services is set for the next year; in making the assessment, the NRA shall take into consideration whether ancillary services have been procured on a competitive basis or other evidence has been provided to show the procurement</p>	<p>Currently there is no legal obligation for the TSO to undertake the obligations imposed by the EB GL, nor bear the costs related to the fulfilment of such obligations.</p> <p>However, provisions of the <b>NRA Law and MAR Rules</b> can be assessed as <b>compliant in substance</b> with the EB GL, as these provisions set out:</p> <ul style="list-style-type: none"> <li>- ERO competence which corresponds to the scope of general duties and powers set out in Article 37 Para 8 of Directive 2009/72/EC and further elaborated by Article 8 of the EB GL, i.e. NRA's obligation, when fixing or approving the tariffs or methodologies and the balancing services, ensure that TSOs are granted appropriate long and short-term incentive to increase efficiencies, foster market integration [...];</li> <li>- ERO obligation to assess the costs imposed by the TSO related to the ancillary and balancing services procured on a competitive/economic basis.</li> </ul>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 8 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: in order to ensure the possibility for the TSO to recover all reasonable, efficient and proportionate costs related to the setting up the regional balancing market in the interim period, it may prove to be useful to amend the Market Rules/MAR Rules by introducing an explicit provision that follows the same logic as Article 8 Para 2 of the EB GL with a reference to the NRA Law (Article 15 under 1.5. and 1.16. thereof).</b></p>

	of these services is made on an economic basis – Article 12		
<b>Title II – Electricity balancing market</b>			
<b>Article 14 – Role of the TSOs</b>	<p><b>The Electricity Law sets out:</b></p> <ul style="list-style-type: none"> <li>- <b>TSO’s responsibility for balancing the system</b> in line with the Grid Code and Market Rules, frequency power regulation, <b>procurement of balancing services based on market principles, utilization of balancing power in line with Market Rules</b>, ensuring the availability of ancillary services – Article 16 under 1.19., 1.21. – 1.24.;</li> <li>- <b>TSO activates the bids for balancing energy</b> [submitted by] parties that have provided ancillary services <b>and [settles] all determined imbalances with BRPs</b> – Article 16 Para 2;</li> <li>- <b>TSO’s right to engage in electricity and capacity procurement</b> for the purpose of system balancing and provision of ancillary services – Article 19 Para 1 under 1.2. and 1.3.;</li> <li>- <b>TSO ensures system services in compliance with market principles and service provision contracts</b> - Article 19 Para 3;</li> <li>- <b>the TSO is responsible for organizing and developing balancing market</b> - Article 22 Para 8;</li> </ul>	<p>The provisions on TSO’s role, as defined in the <b>Electricity Law, Market Design and Market Rules</b>, can be assessed, <b>at best</b>, as <b>partially compliant in substance</b> with Article 14 Para 1 of the EB GL <b>to the extent that the TSO is responsible for buying balancing services from service providers.</b></p> <p>The partial compliance stems from the fact that, <b>taken in its totality, the current legal framework foresees two parallel processes – balancing mechanism and ancillary service contracts</b>, and fails to explicitly set it out the link between the two mechanisms. This assessment results from the following observations (also see analysis below at Article 16 – Role of BSPs, Article 44 – Settlement principles):</p> <ul style="list-style-type: none"> <li>- <b>TSO shall procure FCR and may procure RR</b> from trading parties utilizing its standard <b>ancillary service contract</b> (Article 13.2.6. of the Market Rules), while no procurement for FRR is foreseen;</li> <li>- the <b>“ancillary service contract reservation price”</b> (i.e. price for balancing reserve, as per Article 1.5.1. of the Market Rules) and <b>“ancillary service contract utilization price”</b> (i.e. price for balancing energy - each MWh instructed for delivery/offtake under the contract, as per Article 1.5.1. of the Market Rules) are <b>predetermined in the contract</b> and seemingly <b>regulated by ERO</b> (Article 13.2.9. under f) and Article 1.8.1. under f) of</li> </ul>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 14 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce explicit provisions in the Market Rules clarifying the procurement of balancing capacity and activation of balancing energy, and whether/to what extent ancillary services contracts for capacity and energy exist in parallel with balancing mechanism (and the correlation between the two)</b> in which, supposedly, the BSPs submit balancing energy bids indicating volume and price for activated capacity;</li> <li>- <b>ensure the assessment of MO’s ability to carry out assigned tasks is carried out</b>, following the rationale of Article 13 Para 4 of the EB GL.</li> </ul>

	<p>- <b>TSO receives bids and offers and undertakes measures to activate electricity bids and offers, based on economic merit order list</b> – Article 22 Para 9;</p> <p>- the <b>MO is responsible for calculation of imbalances and imbalance prices</b> - Article 22 Para 10;</p> <p>- the participation in the balancing market is regulated through <b>agreements on balancing service provision</b> – Article 22 Para 11;</p> <p>- the <b>MO shall perform the financial settlement of provided balancing services</b>– Article 22 Para 12 and Article 23 Para 9 under 9.16.;</p> <p>- in the context of system balancing the <b>MO shall conduct the commercial part of business through <u>rules for calculation of balancing energy</u></b>, which includes:</p> <p>1) <b>organizing the sale and purchase of balancing energy from service providers</b>, including collection of bids, compilation of economic precedence list and its submission to the TSO, as well as payment for service provision – Article 23 Para 11 under 1.1.</p> <p>2) <b>organizing sale and purchase of balancing [energy] from the load-side, including calculations and payments for balancing energy</b> for deviations caused by the entities responsible for deviations [BRPs] - Article 23 Para 11 under 1.2.</p>	<p>the Market Rules), and is <b>taken into account into calculation for the imbalance price</b>;</p> <p>- from the above-mentioned provisions it can be assessed that the <b>procurement of balancing capacity is carried out on the basis of bilateral agreements with predetermined (regulated) prices</b> and, thus, <b>balancing capacity bids</b> (within the meaning of the EB GL) <b>are not foreseen</b> in the legal current framework;</p> <p>- the <b>balancing mechanism</b> is defined as <b>the process in which [BSPs] submit bids and offers in day-ahead timeframe to buy/sell energy from/to the TSO in order for the TSO to carry out the real time balancing</b> (Article 1.5.1. and Chapter 11 of the Market Rules) and <b>the TSO undertakes measures to activate bids/offers, based on economic merit order list</b> (Article 22 Para 9 of the Electricity Law), all of <b>which seems to refer to the process for submitting bids for balancing energy</b> (within the context of the EB GL). However, having in mind Article 13.2.6., Article 13.2.9. under f) and Article 1.8.1. under f) of the Market Rules, as well as Article 22 Para 11 of the Electricity Law, it <b>remains unclear how the ancillary service contracts with present prices for capacity and energy fit in with the concept of balancing mechanism with bids (offers) submitted by BSPs</b> (including producers with ancillary service contracts) <b>day-ahead</b>, and, on top of everything, the <b>energy bid (offer) prices are also regulated/may be regulated by ERO</b> (Article 1.8.1. under a) and b) of the Market Rules).</p>	
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	<p>- <b>in the period before establishment of the market of ancillary services</b>, conditions and prices for their provision shall be determined in the <b>methodology for pricing and other conditions for the provision of ancillary services at regulated prices</b>; this methodology shall be <b>prepared by the MO in cooperation with the TSO</b>, and shall be submitted for approval to the NRA – Article 62 Para 4;</p> <p>- <b>during the period that TSO will operate as a joint enterprise with MO it may delegate its market responsibilities to the MO</b> - Article 62 Para 5</p> <p><b>The Market Design</b> describes long-term vision on the MO's/TSO's tasks related to BM (Heading 3), day-ahead physical and contractual nominations (Heading 11), contracting of ancillary services and pricing (Heading 13), procedures and principles how the TSO manages BM in day-ahead and real-time (Heading 14)</p> <p><b>The Market Rules</b> elaborate on:</p> <p>- <b>the BM as the process in which trading parties submit bids and offers to buy energy from or sell energy to the TSO in order for the TSO to carry out the real time balancing</b> of the transmission system – Article 1.1.5.;</p>	<p><b>The division of competences between the TSO/MO</b> allows to assume that certain TSO's tasks related to the balancing market (e.g. imbalance calculation, imbalance financial settlement with) are conferred upon the MO as a third party.</p> <p>As per Article 13 Para 4 of the EB GL, a Member State or where applicable the NRA, may only <b>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</b>. Prior to the assignment the third party concerned shall demonstrate its ability to carry out the task to be assigned.</p> <p>Article 13 Para 5 of the EB GL foresees that in the event the tasks and obligations are assigned to a third party, <b>references to TSO in the EB GL shall be understood as referring to the assigned entity</b> and the NRA shall ensure regulatory oversight of the assigned entity in respect of assigned tasks and obligation.</p> <p>Having this in mind, the provisions of the <b>Electricity Law, Market Design and Market Rules</b> are <b>compliant in substance</b> with the EB GL, as they ensure that the assigned tasks to the MO do not require direct cooperation, joint decision-making or entering into contractual relationship with other TSOs, and ERO has regulatory oversight of the MO's activities related to the balancing market.</p> <p>However, it might be necessary to evaluate/re-evaluate (a) the MO's ability to carry out assigned tasks during the interim period/once the EB GL becomes part of the Energy Community <i>acquis</i> and (b) whether or</p>	
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	<ul style="list-style-type: none"> <li>- [in case of insufficient competition] <b>ERO may regulate bid/offer prices, imbalance price, ancillary service contract reservation price, ancillary service contract negative reservation price/utilization price</b> (i.e. “relevant regulated price”) – Article 1.8.1.;</li> <li>- <b>the MO being responsible for managing settlement process, including the calculation of energy imbalance quantities and prices</b> (including, where applicable, relevant <b>regulated prices</b>) – Article 2.1.2. under (a) (iii);</li> <li>- <b>the TSO shall procure or sell energy, or ancillary services</b> (balancing energy and reserves) – Article 2.1.2. under (b) (ii);</li> <li>- <b>the TSO will procure frequency containment reserve and may procure replacement reserve</b> from trading parties utilizing its <b>standard ancillary service contract</b> – Article 13.2.6.;</li> <li>- <b>ancillary service contract for reserve specifies</b>, among other things, “<b>ancillary service contract reservation price</b>” and “<b>ancillary service contract utilization price</b>”, as well as that no other terms of the <b>ancillary service contract for reserve</b> are relevant for the settlement – Article 13.2.9. Para 1 under d) and f) and Para 2</li> </ul>	<p>not such division of tasks is suitable/efficient in the context of establishing regional balancing market.</p> <p>Section 2.4.3. and Article 2.6.1.5. of the <b>Grid Code (Balancing)</b>, Article 13.1. of the <b>Grid Code (General provisions)</b>, as well as Article 4.4.1. of the <b>Grid Code (OP)</b>, read in conjunction with Heading 11.2.1 of the <b>Market Design</b> and Article 11 of the <b>Market Rules</b>, can be assessed as <b>compliant in substance</b> with the self-dispatching model set out in EB GL.</p>	
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	<p><b>The Grid Code (General provisions)</b> defines “dynamic dispatch parameters as “the physical characteristics of generating units (and certain large demand customers) that inform the TSO as to how output can change at the relevant generating unit (or offtake unit)” – Article 13.1.</p> <p><b>The Grid Code (Balancing)</b> mentions that all parties have to respond to dispatch instructions within a tolerable time and accuracy and to fulfil their requirements under the self-commitment process as per section 2.4.3. (i.e., real-time dispatch) – Article 2.6.1.5.</p> <p>The <b>Grid Code (OP)</b> sets out physical notifications in Article 4.4.1.</p>		
<p><b>Article 15 – Cooperation with DSOs</b></p>	<p><b>The Electricity Law</b> sets out DSO’s obligation to provide information required by the TSO, as well as execute agreements for provision of ancillary services with the TSO, with the view of providing transmission system services – Article 28 Para 1 under 1.17. and 1.20.</p> <p><b>The Market Rules</b> elaborate the obligations of the market participants (“Parties”/”Trading</p>	<p>The provisions of the <b>Electricity Law and Market Rules</b> can be assessed as <b>compliant</b>, as they foresee a general obligation for the TSO, MO and DSO to cooperate and provide the necessary information in order to perform the imbalance settlement.</p> <p>The provisions defining the possibility to elaborate cost allocation methodology related to the <b>cooperation of the TSO and DSO concerning the reserve providing groups/units connected to the DSO grid</b></p>	<p>The adoption of the EB GL, as well as the <b>SO GL (Article 182 in particular) under the auspices of the Energy Community will mean that Article 15 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Market Rules and/or Grid Code provisions covering the cooperation between the TSO and DSO concerning the reserve providing groups/units connected to the DSO grid, following the rationale of Article 182 of the SO GL.</b></p>

	<p>Parties”/”BRP”s/DSO(s)/TSO), including on exchange of information in Article 2.1.2. The <b>Market Rules</b> also mention as a “balancing unit” “an individual Customer, or group of Customers connected to the Distribution System that has contracted with its (or their) Supplier for them to participate in the Balancing Mechanism” – Article 11.1.2. under d)</p>	<p>(<b>Title 10 of SO GL</b>) are <u>missing</u> in Kosovo* legislation.</p>	
<p><b>Article 16 – Role of BSPs</b></p>	<p><b>The Electricity Law</b> puts an <b>obligation on the electricity producers to offer the TSO ancillary and balancing services</b> [..], based on the contract to activate the generation facilities upon request of the TSO, as well as offer generation capacities available to the TSO for balancing, system operation and safety purposes – Article 7 under 1.6. and 1.7.;</p> <p>- the participation in the balancing market is regulated through <b>agreements on balancing service provision</b> – Article 22 Para 11;</p> <p><b>The Market Design</b> outlines long-term vision regarding contracting of ancillary services and pricing (Heading 13), procedures and principles how the TSO manages BM in day-ahead and real-time (Heading 14), submission of bids</p>	<p>(See also analysis of Article 14 – Role of TSOs)</p> <p>In the context of Article 16 of the EB GL, the current legal framework appears to be <u>non-compliant</u> due to the following identified shortcomings/discrepancies:</p> <ul style="list-style-type: none"> <li>- <u>pre-qualification requirements</u> for the BSPs, as foreseen in Article 16 of EB GL and Article 158, 159, 161 and 162 of SO GL, are currently <u>missing</u> in the Kosovo* legislation. The <b>Market Rules</b> merely mention pre-qualification as such in the definition of “BSP” and throughout the text with a reference to a “relevant Market Rules procedure” which is not further elaborated.</li> </ul> <p>The definition of Ancillary Service Contract (Article 1.5.1) in the <b>Market Rules</b> foresees that ancillary services include frequency containment reserve or replacement reserve, which implies that a party to that contract (i.e. the ancillary service provider) would have to have units or a group which are capable of providing the above-mentioned reserve to the TSO. Article 2.1.2. Para 1 under d) iv) and Article 2.1.2. under f) vi) of the</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 16 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>Introduce clear pre-qualification requirements for the BSPs, as foreseen in Article 16 of EB GL and Article 159 and 162 of SO GL;</b></li> <li>- <b>introduce in the Market Rules a clear link between the volume of reserved capacity that the BSP has agreed to hold and the obligation for submitting bids (and offers) for the corresponding volume of balancing energy, i.e. provide bridging norms between the ancillary service contracts and balancing mechanism, as well as provisions setting out conditions and procedures for BSPs to submit bids(offers) for balancing capacity and balancing energy, following the rationale of Article 16 of the EB GL. Specific requirements can be maintained for the</b></li> </ul>

	<p>and offers within the BM (Heading 15), in particular:</p> <ul style="list-style-type: none"> <li>- in Heading 13 the <b>Market Design</b> foresees that as per an ancillary service agreement for secondary reserve the Party [BSP] agrees to reserve a specified amount of capacity on designated generating units, while the ancillary service agreement for tertiary reserve is a contract to provide additional generating output or load reduction;</li> <li>- in Heading 14 the <b>Market Design</b> mentions that [a dispatch instruction to a balancing unit] “creates a contract between the TSO and a generator, which will be settled at the generator’s bid/offer price for the unit. The same principle applies to suppliers who participate in the BM with dispatchable load”;</li> <li>- in Heading 15 the <b>Market Design</b> mentions that <b>generators and suppliers submit bid and offer volumes and prices into the BM:</b> the bid price being that at which they will pay for energy delivered to them by the TSO, and the offer price being that at which they will deliver energy to the system; as the bid/offer prices shall be used in imbalance pricing and settlement, <b>participation in the BM is mandatory for all generators and suppliers</b> and bid/offer prices</li> </ul>	<p><b>Market Rules</b> explicitly mention generators’ (others than RES) and suppliers’ obligation to submit bids and offers into the BM. This should be taken into account when introducing the above-mentioned pre-qualification requirements for the BSPs;</p> <ul style="list-style-type: none"> <li>- <b>the current framework does not explicitly foresee submission of balancing capacity bids in the procurement process for balancing capacity</b> (see Article 14 – Role of TSO),</li> <li>- similarly, it <b>does not provide a clear link between the volume of reserved capacity that the BSP has agreed to hold and the obligation for submitting bids (and offers) for the corresponding volume of balancing energy</b> (see also definition of “balancing capacity”);</li> <li>- <b>prices for provision of ancillary services</b>, including ancillary service contract reservation (i.e. balancing capacity) and ancillary service contract utilization (balancing energy) price, as well as price for (balancing energy) bids/offers <b>may be regulated by ERO</b> pursuant to Article 62 Para 4 of the Electricity Law and Article 1.8.1. under a) and b) of the Market Rules (see also Article 32 - Procurement rules).</li> </ul> <p><b>The definition and requirements for standard and specific balancing products</b> are <b>missing</b> in Kosovo* legislation, so is a legal provision forbidding to predetermine the prices for balancing energy bids from these products in a contract for balancing, as required by Article 16 Para 6 of the EB GL. It should, however, be noted that Article 13.2.9. under f) of the <b>Market Rules</b> foresees</p>	<p>dominant BSP if it proves to provide higher economic efficiency;</p> <ul style="list-style-type: none"> <li>- <b>introduce a transitional definition of a standard product in the Market Rules</b>, as proposed in the Final Report, Task 4;</li> <li>- <b>clarify in the Market Rules the concept of “a contract for balancing capacity”</b> and use it uniformly throughout the text, as well as <b>introduce an explicit provision forbidding to predetermine the prices for balancing energy bids from standard products in a contract for balancing capacity;</b></li> <li>- <b>amend to Article 62 Para 4 of the Electricity Law and Article 1.8.1. under a) and b) of the Market Rules or ensure in practice that the prices for provision of ancillary services</b>, including ancillary service contract reservation (i.e. balancing capacity) and ancillary service contract utilization (balancing energy) price, as well as price for (balancing energy) bids/offers <b>are not regulated;</b></li> <li>- <b>amend Article 62 Para 4 of the Electricity Law and Article 1.8.1. of the Market Rules, so as to ensure that clear criteria for transitional period is set out.</b></li> </ul>
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	<p>submitted at D-1 cannot be changed during the Trading Day</p> <p><b>The Market Rules</b> elaborate on:</p> <ul style="list-style-type: none"> <li>- ancillary service contract – Article 1.5.1.;</li> <li>- ancillary service contract utilization price – Article 1.5.1.;</li> <li>- generators’ (others than RES) obligation as a BSP to submit bids and offers into the BM – Article 2.1.2. under d) iv);</li> <li>- suppliers’ (who are Trading Parties and members of Balancing Groups) obligation to submit bids and offers into the BM – Article 2.1.2. under f) vi);</li> <li>- submission of bids/offers, including that all bid/offer prices must be submitted by Gate Closure on D-1 – Chapter 11;</li> <li>- balancing mechanism – Chapter 12;</li> <li>- contracting ancillary services and pricing – Chapter 13</li> </ul> <p><b>The Market Rules</b> contain the notion of pre-qualification process, but do not define pre-qualification requirements for the BSPs, nor determine any specific requirements related to balancing products</p> <p><b>The Grid Code (Balancing)</b> contain general obligation for ancillary service providers to fulfil the terms of ancillary service agreement and</p>	<p>that <b>the ancillary service contracts for reserve</b> (which would correspond to a “contract for balancing capacity”, mentioned in Article 16 of the EB GL), <b>predetermine prices for capacity and energy</b>, rendering this provision as <b>non-compliant</b> with Article 16 Para 6 of the EB GL.</p>	
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	comply with the requirements of the Market Rules		
<b>Article 17 – Role of BRPs</b>	<p><b>The Electricity Law:</b></p> <ul style="list-style-type: none"> <li>- defines “balance responsibility”, including financial responsibility for the settlement of imbalances, and “balance responsible party” – MP or its chosen representative responsible for settlement of imbalances – Article 3 Para 1 under 1.3. and 1.4.;</li> <li>- elaborates that each market participant is BRP and acquires BRP’s status by concluding balance responsibility agreement with the TSO – Article 25 Para 1 and 2;</li> <li>- notes that the Market Rules shall specify procedures and requirements for establishing balance responsibility of MPs, balance responsibility contract and responsibility for keeping register of balance responsible parties – Article 25 Para 4</li> </ul> <p>Heading 12 of the <b>Market Design</b> notes that the nominations submitted by suppliers, generators, importers/exporters become final at Gate Closure (~15:30 on the day-ahead) and final nominations will be used for the calculation of traders’ imbalance</p> <p><b>The Market Rules:</b></p>	<p>The provisions of the <b>Electricity Law and Market Rules</b> stipulate BRP’s obligation to undertake financial responsibility for its imbalances, as well as obligation to strive to be balanced or help the power system to be balanced, and, therefore, can be assessed as <b>compliant</b> with Article 17 Para 1 and 2 of the EB GL, albeit that the reference to real time balance situation is <b>missing</b> in Kosovo* legislation.</p> <p>Article 11.3.5 and Article 11.4.1. of the <b>Market Rules</b> mention the possibility for the market participants (BRPs) to change their nominations (i.e. position) in the intra-day market until the gate closure time, without further elaborating the particular timeframe. This together with the fact that currently there is no <b>(intraday) capacity allocation</b> done by KOSTT allows to assess that explicit <b>provisions allowing the BRP change its schedule prior to the intraday cross-zonal gate closure time</b> are <b>missing</b> in Kosovo* legislation.</p> <p>It should also be noted that in the context of Article 17 Para 3 of the EB GL which refers to “intraday cross-zonal gate closure time”, there is no regional intraday market, nor joint TSOs proposal on intraday cross-zonal gate opening and closure time in the WB6 region as part of single intraday market coupling process.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 17 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce provisions in the Market Rules that would explicitly allow a BRP to change its position prior to the intraday cross-zonal gate closure time as defined by the capacity allocation procedures in force.</b></p>

	<ul style="list-style-type: none"> <li>- <b>set out rights and obligations of BRPs</b> - Article 3.3.;</li> <li>- <b>define the term “gate closure”</b> (defined in Article 1.5.1) and set out various timeframes for gate closure depending on type of nominations – Article 12.6.3.</li> <li>- sets out that the TSO and MO shall ensure that procedures are in place for the allocation and nomination for use of interconnector capacity on interconnectors for which the TSO has responsibility – Article 7.1.1.</li> <li>- <b>Chapter 11 covers submission of physical and contractual nominations</b>, including Article 11.3.5 and Article 11.4.1.</li> </ul>		
<p><b>Article 18 – Terms and conditions related to balancing</b></p>	<p><b>The NRA Law</b> foresees <b>NRA’s competence to establish terms and conditions for provision of balancing services</b> which shall provide appropriate incentives for network users to balance their input and off-takes; the balancing services shall be provided in a fair and non-discriminatory manner and should be based on objective criteria – Article 15 Para 1 under 1.1.1. and 1.1.2.</p> <p><b>The Electricity Law</b> sets out:</p> <ul style="list-style-type: none"> <li>- <b>balancing rules are elaborated by TSO and submitted for approval to the NRA</b> – Article 19 Para 4;</li> <li>- <b>before the establishment of the market of ancillary services</b></li> </ul>	<p><u><b>The terms and conditions for the BSPs</b></u> foreseen in the <b>Market Rules</b> can be assessed as <b>non-compliant</b> with the requirements of Article 18 of the EB GL, for the reasons outlined in the analysis of Article 16, Article 29 – 31 of the EB GL.</p> <p><u><b>The terms and conditions for the BRPs</b></u> set out in the <b>Market Rules</b> can be assessed as <b>partially compliant</b> with Article 18 of the EB GL, as the Market Rules comply with some of the essential requirements (e.g. financial responsibility for the imbalances), while not fully complying with others (e.g. imbalance settlement requirements pursuant to Article 52 – 55 of the EB GL).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 18 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>expand the scope of the Market Rules by replicating the scope of terms and conditions for the BSPs and the BRPs, as set out in Article 18 of the EB GL.</b> This would require a general overhaul of the Market Rules, along with the associated amendments on the qualification requirements for the BSPs, clarifying provisions on procurement of balancing capacity, defining standard products in the interim period, etc.;</li> <li>- <b>introduce clear and detailed provisions on requirements concerning BRPs obligation to</b></li> </ul>

	<p><b>conditions [...] for their provision shall be determined in the methodology for [pricing and other] conditions for the provision of ancillary services at regulated prices;</b> methodology shall be prepared by the MO in cooperation with the TSO, and approved by the NRA - Article 62 Para 4</p> <p><b>The Market Rules cover:</b></p> <ul style="list-style-type: none"> <li>- <b>terms and conditions for BSPs</b> in Chapter 11 under 11.6 (submission of bids/offers), Chapter 12 under 12.2. (bid/offer acceptance instruction) and 12.3. (effect of bid/offer acceptance), Chapter 13 under 13.2. (ancillary service contracts), Chapter 14 under 14.1. (volume of accepted bids/offers and cashflow), Chapter 16 under 16.10 (non-delivery rule), Chapter 18 (invoicing and payments);</li> <li>- <b>terms and conditions for BRPs</b> in Chapter 3 under 3.3., Chapter 11 under 11.1. – 11.4., Chapter 12 under 12.6. (market timetables with a reference to ENTSO-E timeframes), Chapter 13 under 13.4. (reserve contracts in imbalance price), Chapter 15 under 15.2. (imbalance price calculation), Chapter 16 under 16.5. (energy imbalance calculation), Chapter 18 (invoicing and payments)</li> </ul>		<p><b>strive to be balanced in real time</b> (following the rationale of Article 17 Para 1 of the EB GL).</p>
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<p><b>Article 24 – Balancing energy gate closure time</b></p>	<p><b>The Market Rules:</b></p> <ul style="list-style-type: none"> <li>- define gate closure as the latest time by which trading parties may submit physical/contractual nominations with respect to a specific settlement period and which shall be done one hour before the beginning of that settlement period – Article 1.5.1.</li> <li>- do not set out a specific timeframe but mention that the MO will publish a market timetable for market operations in line with ENTSO-E timetable – Article 12.6.1.</li> </ul> <p>The Grid Code (OP) mentions that a trading party can submit bids and offers in respect of their balancing units as per the Market Rules, and KOSTT can accept bids and offers until 24:00 D-1 – Article 4.4.5.1 and 4.4.5.2.</p>	<p>(See also definition of “balancing energy gate closure time” and “standard product”)</p> <p>Even though the provisions of the <b>Market Rules</b> and <b>Grid Code (OP)</b> mention gate closure time [for submission of bids/offers for balancing energy], these provisions are assessed as <b>non-compliant</b> with Article 24 of the EB GL. As per EB GL, the balancing energy gate closure time shall be defined for each standard product, at least for RR/FRR. The standard products are not defined in Kosovo* legislation, let alone balancing energy gate closure time per standard product. Additionally, the reference to the ENTSO-E timeframes in Article 12.6.1. of the <b>Market Rules</b> is not sufficient to allow to assess its compliance with requirements of Article 24 Para 2 of the EB GL, in particular with the requirement set out in Article 24 Para 2 under a) of the EB GL (i.e. “as close as possible to real time”).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 24 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: along with introducing the transitional definition of “standard product”, as proposed in the Final Report, Task 4, in the Market Rules, as well as the definition of the term “common merit order list” and “balancing energy gate closure time” itself, the balancing energy gate closure time should be set out in the Market Rules in line with criteria envisaged in Article 24 Para 2 of the EB GL.</b></p>
<p><b>Article 25 – Requirements for standard products</b></p>	<p><b>The Market Rules</b> do not define, nor set out requirements for standards products</p>	<p>(See also definition of “standard product”)</p> <p>As identified above, the standard products for balancing energy and balancing capacity are not defined in Kosovo* legislation, i.e. <b>missing</b>. Hence, it is not feasible to assess the compliance of minimum characteristics of the standard products, set out in Article 25 of the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 25 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce transitional definition of a standard product in the Market Rules, as proposed in the Final Report, Task 4.</b></p>
<p><b>Article 26 – Requirements for specific products</b></p>	<p><b>The Market Rules</b> do define, nor set out requirements for specific products</p>	<p>(See also definition of “specific product”)</p> <p>Specific products for balancing energy and balancing capacity, applicable for the local</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 26 will be transposed into the national legislation in its integral text.</b></p>

		market, are not defined in Kosovo* legislation, i.e. <b>missing</b> . Hence, it is not feasible to assess the compliance of minimum characteristics of the specific products, set out in Article 26 of the EB GL.	<b>As a transitional solution: if the TSO identifies the necessity for specific products, the requirements for specific products, as well as the regular review thereof should be foreseen in the Market Rules, following the rationale of Article 26 of the EB GL.</b>
<b>Title III – Procurement of balancing services</b>			
<b>Article 29 – activation of balancing energy bids from common merit order list</b>	<b>The Electricity Law stipulates:</b> - the TSO shall promote <b>operational arrangements</b> in order to ensure <b>integration of balancing and reserve power mechanism</b> – Article 21 Para 3 - <b>TSO receives bids and offers and undertakes measures to activate electricity bids and offers, based on economic merit order list</b> – Article 22 Para 9;	While the <b>Electricity Law</b> implicitly foresees the possibility for cross-border exchange of balancing energy, there are no provisions further elaborating on such exchange, let alone on cross-border activation of balancing energy for FRR/RR based on a common merit order list. The wording of the provisions of the <b>Grid Code (Balancing)</b> appear to relate to the exchange balancing capacity (not energy) for secondary and tertiary control from other sources (see Article 32 of the EB GL – Procurement rules (Balancing capacity)). Given that only the TSOs obliged to implement the relevant platforms (Article 19 – 21 of the EB GL) are required to comply with the requirements of Article 29 – 31 of the EB GL, the current framework can be assessed as, at best, <b>partially compliant</b> with Article 29 – 31 of the EB GL only to the extent that the <b>Electricity Law</b> foresee a general possibility for KOSTT to receive balancing services from other TSOs [via operational agreements].	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 29 - 31 will be transposed into the national legislation in its integral text.</b>
<b>Article 30 – Pricing for balancing energy and cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process</b>	- <b>the MO organizes the sale and purchase of balancing energy</b> from service providers, including collection of bids, <b>compilation of economic precedence list</b> and its submission to the TSO – Article 23 Para 11 under 1.1.;		<b>As a transitional solution:</b> - <b>the Market Rules should be amended to explicitly set out that the price of activated balancing energy is equal to marginal price of last activated MWh (pay-as-cleared pricing);</b>
<b>Article 31 – Activation optimisation function</b>	- <b>in absence of liquid market, system balancing is conducted through regulated tariffs</b> , set by NRA in accordance with imbalance pricing procedures – Article 62 Para 3; - [before the establishment of the ancillary services market] <b>prices for their provision shall be determined in the methodology</b>	Additionally, it should be noted that, as per Article 12.2.1. of the Market Rules, <b>activation of balancing energy bids is left up to the TSO's discretion and has no relation to the merit order list whatsoever</b> (even though	- <b>while the transitional solution is linked with the process of the TSOs of the WB6 region joining MARI and TERRE (optional) projects, i.e. projects for establishment of the European mFRR and RR platforms, in the interim period it shall be ensured that the agreements concluded among KOSTT and the neighboring TSOs on cross-border procurement/exchange of balancing energy are based on/aligned with the requirements of the EB GL (i.e. common merit order list, common definition of standard products, common pricing and settlement rules, etc.);</b> - <b>ensure that Article 62 Para 3 and 4 of the Electricity Law, and Article 1.8.1. and Article</b>

	<p><b>for pricing</b> and other conditions for the provision <b>of ancillary services at regulated prices</b> - Article 62 Para 4</p> <p><b>The Market Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- [in case of insufficient competition] <b>ERO may regulate bid/offer prices, ancillary service contract reservation price, ancillary service contract negative reservation price/utilization price</b> – Article 1.8.1.;</li> <li>- <b>at its discretion</b>, but consistent with objectives of economic and efficient operation of the transmission system, <b>the TSO will issue bid/offer acceptances</b> in respect of settlement period to the operators of balancing units to alter level of output/ deliver new output level - Article 12.2.1.</li> <li>- <b>the effect of bid/offer acceptance is for the payment to/by the TSO by/to the relevant trading party</b> at the prevailing <b>bid/offer price</b> – Article 12.3.2. and 12.3.3.;</li> <li>- <b>ancillary service contract specifies</b>, among other things, <b>“ancillary service contract utilization price”</b> – Article 13.2.9. under f)</li> <li>- <b>the TSO will utilize ancillary service contracts at its discretion</b> – Article 13.3.1.;</li> </ul>	<p>Article 22 Para 9 and partially also Article 23 Para 11 of the <b>Electricity Law</b> might foresee the existence of such a merit order list). Article 13.3.1., read in conjunction with Article 13.3.2. under c) and Article 13.3.5. under a) of the Market Rules, suggests that the <b>use of ancillary service contract</b> also <b>includes activation of balancing energy</b> and that is done at the TSO’s discretion and it goes without saying that no merit order list is applied in this process.</p> <p>It should also be noted that Article 12.3.2. and 12.3.3. of the <b>Market Rules</b> foresee “pay-as-bid” pricing for activation of balancing energy bids which is <b>not compliant</b> with “pay-as-cleared” pricing set out in Article 30 of the EB GL.</p> <p>Article 62 Para 3 and 4 of the <b>Electricity Law</b>, and Article 1.8.1. and Article 13.2.9. under d) and f) of the <b>Market Rules</b> imply regulated prices/possibility to regulate prices for balancing energy bids/offers and regulated/predetermined prices for activation of balancing energy under the ancillary service <b>contract (“ancillary service contract utilization price”)</b>, thus rendering these provisions as <b>non-compliant</b> with Article 30 of the EB GL for the mere reason that such an approach might not ensure the correct price signals and incentives to the market participants, regardless that this is deemed to be transitional solution (but without clear criteria for phase-out).</p>	<p><b>13.2.9. under f) of the Market Rules are not used in practice to regulate/limit prices for balancing energy or eliminate these provisions, or introduce clear criteria for their phase-out in primary legislation.</b></p>
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	<p>- the <b>TSO will utilize ancillary service contracts</b> - under the <b>terms of the Grid Code</b> the TSO will instruct balancing units <b>in line with the ancillary service contract</b> for reserve – Article 13.3.2. under c);</p> <p>- <b>where the ancillary service contract for FCR or RR is in operation</b> the TSO will inform the MO <b>the volume of delivered/off-taken energy</b> by the trading party in each settlement period – Article 13.3.5. under a)</p> <p><b>The Grid Code (Balancing)</b> in Article 4.4.3.9. mentions possibility for the TSO to obtain secondary load-frequency control from another source and in Article 4.4.4.7. under c) – possibility to obtain fast and/or slow tertiary control from other power systems</p>		
<p><b>Article 32 – Procurement rules (balancing capacity)</b></p>	<p><b>The Energy Law</b> mentions that a list of required levels of <b>capacity reserves</b> necessary for ensuring an appropriate level of planned supply sustainability (stability) shall be part of long-term energy balance, and <b>annual level of reserve capacities (reserve limit)</b> of energy facilities and equipment as a part of annual energy balance - Article 8 Para 10 under 10.4. and in Para 12 under 12.4.</p> <p><b>The Electricity Law</b> sets out:</p>	<p>The <u>definition of “reserve capacity”</u>, as foreseen in Article 3 Para 2 under 95) of the SO GL (“the amount of FCR, FRR or RR that needs to be available to the TSO”), <b>is missing</b> in Kosovo* legislation. However, Article 13.1.1. of the <b>Market Rules</b> and Article 3.8.1. and 3.8.2. of the <b>Grid Code (OP)</b> can be assessed as <b>partially compliant in substance</b> with the rationale of Article 32 of the EB GL to the extent that these provisions foresee the review of capacity reserve requirements on a regular (yearly) basis.</p> <p>Article 62 Para 3 and 4 of the <b>Electricity Law</b> and Article 1.8.1., Article 13.2.1. and Article</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 32 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce a definition of “reserve capacity”</b> which will replicate the definition from the SO GL; this implies changing the terminology throughout the Market Rules and Grid Code in terms of replacing primary, secondary and tertiary with FCR, FRR and RR;</li> <li>- <b>introduce provisions setting out the rules for the procurement of balancing</b></li> </ul>



	<p>- <b>in absence of liquid market, system balancing is conducted through regulated tariffs</b>, set by NRA in accordance with imbalance pricing procedures – Article 62 Para 3;</p> <p>- before the establishment of the market of ancillary services <b>conditions and prices for their provision shall be determined in the methodology for pricing and other conditions for the provision of ancillary services at regulated prices</b> - Article 62 Para 4</p> <p><b>The Market Rules</b> set out:</p> <p>- [in case of insufficient competition] <b>ERO may regulate ancillary service contract reservation price</b> – Article 1.8.1.;</p> <p>- each year, in line with the Grid Code, <b>the TSO will assess the level of reserve margin</b> required in accordance with an operating procedure published by the TSO – Article 13.1.1.;</p> <p>- the TSO will publish standard forms of ancillary service contract <b>for periodically procuring ancillary services from trading parties</b> and will [...] ensure that sufficient ancillary service contracts are in place and available to be utilised for each type of ancillary service ahead of each settlement period, <b>including contracts that may be made up to more than a year</b></p>	<p>13.2.9. under d) of the <b>Market Rules</b> are assessed as <b>non-compliant</b> with the principles based on which the rules for the procurement of balancing capacity should be defined, as foreseen in Article 32 Para 2 of the EB GL. The non-compliance stems from the fact that the current framework foresees (1) balancing capacity is procured periodically (the Market Rules contain vague guidance on the procurement rules themselves), (2) no procurement rules are foreseen for balancing capacity for FRR, and (3) procurement of balancing capacity for FCR and RR is based on bilateral agreements with regulated/predetermined prices for balancing capacity, i.e. the procurement is not short-term to the extent possible, nor is it market-based.</p>	<p><b>capacity in the Market Rules</b>, following the principles set out in the EB GL (market-based, short-term to extent possible and where economically efficient);</p> <p>- <b>ensure that Article 62 Para 3 and 4 of the Electricity Law, and Article 1.8.1. and Article 13.2.9. under f) of the Market Rules are not used in practice to regulate/limit prices for balancing energy or eliminate these provisions, or introduce clear criteria for their phase-out in primary legislation.</b></p>
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	<p><b>ahead of the settlement period</b> – Article 13.2.1.;</p> <ul style="list-style-type: none"> <li>- <b>the TSO will procure FCR and may procure RR</b> from trading parties utilizing its <b>standard ancillary service contract</b> – Article 13.2.6.;</li> <li>- <b>ancillary service contract specifies</b>, among other things, “<b>ancillary service contract reservation price</b>” – Article 13.2.9. under d)</li> </ul> <p><b>The Grid Code (OP)</b> foresees that the <b>TSO will determine reserve requirements</b> on daily basis based on the long-term reserve forecasts and will adjust these where necessary. TSO will procure the reserve that is considered necessary to maintain the appropriate levels of system security while incurring least costs <b>from the ancillary services contracts or balancing mechanism</b> – Article 3.8.1. and 3.8.2.</p>		
<p><b>Article 33 – Exchange of balancing capacity</b></p>	<p><b>The Electricity Law</b> mentions that the TSO shall promote <b>operational arrangements</b> in order to ensure <b>integration of balancing and reserve power mechanism</b> – Article 21 Para 3</p> <p><b>The Grid Code (Balancing)</b> foresees:</p> <ul style="list-style-type: none"> <li>- <b>the TSO is</b> responsible for enabling LFC in the Kosovo* power</li> </ul>	<p>The current legal framework foresees the possibility to exchange balancing capacity among KOSTT and “regional TSOs”/“other power systems”, but it does not contain any explicit requirements related to such exchange, nor necessity to coordinate these requirements with the NRA. These matters are presumably left to be regulated in the operational agreements, as mentioned in the <b>Electricity Law</b>, the content of which is not further elaborated.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 33 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Market Rules and Grid Code requirements for exchange of balancing capacity pursuant to the provisions of the EB GL.</b></p>

	<p>system <b>either using its own resources or in co-operation with other regional TSOs</b> – Article 4.4.1.2.;</p> <p>- [in case of poor performance of the generating units participating in automatic secondary control reserve] <b>the TSO is entitled to acquire additional amount of secondary load-frequency control from another source</b> – Article 4.4.3.9.;</p> <p>- <b>fast and/or slow tertiary control may be obtained from other power systems</b> – Article 4.4.4.7. under c)</p>	<p>Therefore, the provisions of the <b>Electricity Law</b> and the <b>Grid Code</b> can be assessed as <b>partially compliant with the EB GL</b>, as they do not foresee for KOSTT and the TSOs exchanging or willing to exchange balancing capacity obligation to develop a proposal for common and harmonized rules and processes for the exchange of balancing capacity. According to the EB GL, this proposal is subject to the NRA’s approval which could be carried out, among others, by submitting amendments to the balancing rules (does not exist as a separate piece of legal act), Market Rules and Grid Code to ERO for approval under Article 17 Para 3, Article 19 Para 4 and Article 23 Para 6 and 7 of the <b>Electricity Law</b>.</p>	
<p><b>Article 34 – Transfer of balancing capacity</b></p>	<p><b>The Electricity Law, Market Rules and Grid Code</b> do not contain provisions allowing the BSPs to transfer their obligations to provide balancing capacity, within the geographical area in which the procurement of balancing capacity has taken place. Similarly, there is no provision defining the conditions under which the cross-border exchange of balancing capacity can take place, e.g. by taking into account the available cross-zonal capacity</p>	<p>As per the EB GL, there are two options – either the TSOs allow the BSPs to transfer their balancing capacity obligations, or the TSOs develop a proposal for requesting an exemption.</p> <p><b>The possibility for the BSPs to transfer their balancing capacity obligations <u>is missing</u></b> in Kosovo* legislation.</p> <p>The option of requesting an exemption, if that would be the case, can be carried out by submitting amendments to the balancing rules (does not exist as a separate piece of legal act) and Market Rules to ERO for approval under Article 17 Para 3 and Article 19 Para 4 of the <b>Electricity Law</b>.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 34 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Market Rules a possibility for the BSPs to transfer their balancing capacity obligations</b> within the geographical area in which the procurement of balancing capacity has taken place.</p>
<p><b>Title IV Cross-zonal capacity for balancing services</b></p>			

<p><b>Article 37 – Cross-zonal capacity calculation (Exchange of balancing energy or imbalance netting process)</b></p>	<p><b>The Market Rules and Grid Code</b> do not specify the timeframe for updating of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting</p>	<p>The explicit provisions setting out the update/recalculation of the available cross-zonal capacity for the exchange of balancing capacity or for operating the imbalance netting <b>are missing</b> in the legal acts.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 37 will be transposed into the national legislation in its integral text.</b></p> <p><b>The transitional solution depends on the solution of the KOSTT area.</b></p>
<p><b>Article 38 – General requirements (Exchange of balancing capacity or sharing of reserves)</b></p>	<p><b>The Grid Code (Balancing)</b> foresees:</p> <ul style="list-style-type: none"> <li>- <b>the TSO is responsible for enabling LFC in the Kosovo* power system either using its own resources or in co-operation with other regional TSOs</b> – Article 4.4.1.2.;</li> <li>- [in case of poor performance of the generating units participating in automatic secondary control reserve] <b>the TSO is entitled to acquire additional amount of secondary load-frequency control from another source</b> – Article 4.4.3.9.;</li> <li>- <b>fast and/or slow tertiary control may be obtained from other power systems</b> – Article 4.4.4.7. under c)</li> </ul> <p>Neither the <b>Market Rules, nor Grid Code or Procedure for Interconnector Capacity Auction and Cross-border Capacity Nomination</b> specify how the exchange of balancing capacity and sharing reserves shall take place</p>	<p>(See the definition of “exchange of balancing capacity”)</p> <p>While the exchange of balancing capacity/sharing of reserves is foreseen in the Grid Code as a concept, provisions regulating how the exchange of balancing capacity and sharing reserves shall take place, including one of three methodologies (foreseen in Article 38 and Article 40 – 42 of the EB GL respectively) for allocating cross-zonal capacity, <b>are missing</b>.</p> <p>It should be noted that the EB GL allows the TSOs to allocate cross-zonal capacity for the exchange of balancing capacity and sharing reserves only if cross-zonal capacity is calculated in accordance with the capacity calculation methodologies developed pursuant to Regulation 2015/1222 (CACM GL) and 2016/1719 (FCA GL).</p> <p>Since the agreements concluded by KOSTT and neighboring TSOs are not publicly available, it is not feasible to assess whether these two guidelines are taken into account in these agreements.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 38 will be transposed into the national legislation in its integral text.</b></p> <p><b>The transitional solution depends on the solution of the KOSTT area.</b></p>

<p><b>Article 39 – Calculation of market value of cross-zonal capacity</b></p>	<p><b>The Market Rules, Grid Code or Procedure for Interconnector Capacity Auction and Cross-border Capacity Nomination</b> do not contain provisions setting out how the market value of cross-zonal capacity is calculated</p>	<p>Given that there is no methodology for allocating cross-zonal capacity, corresponding provisions setting out <b>how the market value of cross-zonal capacity is calculated</b> for the exchange of balancing capacity and sharing reserves are <u>missing</u> as well.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 39 will be transposed into the national legislation in its integral text.</p> <p>The transitional solution depends on the solution of the KOSTT area.</p>
<p><b>Title V - Settlement</b></p>			
<p><b>Article 44 – General principles</b></p>	<p><b>The Electricity Law</b> mentions:  - the <b>MO's responsibility for calculation of imbalances and imbalance prices, and performing the financial settlement of provided balancing services</b>, based on the data received from the system operators - Article 22 Para 10, Article 22 Para 12 and Article 23 Para 9 under 9.16.;  - in the context of system balancing the <b>MO conducts the commercial part of business through rules for calculation of balancing energy</b>, which includes:  1) <b>organizing the sale and purchase of balancing energy from service providers</b>, including payment for service provision – Article 23 Para 11 under 1.1. and  2) <b>organizing sale and purchase of balancing [energy] from the load-side, including calculations and payments for balancing energy</b> for deviations caused by the entities responsible for deviations [BRPs] - Article 23 Para 11 under 1.2.  - <b>in the period before establishment of the market of</b></p>	<p>(See also definition of “imbalance”, “imbalance settlement”, “imbalance adjustment”)</p> <p>The provisions of the <b>Electricity Law, Market Rules and Methodology</b> can be assessed as <b>non-compliant</b> with the general principles of imbalance settlement set out in the EB GL. The assessment results from the following observations/conclusions:  - Article 1.8.1. of the <b>Market Rules</b> foresees the possibility to regulate/limit bid/offer prices, imbalance price, ancillary service contract reservation price, ancillary service contract negative reservation price/utilization price, all of which are taken into account for calculating settlement prices for either BSPs or BRPs. Section 8 of the <b>Methodology</b> clarifies the (input) data approved by ERO – bid/offer prices and coefficients respectively when the system is long/short.  There mere fact that there is more than one regulated component (or component that may be regulated) in the price at which the imbalances are settled allows to assess that such a price does not reflect the real time value of energy, nor does it provide incentives for BRPs to be balanced.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 44 will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce provisions in the Market Rules and Methodology (and, if necessary, the MAR Rules) clarifying the financial neutrality of the TSO in the settlement processes, following the rationale of Article 44 Para 2 of the EB GL.</p>

	<p><b>ancillary services</b>, conditions and prices for their provision shall be determined in the <b>methodology for pricing and other conditions for the provision of ancillary services at regulated prices</b>; this methodology shall be <b>prepared by the MO in cooperation with the TSO</b>, and shall be submitted for approval to the NRA – Article 62 Para 4</p> <p><b>The Market Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- [in case of insufficient competition] <b>ERO may regulate bid/offer prices, imbalance price, ancillary service contract reservation price, ancillary service contract negative reservation price/utilization price</b> – Article 1.8.1.;</li> <li>- inclusion of reserve contracts in imbalance price – Article 13.4.;</li> <li>- calculation of volume of accepted bids/offers – Article 14.1.;</li> <li>- imbalance price calculation – Article 15.3.;</li> <li>- energy imbalance calculation – Article 16.5.;</li> <li>- actions taken by the MO to ensure cash neutrality with respect to balancing – Article 17.6.;</li> <li>- invoicing and payments - Chapter 18</li> </ul> <p><b>The Methodology</b> elaborates on:</p>	<ul style="list-style-type: none"> <li>- the <b>Market Rules</b> contain rather vague provisions concerning the settlement rules with BSPs. This might be a result of the fact that the <b>Market Rules</b> do not provide clear distinction between BSPs and BRPs and use terms “Trading Party”, “Party”, “BRP”, “Balancing unit” without clearly attributing these terms to either BSP or BRP and leaving it up to interpretation.</li> <li>- the current framework does not reflect the NRA’s obligation to ensure that the settlement process is <b>financially neutral</b> for KOSTT, as required in Article 44 Para 2 of the EB GL, according to which <b>TSOs shall not incur economic gains or losses with regard to the financial outcome of 1) settlements of balancing energy, 2) settlement of the exchanges of energy between TSOs and 3) imbalance settlements</b>, and any positive or negative financial outcome as a result of the above settlements must be passed on to network users in accordance with the applicable national rules. Article 17.6. of the <b>Market Rules</b> that remotely refers to financial neutrality and Article 12 of the <b>MAR Rules</b> do not cover the above-mentioned requirements.</li> </ul>	
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	<ul style="list-style-type: none"> <li>- obligations of the parties (MO, TSO, DSO, producers, suppliers) – Section 3;</li> <li>- methodology for calculating imbalance price – Section 6;</li> <li>- data approved by ERO (bid/offer price and coefficient when system is long/short) – Section 8</li> </ul> <p><b>The MAR Rules</b> note that, when assessing the cost of ancillary and balancing services for the next year, the NRA shall take into consideration whether ancillary services have been procured on a competitive basis or other evidence has been provided to show the procurement of these services is made on an economic basis – Article 12</p>		
<p><b>Article 45 – Balancing energy calculation</b></p>	<p><b>The Market Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- the effect of bid/offer acceptance – Article 12.3.2. and 12.3.3.;</li> <li>- pricing of ancillary service contracts, including, where ancillary service contract for FCR/RR is in operation, the TSO will inform the MO on the volume of energy delivered or taken off the account of the trading party in each settlement period – Article 13, in particular Article 13.3.5.;</li> <li>- calculation of bid and offer acceptance volume – Article 14</li> </ul> <p><b>The Market Rules</b> do not explicitly foresee any procedure for claiming</p>	<p>Article 13.3.5. of the <b>Market Rules</b> suggests that the volume of activated balancing energy is determined by the TSO, without further elaborating on the calculation itself, but giving a reference to Article 12.3. of the <b>Market Rules</b> (i.e. the effect of bid/offer acceptance).</p> <p>Article 14 of the <b>Market Rules</b> foresees calculation of bid and offer acceptance volume which in substance corresponds to balancing energy calculation.</p> <p>Having in mind that the link between the ancillary service contracts and balancing mechanism is unclear (except that the ancillary service contracts for FCR/RR are taken into account in the imbalance price</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 45 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- introduce in the Market Rules clear provisions on how the activated volume of balancing energy for RR is calculated where the ancillary service contract for RR is in operation, and attributed to the concerned BSP;</li> <li>- introduce in the Market Rules procedure for claiming the recalculation of the activated volume of balancing energy, following the rationale of Article 45 of the EB GL.</li> </ul>

	<p>the recalculation of the activated volume of balancing energy</p>	<p>calculation, as per Article 13.4.1. of the Market Rules), it can only be assumed that the bid/offer acceptance volumes, mentioned in Article 14 of the Market Rules, could be treated/considered as the activated volume of balancing energy for RR also where ancillary service contract for RR is in operation, and attributed to the concerned BSP. However, this is not explicitly set out/linked.</p> <p>Hence, the provisions of the <b>Market Rules</b> can be assessed as <b>partially compliant</b> with Article 45 of the EB GL, as they foresee balancing energy calculation, but they do not differentiate/specify the calculation of the activated volume of balancing energy per process (FCR/FRR/RR), nor do they provide clear guidance on how the activated volume of balancing energy (per process) is settled with the concerned BSPs. Additionally, calculation and settlement of the activated balancing energy for FRR is not foreseen at all in the Market Rules.</p> <p>Consequently, <b>a provision setting out procedure for claiming the recalculation of the activated volume of balancing energy for FRR/RR is missing as well.</b></p>	
<p><b>Article 47 – Balancing energy for frequency restoration process</b></p> <p><b>&amp;</b></p>	<p><b>The Market Rules</b> set out that where ancillary service contract for RR is in operation, the TSO will inform the MO of the energy delivered/offtaken in the account of the trading party in each settlement period and the MO will debit/credit the relevant accounts</p>	<p>Having in mind the analysis of Article 45 of the EB GL, the provisions of the <b>Market Rules</b> containing requirements for the calculation and settlement of the activated volume of balancing energy for RR can be assessed as <b>partially compliant</b> with Article 48 of the EB GL. Yet, these provisions do not explicitly</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 47 and 48 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Market Rules clear regulation on</b></p>



<p><b>Article 48 – Balancing energy for reserve replacement process</b></p>	<p>(trading party’s and TSO’s); if the volume of energy notified by the TSO to the MO is a negative sum, the ancillary service contract utilization cashflow will result in money being debited from the trading party’s account and credited to the TSO’s balancing account - Article 13.3.5.</p>	<p>foresee the settlement in line with Article 48 Para 2 of the EB GL. The same provisions for settlement of balancing energy for FRR are <u>missing</u>.</p>	<p><b>settlement of balancing energy with BSPs for each process</b>, following the rationale of Article 47 and 48 of the EB GL.</p>
<p><b>Article 49 – Imbalance adjustment to the balance responsible party</b></p>	<p><b>The Market Rules</b> do not explicitly mention, nor define “imbalance adjustment” for the BRPs, but imply its applicability in Article 12.4.1.</p>	<p><b>Explicit provisions</b> defining the imbalance adjustment to the BRP is <u>missing</u> in Kosovo* legislation. Article 12.4.1. of the <b>Market Rules</b> can be assessed as <u>partially compliant</u> in substance with Article 49 of the EB GL, according to which the imbalance adjustment shall be applied to the concerned BRP for each activated balancing energy bid, calculated by the TSO as the netted volume of (a) all balancing energy volumes from all activated bids for that ISP that assign this balancing energy to the concerned BRP and (b) all volumes activated by the TSO for purposes other than balancing, that are assigned to the concerned BRP.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 49 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce a definition of “imbalance adjustment” in the Market Rules</b> which will replicate the definition from the EB GL;</li> <li>- <b>introduce clear provisions in the Market Rules that would replicate the requirements for imbalance adjustment to the BRPs pursuant to Article 49 the EB GL, i.e. the imbalance adjustment shall be applied to the concerned BRP for each activated balancing energy bid</b>, calculated by the TSO as the netted volume of (a) all balancing energy volumes from all activated bids for that ISP that assign this balancing energy to the concerned BRP and (b) all volumes activated by the TSO for purposes other than balancing, that are assigned to the concerned BRP.</li> </ul>

<p><b>Article 50 – Intended exchanges of energy</b></p>	<p><b>The Electricity Law, Market Rules and Grid Code</b> do not contain explicit provisions TSO-TSO settlement rules for the intended exchanges of energy</p> <p><b>The Grid Code (Balancing)</b> in Article 4.4.3.9. mentions the possibility for the TSO to obtain secondary load-frequency control from another source and in Article 4.4.4.7. under c) – possibility to obtain fast and/or slow tertiary control from other power systems</p>	<p>Explicit provisions regulating TSO-TSO settlement rules for the intended exchanges of energy from aFRR/mFRR/RR are <u>missing</u> in Kosovo* legislation.</p> <p>Article 4.4.3.9. and Article 4.4.4.7. under c) of the <b>Grid Code (Balancing)</b> merely foresee the possibility for KOSTT to fulfil the balancing needs by exchange of balancing energy between TSOs, without further elaborating on terms and conditions for such an exchange.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 50 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce explicit provisions in the Market Rules that would clarify the intended exchanges of energy from aFRR/mFRR/RR with other TSOs, pricing in such exchanges, as well as whether imbalance netting can be applied for these exchanges. The exchange of balancing energy should be based on/aligned with the requirements of the EB GL (i.e. common merit order list, common rules for exchange of balancing energy, common pricing and settlement rules, etc.).</b></p>
<p><b>Article 52 – Imbalance settlement</b></p>	<p><b>The Market Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- inclusion of ancillary service contracts for secondary/tertiary reserve in the imbalance price – Article 13.4.1.;</li> <li>- bid and offer acceptance settlement – Chapter 14;</li> <li>- imbalance price calculation – Section 15;</li> <li>- settlement calculation – Chapter 16;</li> <li>- invoicing and payments - Chapter 18</li> </ul> <p><b>The Methodology</b> defines the calculation of imbalance prices for trading parties in Kosovo*, in particular:</p>	<p>(See also definition of “imbalance”, “imbalance settlement”, “imbalance adjustment”)</p> <p>Provisions of the <b>Market Rules and Methodology</b>, at best, can be assessed as <u>partly compliant in substance</u> with the requirements for imbalance settlement set out in the EB GL to the extent that these provisions provide basis for the settlement with BRPs for each ISP for the calculated imbalances in the electricity market of Kosovo*.</p> <p>However, as identified above, the current framework is <u>missing clear provisions on imbalance adjustment</u>.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 52 will be transposed into the national legislation in its integral text.</b></p> <p><b>No separate transitional solution is necessary regarding Article 52 (see solutions proposed for the following articles)</b></p>

	<p>- inputs for the calculation – Article 6.1.;</p> <p>- outputs for the calculation – Article 6.2.;</p> <p>- calculation of the imbalance price when the imbalance is positive/negative – Article 6.3. and 6.4.;</p> <p>- data used in the calculation that is approved by ERO – Article 8.1.</p> <p><b>The Market Rules, nor Methodology</b> do not explicitly mention “dual pricing”</p>	<p>Additionally, it should be noted that the <b>imbalance price calculation involves regulated components</b> (bid/offer prices and coefficient when system is short/long, are/may be regulated by ERO). Article 1.8.1., read in conjunction with Article 13.4.1. of the Market Rules, imply that ERO can regulate the prices for ancillary service contracts for secondary/tertiary reserve, which are eventually taken into account in the calculation of the imbalance price (treated as bid/offer acceptance). Having this in mind, the current framework can be assessed <b>non-compliant</b> with Article 44 Para 1 under b) of the EB GL (imbalances shall be settled at price that reflects the real time value of energy).</p>	
<b>Article 53 – Imbalance settlement period</b>	<p><b>The Electricity Law, Market Design, Market Rules and Methodology</b> do not define “imbalance settlement period” but uses the notion of “settlement period”</p> <p><b>The Market Rules</b> define the “settlement period” in Article 1.5.1. as “a period of one hour”</p>	<p>Explicit provisions on “imbalance settlement period” are <b>missing</b>.</p> <p>However, the term “settlement period” defined in the <b>Market Rules</b>, when used in the context of imbalance settlement, appear to be used within the same meaning as “imbalance settlement period” in the EB GL. Yet, the period of time defined as accounting interval is <b>non-compliant with the EB GL</b>, as the EB GL target model foresees the imbalance settlement period of 15 minutes.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 53 will be transposed into the national legislation in its integral text.</b></p> <p><b>Having in mind the interim solution for imbalance settlement period</b> (Final report, Task 4), <b>no separate transitional solution is necessary.</b></p>
<b>Article 54 – Imbalance calculation</b>	<p><b>The Market Rules</b> cover bid and offer acceptance settlement in Chapter 14 and settlement calculation in Chapter 16, in particular Article 16.4. and 16.5.</p> <p><b>The Methodology</b> determines the method of calculating the energy imbalance price of the parties in</p>	<p>(See also definition of “imbalance”, “imbalance adjustment”, “allocated volume”, “position”)</p> <p>Equations included in Article 16.5.3. and 16.5.4. of the Market Rules allow to conclude that the imbalance calculation is based on the metered energy, contractual nomination and bid/offer acceptance which can be</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 54 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> along the proposed solutions for Article 49 – Imbalance adjustment for the BRPs; Article 53 – Imbalance settlement period, <b>introduce</b></p>

	<p>the electricity market in Kosovo* in the absence of a competitive market – Article 2.1.</p>	<p>considered as the allocated volume, position and imbalance adjustment (albeit the latter is not explicitly set out).</p> <p><b>The Market Rules, nor Methodology</b> do not explicitly state that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals.</p> <p>Having in mind the above-mentioned and the analysis of Article 49 and Article 53, provisions of the <b>Market Rules</b> appear to be <b>partially compliant</b> with imbalance calculation principles set out in the EB GL.</p>	<p><b>a provision in the Market Rules explicitly stating that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals.</b></p>
<p><b>Article 55 – Imbalance price</b></p>	<p><b>The Market Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- inclusion of ancillary service contracts for secondary/tertiary reserve in the imbalance price – Article 13.4.1.;</li> <li>- imbalance price calculation – Section 15;</li> <li>- settlement calculation – Chapter 16</li> </ul> <p><b>The Methodology</b> [in the absence of a competitive market] elaborates on calculation of the imbalance price when the imbalance is positive/negative – Article 6.3. and 6.4.</p>	<p>(See also definition of “imbalance” and “imbalance price”)</p> <p>Having in mind the analysis of Article 52 and 53 of the EB GL, provisions of the <b>Market Rules</b> appear to be <b>non-compliant</b> with requirements for calculation of imbalance prices, as set out in the EB GL, mostly due to the <b>regulated price components</b>.</p> <p>Additionally, the provisions of the <b>Market Rules and Methodology</b> do not explicitly link <b>the price for negative/positive imbalances to prices for negative/positive activated balancing energy from FRR/RR</b> , nor explicitly set out the payments of imbalance price which can be positive, zero or negative. Besides, in case the system imbalance for the settlement period is zero, the imbalance price is set as the default imbalance price, i.e. average of imbalance prices in the settlement period covering the preceding 720 hours</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 55 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> besides the proposal suggested for imbalance settlement period, <b>the imbalance price setting principles in the Market Rules and Methodology shall be reviewed, following the rationale of Article 55 of the EB GL, especially regarding meeting the requirements of Para 4 and 5 of the above-mentioned Article.</b></p>

		<p>(Article 15.3.3. and 15.4.1. of the <b>Market Rules</b>).</p> <p>Similarly, the <b>definition of the value of avoided activation of balancing energy from FRR/RR is missing, nor is there any link between this value and the calculation of the imbalance price as foreseen in Article 55 Para 4 under b) and Para 5 under b) of the EB GL.</b></p> <p>Additionally, the mere fact that the regulated coefficient in case of positive/ negative imbalance and when no activation of balancing energy has occurred is attached to HUPX DA price does not necessarily mean that it reflects the actual/real-time situation in the system and consequently the value of the avoided activation of the balancing energy.</p>	
<b>Article 56 – Procurement within scheduling area</b>	See analysis for Article 32	See analysis for Article 32	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 56 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> in addition to solutions proposed for regarding Article 32 of the EB GL, <b>introduce provisions setting out the rules for the settlement of at least FRR and RR in the Market Rules.</b></p>
<b>Article 57 – Procurement outside a scheduling area</b>	See analysis for Article 33	See analysis for Article 33	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 57 will be transposed into the national legislation in its integral text.</b></p> <p><b>The transitional solution depends on the solution of the KOSTT area.</b></p>

## 5. FYR MACEDONIA

The gap analysis was based on the Energy Law<sup>28</sup> and Market Rules<sup>29</sup> (having in mind Article 41 of the Market Rules, i.e. they are in force but applicable from the date the (draft) Balancing Rules are applicable), published on the NRA’s (ERC) website, and the Grid Code<sup>30</sup>, published on the TSO’s (MEPSO) website. The analysis also reflects on the draft Balancing Rules<sup>31</sup>, published on ERC website, while having in mind the status of the document (a draft which can be changed along the adoption process). In this regard, it should be noted that the compliance assessment of the provisions contained in the Draft Balancing Rules was based on the text as it stands at the moment of compiling this analysis. Altogether, the analysis aims to reflect the legal/regulatory framework that is about to become applicable.

Since only the Grid Code is available in English, the rest of the above-mentioned legal acts were translated into English by using automated translation tool. Hence, the accuracy and granularity of the gap analysis was limited and some of the identified discrepancies might not be relevant due to inconsistencies between the Macedonian and English version of the above-mentioned legal acts, as a result of (automated) translation.

Bilateral agreements between the FYROM TSO (MEPSO) and neighboring TSOs were not analyzed in detail but they were taken into account to the extent that these agreements should be aligned with the relevant amendments to legal acts, proposed as transitional solutions.

EB GL/SO GL	National legislation	Level of compliance (compliant, non-compliant, partly compliant, missing)	Proposed changes
<b>Part I - General provisions of SO GL</b>			
<b>Article 3 – Definitions</b>			
<b>(6) “frequency containment reserves” (FCR)</b>	<b>The Grid Code</b> defines “primary reserve” as “a positive or negative part of the total active power bandwidth for primary regulation,	Even though the “old” terminology is used and the term “active power reserve” (which as per the SO GL covers the balancing reserves available for	<b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>

<sup>28</sup>

[http://www.erc.org.mk/odluki/2%D0%97%D0%B0%D0%BA%D0%BE%D0%BD%20%D0%B7%D0%B0%20%D0%B5%D0%BD%D0%B5%D1%80%D0%B3%D0%B5%D1%82%D0%B8%D0%BA%D0%B0\\_96\\_18.pdf](http://www.erc.org.mk/odluki/2%D0%97%D0%B0%D0%BA%D0%BE%D0%BD%20%D0%B7%D0%B0%20%D0%B5%D0%BD%D0%B5%D1%80%D0%B3%D0%B5%D1%82%D0%B8%D0%BA%D0%B0_96_18.pdf)

<sup>29</sup> <http://www.erc.org.mk/odluki/11.09.2018%20Pravila%20za%20pazar%20za%20GS.pdf>

<sup>30</sup> [http://mepso.com.mk/CMS99/Content\\_Data/Dokumenti/News/GRID%20CODE.pdf](http://mepso.com.mk/CMS99/Content_Data/Dokumenti/News/GRID%20CODE.pdf)

<sup>31</sup> <http://www.erc.org.mk/pages.aspx?id=31>

	<p>measured from setpoint of generator unit before disturbance occurs to the maximum power for primary control” - Article 9 Para 1</p> <p><b>The Draft Balancing Rules</b> define “FCR” as “Primary regulation called Frequency Containment Reserve, which means active power available to contain the frequency of the system” – Article 2 Para 1</p>	<p>maintaining the frequency) is not defined explicitly in the Grid Code, the definition of “primary reserve” from the <b>Grid Code</b> is assessed as <b><u>compliant in substance</u></b> with the definition of FCR from the SO GL.</p> <p>The definition of FCR from the <b>Draft Balancing Rules</b> is <b><u>compliant</u></b> with the definition of FCR from the SO GL.</p>	<p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- introduce a definition of “active power reserves” replicating the definition from Article 3 Para 2 under 16) of the SO GL in the Grid Code;</li> <li>- in order to ensure coherence, alignment of the terminology used throughout the Grid Code and the (Draft) Balancing Rules should be done.</li> </ul>
<p>(7) “frequency restoration reserves” (FRR) (99) “automatic FRR” (143) “manual FRR full activation time”</p>	<p><b>The Grid Code</b> defines “secondary reserve” as “a positive or negative part of the total active power bandwidth for secondary regulation, measured from setpoint of generator unit to the maximum/minimum power for secondary control” - Article 9 Para 1</p> <p><b>The Draft Balancing Rules</b> define “FRR” as frequency restoration reserves which include aFRR and mFRR, where:</p> <ul style="list-style-type: none"> <li>- “aFRR” is defined as “secondary regulation called automatic backup restoration frequency, i.e. active power reserve that can be activated with a device for automatic control for restoring the frequency of the system to nominal value”;</li> <li>- “mFRR” is defined as “tertiary regulation reserve called manual restoration frequency, i.e. active power reserve that can be activated by manual control device for restoring the frequency of the</li> </ul>	<p>The definition of “secondary reserve” from the <b>Grid Code</b> is assessed as <b><u>compliant in substance</u></b> with the definition of FCR from the SO GL.</p> <p>The definition of FRR/aFRR/mFRR from the <b>Draft Balancing Rules</b> is <b><u>compliant</u></b> with the definition of FCR from the SO GL. It should, however, be noted that in the “old” classification “mFRR” is considered to refer to tertiary reserve/regulation.</p>	<p><b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: in order to ensure coherence, alignment of the terminology used throughout the Grid Code and the (Draft) Balancing Rules should be done.</b></p>

	system to nominal value” - Article 2 Para 1		
<b>(8) “replacement reserves” (RR)</b>	<p><b>The Grid Code</b> defines “tertiary reserve” as “component of EPS reserves available within 15 minutes, activated with the aim to restore the secondary reserve” - Article 9 Para 1</p> <p><b>The Draft Balancing Rules</b> define “RR” as “reserve of active power available to restore or support the required level of FRR to be prepared for additional system imbalances, including deviations of production supplies” - Article 2 Para 1</p>	<p>The definition of “tertiary reserve” from the <b>Grid Code</b> is assessed as <b>compliant in substance</b> with the definition of FCR from the SO GL.</p> <p>The definition of RR from the <b>Draft Balancing Rules</b> is <b>compliant</b> with the definition of FCR from the SO GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: in order to ensure coherence, alignment of the terminology used throughout the Grid Code and the (Draft) Balancing Rules should be done.</b></p>
<b>Title I - General provisions of EB GL</b>			
<b>Article 2 - Definitions</b>			
<b>(7) “balancing”</b>	<p><b>The Energy Law</b> defines “balancing” in <b>Article 3 para 1 under 1)</b></p> <p><b>The Market Rules, Draft Balancing Rules and the Grid Code do not define “balancing”</b> but make a reference to the definitions contained in the Energy Law in Article 2 Para 1 (Market Rules), Article 2 Para 2 (Draft Balancing Rules) and Article 8 (Grid Code)</p>	<p>The definition from the <b>Energy Law</b> is assessed as <b>partially compliant</b> with the definition from the EB GL, as it misses the reference to all time frames and compliance with the amount of reserves.</p> <p><b>The Draft Balancing Rules</b> do not contain an explicit definition of balancing. However, Article 13 contains a “description of the process of balancing” which is <b>compliant in substance</b> with the definition from the EB GL.</p> <p><b>The Grid Code</b> does not contain an explicit definition of balancing. However, Chapter V.2.4 contains detailed</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Replicate the definition from the EB GL in the Grid Code</b> (*this also implies aligning the terminology with that of Article 3 under 6),7), and 8) of the SO GL)</p>



		provisions on regulation of frequency and power which are assessed as <u>compliant in substance</u> with the definition from the EB GL.	
<b>(8) “balancing market”</b>	<p><b>The Energy Law</b> does not define “balancing market” but defines the “balancing energy market” in Article 3 para 1 under 48</p> <p><b>The Market Rules, Draft Balancing Rules and the Grid Code</b> do not define “balancing market” but make a reference to the definitions contained in the Energy Law in Article 2 Para 1 (Market Rules), Article 2 Para 2 (Draft Balancing Rules) and Article 8 (Grid Code)</p>	<p>Taken alone, the definition of “balancing energy market” from the <b>Energy Law</b> is assessed as <u>compliant in substance</u> with the definition from the EB GL even though it uses a different denomination.</p> <p><b>The Market Rules, Draft Balancing Rules and the Grid Code</b> do not define “balancing market” but make a reference to the definitions contained in the Energy Law in Article 2 Para 2 (Draft Balancing Rules) and Article 8 (Grid Code), and are thereby assessed as <u>compliant in substance</u> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution necessary.</b></p>
<b>(3) “balancing services”</b>	<p><b>The Energy Law defines “balancing services” in Article 3 para 1 under 77)</b></p> <p><b>The Market Rules, Draft Balancing Rules and the Grid Code</b> do not define “balancing services” but make a reference to the definitions contained in the Energy Law in Article 2 Para 1 (Market Rules), Article 2 Para 2 (Draft Balancing Rules) and Article 8 (Grid Code)</p>	<p>The definition of “balancing services” from the <b>Energy Law</b> is assessed as <u>compliant</u> with the definition from the EB GL.</p> <p><b>The Market Rules, The Draft Balancing Rules and the Grid Code</b> do not define “balancing services” but make a reference to the definitions contained in the Energy Law in Article 2 Para 2 (Draft Balancing Rules) and Article 8 (Grid Code), and are thereby assessed <u>as compliant</u> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution necessary.</b></p>
<b>(4) “balancing energy”</b>	<b>The Energy Law defines “balancing energy” in Article 3 Para 1 under 2)</b>	The definition of “balancing energy” provided in Article 3 Para 1 under 2) of	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the</b>

	<p><b>The Market Rules, Draft Balancing Rules and the Grid Code</b> do not define “balancing energy” but make a reference to the definitions contained in the Energy Law in Article 2 Para 1 (Market Rules), Article 2 Para 2 (Draft Balancing Rules) and Article 8 (Grid Code)</p>	<p>the <b>Energy Law</b>, read in conjunction with the definition of system service Article 3 Para 1 under 65) is assessed <b>as partially compliant</b> with the definition from the EB GL – partial compliance stems from the fact that there is no clear link with balancing as defined in the EB GL (see definition of balancing above) and no clear link with BSPs as defined in the EB GL (see definition of BSPs below)</p> <p><b>The Market Rules, The Draft Balancing Rules and the Grid Code</b> do not define “balancing services” but make a reference to the definitions contained in the Energy Law in Article 2 Para 1 (Market Rules), Article 2 Para 2 (Draft Balancing Rules) and Article 8 (Grid Code), and thereby the assessment of the definition contained in the Energy Law equally applies to these acts – partial compliance.</p>	<p><b>definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of the “balancing energy” in the Energy Law</b> which will replicate the definition from the EB GL. Alternatively, so as to avoid intervention in primary legislation, introduce such a definition in the <b>(Draft) Balancing Rules.</b></p>
(5) “balancing capacity”	<p><b>The Energy Law, Market Rules, Draft Balancing Rules, and Grid Code do not define “balancing capacity”</b></p>	<p><b>Definition of “balancing capacity” is missing</b> in FYROM legislation.</p> <p><b>The Draft Balancing Rules</b> do not define, but use the notion of “balancing capacity” extensively throughout the whole text.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “balancing capacity” in the (Draft) Balancing Rules which will replicate the definition from the EB GL</b></p>
(6) “balancing service provider”	<p><b>The Energy Law defines “balancing service provider” in Article 3 Para 1 under 12)</b></p>	<p>The definition of “balancing service provider” in Article 3 Para 1 under 12) of the <b>Energy Law</b>, read in conjunction with Article 3 Para 1 under 77) which defines “balancing services”, is assessed as</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p>

	<p><b>The Market Rules and Grid Code</b> do not define “balancing service provider” but make a reference to the definitions contained in the Energy Law in Article 2 Para 1 (Market Rules) and Article 8 (Grid Code)</p> <p><b>The Draft Balancing Rules</b> define “balancing service provider” in Article 3 Para 1</p>	<p><b>partially compliant</b> with the definition from the EB GL (as balancing services include balancing capacity, which is presumed to be provided by reserve-providing units – but the definition of balancing capacity as such is missing; see above definition of “balancing capacity”). This assessment equally applies to the <b>Market Rules and Grid Code</b> which make a reference to the definitions in the Energy Law.</p> <p>The definition of “balancing service provider” in the <b>Draft Balancing Rules</b> is assessed as <b>compliant</b> with the definition from the EB GL.</p>	<p><b>No transitional solution necessary given the definition in the Draft Balancing Rules is compliant with that of the EB GL.</b></p>
<p><b>(7) “balance responsible party”</b></p>	<p><b>The Energy Law</b> defines “balance responsible party” in Article 3 Para 1 under 6). It also defines the notions of “balance group” and “balance responsibility” in Article 3 Para 1 under 4) and 5)</p> <p><b>The Market Rules</b> do not define “balance responsible party” but make a reference to the definitions contained in the Energy Law in Article 2 Para 1</p> <p><b>The Draft Balancing Rules</b> define “balance responsible party” in Article 2 Para 1</p> <p><b>The Grid Code</b> defines “balance responsible party” in Article 9 Para 1. It also defines “balance group”</p>	<p>The definition in the <b>Energy Law</b> is assessed as <b>compliant</b> with the definition from the EB GL. This assessment applies to the <b>Market Rules</b> which make a reference to the definition from the Energy Law.</p> <p><b>The Draft Balancing Rules</b> definition in Article 2 Para 1, read in conjunction with the definition of the “balancing contract” in the same article, is assessed as <b>compliant</b> with the definition from the EB GL.</p> <p>The definition of “balance responsible party” in the <b>Grid Code</b> is assessed as <b>partially compliant</b> with the definition of the EB GL, as it foresees that the BRP assumes balancing responsibility, but the definition of “balance responsibility” only implicitly sets out the responsibility for imbalances.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary given the definition in the (Draft) Balancing Rules is compliant with that of the EB GL.</b></p>

	and “balance responsibility” in the same Article		
<b>(8) “imbalance”</b>	<p><b>The Energy Law</b> does not define “imbalance” but uses the notion in Article 3 Para 1 when defining “balancing responsibility” and “balance responsible party”, Article 79 Para 3 under 8) and Para 4 under 2), Para 6, Article 88 Para 2 under 2), and Article 100 Para 5 under 10). However, it does define the notion of “deviation (imbalance) of the balancing group” in Article 3 Para 1 under 46)</p> <p><b>The Market Rules</b> do not define “imbalance” but use the notion in Article 12 Para 1 under 1), Article 22 Para 1 under 3) and Para 2.</p> <p><b>The Draft Balancing Rules</b> define “imbalance” in Article 2 Para 1. It is worth noting that Article 1 Para 2 indent 5 uses the term “imbalances” and in brackets “deviation” which suggests that the terms will be used interchangeably throughout the text – this is the case (the term “deviation” is used) further on in Article 1 Para 2 indent 7, Article 2 when defining the “balance responsibility contract”, Article 83 Para 2 and 3, Article 85 para 2, Article 87 Para 7, Article 100 Para 5 and 6, Article 103 para 2, and throughout Chapter 3.4 (Calculation of Deviations)</p>	<p>The provisions of Article 79 Para 3 under 8) and Para 6, and Article 88 Para 2 under 2) of the <b>Energy Law</b>, read in their totality implicitly contain elements of the EB GL definition, and are therefore assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL. The definition of “deviation (imbalance) of the balancing group” is assessed as <b><u>partially compliant</u></b> with the definition from the EB GL, as it contains elements of “position” (stipulated as “nominated physical schedules”) and of “allocated volume” (stipulated as “realization”), but does not contain any reference to imbalance adjustment or balance responsible parties.</p> <p>The provisions of Article 12 Para 1 under 1) of the <b>Market Rules</b> implicitly contain some elements of the EB GL definition (“measurements” as “allocated volume”, “final daily schedule” as “allocated volume” and a reference to balance responsible parties) but do not contain a reference to imbalance adjustment, and are therefore assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL.</p> <p><b>The Draft Balancing Rules</b> define “imbalance” in Article 2 Para 1. The definition does not foresee imbalance adjustment, and is as such assessed as <b><u>partially compliant</u></b> with the definition</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution amend the definition of “imbalance” in the (Draft) Balancing Rules which will replicate the definition from the EB GL, so as to include imbalance adjustment substantively covered in Article 123 thereof</b></p>

	<p><b>The Grid Code</b> does not define “imbalance” in the context of the EB GL definition (it only contains a definition of the imbalance of the electric power system in Article 9 Para 2).</p>	<p>from the EB GL. However, Article 123 foresees imbalance adjustment in substantive terms, and when read in conjunction with Article 122 (imbalance calculation), the provisions of the Draft Balancing Rules can be assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p><b>The Grid Code</b> does not define “imbalance” in the context of the EB GL definition but uses it in Article 103 Para 1 indent 4 and uses the notion of deviation (as “imbalance”) in Article 213 Para 6.</p>	
<p><b>(9) “imbalance settlement”</b></p>	<p><b>The Energy Law</b> does not define “imbalance settlement” but (when defining the content of the Balancing Rules) uses the notion of “financial settlement with the balancing responsible party” in Article 79 Para 3 under 9), and foresees the issuance of invoices to market participants for their imbalances in Article 79 Para 5</p> <p><b>The Market Rules</b> do not define “imbalance settlement”</p> <p><b>The Draft Balancing Rules</b> do not define “imbalance settlement” but foresee the procedure for financial settlement of imbalances of BRP in Article 1 Para 2 indent 5, the procedure of implementing the financial settlement of the imbalance calculation in Article 1 Para 2 indent 6 and 7, use the</p>	<p><b>The definition of “imbalance settlement” is <u>missing</u> in FYROM legislation.</b></p> <p>The provisions of Article 79 Para 3 under 9) and Para 5 of the <b>Energy Law</b> are assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p>The provisions of Chapter 3.4.2 and 3.4.5 read together with Article 133 and 134 of the <b>Draft Balancing Rules</b> are assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance settlement” in the (Draft) Balancing Rules which will replicate the definition from the EB GL.</b></p>

	<p>notion of “financial settlement of imbalances” in Article 2 Para 1 when defining “balancing contract” and when defining the “balancing responsibility contract”, Article 82 Para 2, Article 83 Para 3, Article 85 Para 2, Article 87 Para 8 indent 4 and 5, Article 100 Para 5, Article 103 Para 1 and Para 3 first indent, Chapter 3.4.2 (Article 113 Para 2, Article 114 Para 7, Article 117 Para 2, Article 118 Para 2 and 3), Article 133, Article 134 and throughout Chapter 3.5 (Financial settlement of deviations (imbalances)), and the notion of “invoice for financial compensation for the deviation” in Article 113 Para 1, Article 117 Para 2</p> <p><b>The Grid Code</b> does not define imbalance settlement but uses the construction of “settlement of contracts on...imbalance” in Article 103 Para 1 indent 4</p>		
<p><b>(10) “imbalance settlement period”</b></p>	<p><b>The Energy Law and the Grid Code</b> do not define “imbalance settlement period”</p> <p><b>The Market Rules</b> do not define “imbalance settlement period”, but contain a definition of “settlement interval” (Article 2 Para 2 under 3) used in Article 3 Para 2 under 8) and “settlement period” (Article 2 Para 2 under 5) which is not used further in the text</p>	<p>The definition of “settlement period” in <b>the Market Rules</b> is assessed as <b>partially compliant</b> with the definition from the EB GL, as a reference to balance responsible parties is missing. In any case, the notion is not used anywhere in the text rendering it obsolete.</p> <p>The provisions of Article 112 Para 2 of the <b>Draft Balancing Rules</b>, read in conjunction with the rest of Chapter 3.4.2 and 3.4.5 are assessed as <b>compliant</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance settlement period” in the (Draft) Balancing Rules which will replicate the definition from the EB GL.</b></p>

	<p><b>The Draft Balancing Rules</b> do not define but use the notion of “imbalance settlement period/ISP” in Article 42 Para 2, Article 51 Para 4, Article 53 Para 2, Article 106 Para 5, “individual settlement period of deviations” in Article 134 para 1. Article 112 Para 2 however descriptively states that the imbalance calculation “is performed for the period of one month for each month separately and individually for each period of settlement of deviations of one hour”</p>	<p><b>in substance</b> with the definition from the EB GL.</p>	
(11) “imbalance area”	<p><b>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define “imbalance area”</b></p>	<p><b>The definition of “imbalance area” is <u>missing</u> in FYROM legislation.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance area” in the (Draft) Balancing Rules which will replicate the definition from the EB GL.</b></p>
(12) “imbalance price”	<p><b>The Energy Law</b> does not define “imbalance price” but foresees the obligation of the TSO to calculate the “imbalance settlement price” in Article 79 Para 4 under 4) in line with this Law and the Balancing Rules (cross-referencing norm)</p> <p><b>The Market Rules and the Grid Code</b> do not define “imbalance price”</p>	<p>Although the <b>Draft Balancing Rules</b> do not provide an explicit definition of “imbalance price”, the provisions of Article 127 use the notion of “imbalance settlement price”. When read in conjunction with Article 112 para 2, it is assessed as <b><u>compliant in substance</u></b> with the main elements of the definition of “imbalance price” from the EB GL (as it is calculated for the imbalance settlement, i.e. accounting period and can be</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>Taking into account the above-mentioned, no transitional solution is necessary.</b></p>

	<p><b>The Draft Balancing Rules</b> do not define “imbalance price”, but use the notion of “imbalance settlement price” in the context of the EB GL definition in Article 127</p>	<p>positive, zero or negative, and takes into account imbalances in each direction.</p>	
<p><b>(13) “imbalance price area”</b></p>	<p><b>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define “imbalance price area”</b></p>	<p><b>The definition of “imbalance price area” is <u>missing</u> in FYROM legislation.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance price area” in the (Draft) Balancing Rules which will replicate the definition from the EB GL.</b></p>
<p><b>(14) “imbalance adjustment”</b></p>	<p><b>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define “imbalance adjustment”</b></p>	<p><b>The definition of “imbalance adjustment” is <u>missing</u> in FYROM legislation.</b></p> <p>Article 12 para 1 under 1) of the <b>Market Rules</b> contains certain elements of imbalance adjustment and is assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL, as it refers to balancing services (which includes both capacity and energy) provided by BSPs, and makes no reference to the imbalance settlement period.</p> <p>Article 123, read in conjunction with Article 83 Para 3, Article 122 and Article 126 Para 1 of the <b>Draft Balancing Rules</b> appears to be <b><u>compliant in substance</u></b> with the definition from the EB GL.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: introduce a definition of “imbalance adjustment” in the (Draft) Balancing Rules which will replicate the definition from the EB GL, and use it accordingly in Article 123 or incorporate it directly into Article 122 thereof.</b></p>



<p><b>(15) “allocated volume”</b></p>	<p><b>The Energy Law, Market Rules, and the Grid Code</b> do not define “allocated volume”.</p> <p><b>The Market Rules</b> do not define “allocated volume”.</p> <p><b>The Draft Balancing Rules</b> do not define “allocated volume” but use the notion in Article 108 Para 2, and Articles 120-122. Article 83 Para 3 and Article 126 Para 1 replicate the norm from Article 12 Para 1 of the Market Rules.</p>	<p><b>The definition of “allocated volume” is <u>missing</u> in FYROM legislation.</b></p> <p><b>The Energy Law</b> does not define “allocated volume” but appears to <b><u>vaguely foresee it in substantive terms</u></b> under the notion of “realization” when defining “deviation (imbalance) of the balancing group” in Article 3 Para 1 under 46). The link with BRPs is made indirectly through the definitions of “balancing group”, “balancing responsibility” and BRP in Article 3 Para 1 under 4-6).</p> <p><b>The Market Rules</b> do not define “allocated volume” but appears to <b><u>vaguely and partially</u></b> (partially due to the fact that injected/withdrawn volumes do not have to be measured, i.e. standard load curves can be used as well) <b><u>foresee it in substantive terms</u></b> under the notion of “measurements of electricity” in Article 12 Para 1.</p> <p>Articles 120 and 121 of the <b>Draft Balancing Rules</b> cover “scheduled exchanges”, i.e. the nominated/declared position of the members of a balancing group/the balancing group. In substantive terms these would relate to “position” as defined in the EB GL. However, the Draft Balancing Rules use the exact opposite notion, i.e. “allocated volume” throughout these two articles, and subsequently in Article 122. To make things more inconsistent, Article 108 Para 2 appears to use “allocated volume” in terms of measurements implying that</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “allocated volume” in the (Draft) Balancing Rules</b> which will replicate the definition from the EB GL, and ensure that it is used appropriately in Articles 120-122 thereof.</p>
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		<p>in this Article “allocated volume” is used in the context of realization, i.e. in line with the definition from the EB GL. Article 83 Para 3 and Article 126 Para 1 replicate the norm from Article 12 Para 1 of the Market Rules. As such, the provisions of Articles 120-122 the Draft Balancing Rules are assessed as <b><u>compliant in substance and non-compliant in terminology</u></b>. Although it appears that this might be more of a technical mistake made during the drafting process, it needs to be corrected.</p>	
<p><b>(16) “position”</b></p>	<p><b>The Energy Law, Market Rules, and the Grid Code</b> do not define “position”.</p> <p><b>The Draft Balancing Rules</b> do not define “position” but use the notion of “final position” in Article 122 and Article 123. Article 83 Para 3 and Article 126 Para 1 replicate the norm from Article 12 Para 1 of the Market Rules.</p>	<p><b>The definition of “position” is <u>missing</u> in FYROM legislation.</b></p> <p><b>The Energy Law</b> does not define position” but appears to <b><u>foresee it in substantive terms</u></b> when defining “physical schedule” (Article 3 Para 1 under 78) read in conjunction with the definition of deviation (imbalance) of the balancing group” (Article 3 Para 1 under 46) and the definition of balance responsible party (Article 3 Para 1 under 6)).</p> <p><b>The Market Rules</b> do not define “position” but appear to <b><u>vaguely foresee it in substantive terms</u></b> under the notion of “final daily schedule”) in Article 12 Para 1.</p> <p><b>The Draft Balancing Rules</b> do not define “position” but use the notion of “final position” in Article 122 and Article 123. However, the usage of the notion of</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “position” in the (Draft) Balancing Rules</b> which will replicate the definition from the EB GL, and ensure that it is used appropriately in Articles 122 and 123 thereof.</p>

		<p>“final position” in these two articles in substantive terms relates to “allocated volume” as defined in the EB GL, i.e. the Draft Balancing Rules use the exact opposite notion. Article 83 Para 3 and Article 126 Para 1 replicate the norm from Article 12 Para 1 of the Market Rules. As such, the provisions of Articles 122 and 123 the Draft Balancing Rules are assessed as <b><u>compliant in substance and non-compliant in terminology.</u></b></p>	
(17) “self-dispatching model”	<p><b>The Grid Code</b> does not explicitly define the scheduling and dispatch arrangement</p> <p><b>The Draft Balancing Rules</b> mention TSO’s responsibility to operate self-dispatching model for determining the production and consumption plans in Article 3 Para 3</p>	<p><b>The Draft Balancing Rules</b> do not define, nor further elaborate the notion of “self-dispatching model”.</p> <p><b>The definition of “self-dispatching model” is missing</b> in FYROM legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>Given that the self-dispatching definition in the EB GL is provided so as to differentiate those options in the EB GL applicable to the self-dispatching model and those applicable to the central dispatching model, no transitional solution is needed.</b></p>
(21) “TSO-TSO model”	<p><b>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define “TSO-TSO model”.</b></p>	<p><b>The explicit definition of “TSO-TSO model” is missing</b> in FYROM legislation.</p> <p><b>The Energy Law</b> foresees the general obligation of the TSO to cooperate with the TSOs of other countries (Article 78 Para 2 under 29), as well as cooperation in order to ensure the efficient operation of the regional balancing services market (Article 79 Para 8). The provisions of Article 79 Para 8 are assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL, as they make a reference to cooperation in order to</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “TSO-TSO model” in the (Draft) Balancing Rules and the Grid Code which will replicate the definition from the EB GL and further elaborate it in substance in line with this definition.</b></p>

		<p>ensure the efficient operation of the regional balancing services market (without any further specification) and, at the same time, limit this cooperation to TSOs of contracting parties and participants in the Energy Community and make no references to BSPs nor to connecting/requesting TSO.</p> <p>Article 9 Para 3 of the <b>Market Rules</b> declares that the TSO participates in the regional balancing market without any further elaboration. The provision is too broad (there are no references to the exchange of balancing services, balancing service provider, connecting/requesting TSO) and is thus not assessed in terms of compliance with the definition from the EB GL.</p> <p><b>The Grid Code</b> mentions “trading of balancing services” in Article 41 Para 1, Article 48 Para 1 indent 7 and Appendix 3, but in the context of project assessment. Article 161 Para 2 indent 2 states that the TSO provides system services through contracts for system services with other electric power systems. This provision can, <b><u>at best, be assessed as partially compliant (otherwise it would be non-compliant) in substance</u></b> with the definition from the EB GL, as it provides a basis for exchange of balancing services as defined in the EB GL, but omits to make any further elaboration and does not make any reference to balancing services, BSPs, connecting/requesting TSO (but rather</p>	
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		<p>uses the broad term of “other power systems”). Article 184 Para 13 states that the TSO has an obligation to contract bilateral operational contracts with neighboring TSOs, in which all other activities related to secure operation of the interconnection should be regulated. This provision is too broadly stipulated to allow assessment of compliance in substance with the definition from the EB GL, although in the widest possible interpretation it could be used as a basis for exchange of balancing services as well. <b>Article 165 Para 12 of the Grid Code foresees that the TSO has the right to provide a reserve for secondary regulation outside the boundaries of its control area in the amount not greater than 34% of the total value of the reserve for secondary regulation within its area while Article 166 Para 4 foresees that the TSO can partially obtain reserve for tertiary regulation from neighboring power system through agreement for the provision of tertiary reserve.</b> Both Articles are assessed <b><u>at best as partially compliant in substance</u></b> with the definition from the EB GL, as they only relate to secondary and tertiary reserves and omit to make references to BSPs, connecting/requesting TSO (but rather uses the broad term of “neighboring power systems”/”outside the boundaries of its control area”).</p>	
(22) “connecting TSO”	*Same as for “TSO-TSO” model (see (21) above)	The explicit definition of “connecting TSO” <u>is missing</u> in FYROM legislation.	The adoption of the EB GL under the auspices of the Energy Community will mean that the

			<p>definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “connecting TSO” in the (Draft) Balancing Rules and the Grid Code which will replicate the definition from the EB GL.</p>
(23) “exchange of balancing services”	*Same as for “TSO-TSO” model (see (21) above)	The explicit definition of “exchange of balancing services” <u>is missing</u> in FYROM legislation.	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “exchange of balancing services” in the (Draft) Balancing Rules and the Grid Code which will replicate the definition from the EB GL.</p>
(24) “exchange of balancing energy”	*Same as for “TSO-TSO” model (see (21) above)	The explicit definition of “exchange of balancing energy” <u>is missing</u> in FYROM legislation.	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “exchange of balancing energy” in the (Draft) Balancing Rules and the Grid Code which will replicate the definition from the EB GL.</p>
(25) “exchange of balancing capacity”	*Same as for “TSO-TSO” model (see (21) above)	<p>The explicit definition of “exchange of balancing capacity” <u>is missing</u> in FYROM legislation.</p> <p>It should be noted that Article 165 Para 12 of the Grid Code foresees that the TSO has the right to provide a reserve for secondary regulation outside the</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “exchange of balancing capacity” in the in the (Draft) Balancing Rules</p>

		<p>boundaries of its control area in the amount not greater than 34% of the total value of the reserve for secondary regulation within its area while Article 166 Para 4 foresees that the TSO can partially obtain reserve for tertiary regulation from neighboring power system through agreement for the provision of tertiary reserve. The provision of Articles 165 Para 12 and Article 166 Para 4 are assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as they make no reference to BSPs or TSO from a different scheduling area (but refer to “outside the boundaries of the control area”/“neighboring power system”</p>	<p><b>and the Grid Code</b> which will replicate the definition from the EB GL.</p>
<p><b>(26) “transfer of balancing capacity”</b></p>	<p><b>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define “transfer of balancing capacity”</b></p>	<p><b>The explicit definition of “transfer of balancing capacity” is missing in FYROM legislation.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “transfer of balancing capacity” in the (Draft) Balancing Rules and the Grid Code which will replicate the definition from the EB GL.</b></p>
<p><b>(27) “balancing energy gate closure time”</b></p>	<p><b>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define “balancing energy gate closure time”</b></p>	<p><b>The explicit definition of “balancing energy gate closure time” is missing in FYROM legislation</b></p> <p><b>The Draft Balancing Rules do not define “balancing energy gate closure time” but use the notion of Gate Closure Time (GTC) in Article 22 Para 5, Article 42 para 1 indent 4, Article 43 Para 1 (for aFRR)</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b>  <b>- introduce a definition of “balancing energy gate closure time” in the (Draft) Balancing Rules which will replicate the definition from</b></p>

		<p>and Article 52 para 5, Article 53 Para 1 indent 4 (for mFRR). Article 43 Para 2 also use the notion of “GCTV” which can be interpreted as the gate closure time for voluntary bids. In their totality, the provisions of the Draft Balancing Rules are assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as they foresee that there is a gate closure time for aFRR and mFRR, but only make a reference to the procurement rules in which it will be defined, while the notion of gate closure is completely missing (in any wording) for RR, to which only Article 80 relates. Furthermore, Article 44 states that the provisions of Articles 41-45 (platform, bids, and activation of aFRR) shall be applied only when the conditions for implementation of market-oriented method for purchasing aFRR are created.</p>	<p><b>the EB GL, and ensure that the notion is accordingly throughout the text;</b></p> <ul style="list-style-type: none"> <li>- <b>it is also advisable to define certain criteria on the basis of which this time is defined in the procurement rules</b> (if it is not possible to do so directly in the text);</li> <li>- <b>fill in the gap regarding “balancing gate closure time” for RR.</b></li> </ul>
<p><b>(28) “standard product”</b></p>	<p><b>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define do not define “standard product”</b></p>	<p><b>The definition of “standard product” is missing in FYROM legislation.</b></p> <p><b>The Draft Balancing Rules</b> do not define “standard product” but use the notion in Article 17 (which states that the TSO will define the standard FCR product), Article 23 (which in Para 7 states that the TSO will determine the general definitions for the products of balancing capacity for aFRR in aFRR procurement rules), Article 25 (which in Para 7 states that the TSO will determine the general definitions for the products of balancing energy for aFRR in aFRR procurement rules), Article 42 (which sets out the minimum content</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “standard product” in the (Draft) Balancing Rules which will replicate the definition from the EB GL and ensure that even if the notion of “standard product” is used for internal FYROM purposes, i.e. their balancing market, the main purpose is to represent harmonised balancing products (defined by all TSOs) for the exchange of balancing services.</b></p>



		<p>of the aFRR procurement rules), Article 53 (which sets out the minimum content of the mFRR procurement rules), Article 54 (which in Para 4 states that the TSO will determine the general definitions for the products of balancing capacity for mFRR in mFRR procurement rules), Article 56 (which in Para 6 states that the TSO will determine the general definitions for the products of balancing energy for mFRR in mFRR procurement rules). None of the articles make a reference that the standard products are harmonized for the purpose of exchange of balancing services between the TSO, and only contain delegation norms which enable the TSO to determine the general definitions of the standard products in relevant procurement rules. Furthermore, the existing articles only cover FRR and not RR. Hence, they are assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL, even though they provide a good basis for future harmonization of balancing products for the purpose of exchange of balancing services.</p>	
<p>(29) “preparation period”  (30) “full activation time”  (31) “deactivation period”  (32) “delivery period”  (33) “validity period”  (34) “mode of activation”</p>	<p>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define not define “preparation period”/ “full activation time”/ “deactivation period”/ “delivery period”/ “validity period”/“mode of activation”</p>	<p>The definition of “preparation period” / “full activation time”/ “deactivation period”/ “delivery period”/ “validity period” is <u>missing</u> in FYROM legislation</p> <p>The Draft Balancing Rules do not define any of these notions, but use them in Article 74 Para 2 with reference to mFRR, while Para 3 contains a delegation norm which sets out the obligation of the TSO</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution:  - introduce definitions of “preparation period” / “full activation time”/“deactivation period”/ “delivery period”/ “validity period”/ “mode of activation” in Article 74 Para 2 of</p>

		<p>to provide all the technical details in the procurement rules for mFRR. However, there are no such norms for aFRR or RR. It also remains unclear what the “mode of activation” in this specific article would mean given that they apply to mFRR (mode is manual as such). Hence, the provisions of the Draft Balancing Rules are only assessed as <b>partially compliant in substance</b> with the definition from the EB GL.</p> <p><b>The Grid Code</b> does not define any of these notions but Appendix 8 (Additional Requirements for Generating Units) covers some of the relevant notions explicitly or implicitly, and are therefore assessed as <b>partially compliant in substance</b> with the definitions from the EB GL.</p>	<p><b>the (Draft) Balancing Rules (where these notions are already mentioned) which will replicate the definitions from the EB GL.</b></p> <p><b>- introduce the same norms covering aFRR and RR.</b></p>
(36) “specific product”	The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define do not define do not define “specific product”	<p><b>The definition of “specific product” is missing in FYROM legislation.</b></p> <p>The Draft Balancing Rules use this notion only in Article 4 Para 6 without any further elaboration.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “specific product” in the (Draft) Balancing Rules which will replicate the definition from the EB GL, and elaborate the substance if necessary.</p>
(37) “common merit order list”	The Energy Law, Market Rules and the Grid Code do not define “common merit order list”	<p>The Draft Balancing Rules do not define but “common merit order list” but define “merit order list” in Article 41 Para 8 (for aFRR balancing energy) and Article 72 Para 7 (for mFRR balancing energy). Although the definitions in these two</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution:</p>

	<p><b>The Draft Balancing Rules</b> do not define “common merit order list” but define “merit order list” in Article 41 Para 8 (for aFRR balancing energy) and Article 72 Para 7 (for mFRR balancing energy). The definition for RR is missing.</p>	<p>articles are compliant with the definition from the EB GL, the definition of a merit order list for RR is missing. Hence the provisions of the Draft Balancing Rules are assessed as <b>partially compliant</b> with the definition from the EB GL.</p> <p>It should be noted that the notion is used (sometimes as “common merit order list”) in Article 3 para 2 indent 5, Article 41 Para 7, 8, and 9 (platform for bids for aFRR balancing energy), Article 46 para 1 (activating aFRR balancing energy), Article 50 Para 2 (financial settlement of activated aFRR balancing energy), Article 72 Para 6,7, and 8 (platform for bids for mFRR balancing energy), Article 73 Para 1 (activating mFRR balancing energy), Article 78 Para 2 (financial settlement of activated mFRR balancing energy). However, it is also used in reference to capacity - Article 36 Para 4 and 5 (aFRR capacity) and Article 68 Para 4 and 5 (for mFRR capacity) which does not correspond to the definition from the EB GL.</p>	<p>- <b>introduce a definition of “merit order list” for RR in the (Draft) Balancing Rules which will replicate the definition from the EB GL</b></p> <p>- <b>rephrase the current provisions of Article 36 Para 4 and 5 and Article 68 Para 4 and 5 so that the notion of “merit order list” is not used in order to ensure full consistency and clarity of the text.</b></p>
<p><b>(38) “TSO energy bid submission gate closure time”</b></p>	<p>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define do not define “TSO energy bid submission gate closure time”</p>	<p>The definition of “TSO energy bid submission gate closure time” <u>is missing</u> in FYROM legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “TSO Energy bid submission gate closure time” in the (Draft) Balancing Rules which will replicate the definition from the EB GL.</p>

<p>(39) “activation optimization function”</p>	<p>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define “activation optimization function”</p>	<p>The definition of “activation optimization function” <u>is missing</u> in FYROM legislation</p> <p>The Draft Balancing Rules only mention the “criteria for optimization” which are to be determined in the procurement rules for aFRR (Article 42 Para 1 indent 6) and procurement rules for mFRR (Article 53 Para 1 indent 6) but without any further elaboration. There are no such provisions when it comes to RR. The provisions are too vague to be assessed in terms of compliance with the EB GL definition.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “activation optimization function” in the (Draft) Balancing Rules which will replicate the definition from the EB GL.</p>
<p>(40) “imbalance netting process function”</p>	<p>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define “imbalance netting process function”</p>	<p>The definition of “imbalance netting process function” <u>is missing</u> in FYROM legislation</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “imbalance netting process function” in the (Draft) Balancing Rules which will replicate the definition from the EB GL.</p>
<p>(41) “TSO – TSO settlement function”</p>	<p>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define “TSO – TSO settlement functions”</p>	<p>The definition of “TSO – TSO settlement functions” <u>is missing</u> in FRYOM legislation</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “TSO – TSO settlement functions” in the (Draft) Balancing Rules which will replicate the definition from the EB GL.</p>

<p>(42) “capacity procurement optimization function”</p>	<p>The Energy Law, Market Rules, Draft Balancing Rules, and the Grid Code do not define “capacity procurement optimization function”</p>	<p>The definition of “capacity procurement optimization function” <u>is missing</u> in FYROM legislation</p> <p>The Draft Balancing Rules only mention the “criteria for optimization” which are to be determined in the procurement rules for aFRR (Article 37 Para 1 indent 5) and procurement rules for mFRR (Article 53 Para 1 indent 6). Articles 38 Para 1 and 69 Para 1 state that the TSO chooses bids aFRR/mFRR balancing capacity through the implementation of optimization, through which he selects those offers for balancing capacity that have been successful in accordance with the procurement rules for aFRR/mFRR. However, the notion of optimization is not used in the context of the EB GL definition, i.e. it does not relate to the function of operating the algorithm applied for the optimization of the procurement of balancing capacity for TSOs exchanging balancing capacity. Hence these provisions are assessed as <u>non-compliant in substance</u> with the definition from the EB GL.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “capacity procurement optimization function” in the (Draft) Balancing Rules which will replicate the definition from the EB GL.</p>
<p>(45) “requesting TSO”</p>	<p>*Same as for “TSO-TSO” model (see (21) above)</p>	<p>The definition of “requesting TSO” <u>is missing</u> in FYROM legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “requesting TSO” in the (Draft) Balancing Rules which will replicate the definition from the EB GL.</p>

<p><b>Article 4 – Terms and conditions or methodologies of TSOs</b></p>	<p><b>The Energy Law</b> sets out:</p> <ul style="list-style-type: none"> <li>- NRA’s (ERC) competence to adopt the Market Rules – Article 24 Para 1 under 1) indent ten;</li> <li>- NRA’s competence to approve the transmission system rules and balancing rules, based on the proposal from the TSO – Article 24 Para 1 under 2) indent one and two;</li> <li>- NRA’s competence to monitor technical cooperation between the TSO and market operator (MO) with the corresponding operators from the CPs and participants of the Energy Community Treaty – Article 25 Article 25 Para 2 under 29);</li> <li>- NRA’s right to enter into cooperation agreements with other NRAs in order to create competitive regional electricity market and harmonize legal, regulatory and technical framework – Article 27 Para 1 under 2);</li> <li>- NRA’s obligation to encourage and facilitate TSOs’ cooperation within the Energy Community, in particular contractual arrangements for optimum network management, coordinate drafting and implementation of the network rules for the relevant TSOs and market participants – Article 27 Para 2 under 1) and 4);</li> <li>- TSO’s responsibility to organize and manage the balancing energy market, and adopt balancing rules – Article 68 Para 4 and Article 78 Para 2 under 3);</li> </ul>	<p>Currently there is no legal obligation for the TSO to develop the exact terms and conditions or methodologies required by the EB GL, at national or regional level, and for the NRA to approve them.</p> <p>However, the current legal basis set out in the <b>Energy Law, Market Rules and Grid Code, as well as foreseen regulation in the Draft Balancing Rules</b> can be assessed as <b>compliant in substance</b> with the EB GL, as it provides:</p> <ul style="list-style-type: none"> <li>- general rules for TSO’s regional cooperation, including integration of balancing mechanisms;</li> <li>- ERC competence to approve the balancing rules, transmission system rules (i.e. Grid Code) and Market Rules which corresponds to the NRA’s approval of the terms and conditions for the provision of balancing services, as foreseen in Article 37 Para 6 of Directive 2009/72/EC and further elaborated by Article 3 and 4 of the EB GL,</li> </ul> <p>which can be used as a starting point for developing regional balancing market in the interim period (till adoption of the EB GL under the auspices of the Energy Community).</p> <p>Additionally, Article 84 Para 2 of the Energy Law provides enough leverage for the Guidelines to be directly applicable and binding once they become a part of the Energy Community <i>acquis</i>.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Articles 4 and 5 will be transposed into the national legislation in their integral text.</b></p> <p>Given that the <b>Energy Law, Market Rules and Grid Code, as well as foreseen regulation in the (Draft) Balancing Rules</b> are assessed as compliant in substance, there will be no legal obstacle for the creation, proposal, and approval of the terms and conditions or methodologies envisaged in Articles 4 and 5 of the EB GL. Hence, <b>no transitional solution is proposed.</b></p>
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	<ul style="list-style-type: none"> <li>- TSO's obligation to encourage the integration of balancing mechanism and reserve power – Article 78 Para 2 under 16);</li> <li>- TSO's obligation to procure system services for balancing of the transmission system and participate in regional balancing market - Article 78 Para 2 under 20) and 21);</li> <li>- TSO's obligation to ensure balancing of the system and alignment of imbalance and balancing services, as well as calculate, invoice and collect payments for balancing services - Article 78 Para 2 under 26);</li> <li>- TSO's obligation to cooperate with other TSOs - Article 78 Para 2 under 29);</li> <li>- electricity producer's right/obligation to offer system services to the TSO in line with the technical capacities and requirements set out in the balancing rules and network rules for transmission of electricity, as well as ensure the availability of agreed quantities of electric energy and/or system services in line with the conditions and obligations of its own license, as well as the contract on connection – Article 70 Para 2 under 1) and 2);</li> <li>- the scope of balancing rules, as well as the TSO's obligation to cooperate with other TSOs to ensure efficient functioning of</li> </ul>		
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regional market for balancing services – Article 79;

- the scope of grid code – Article 84;
- the applicability of ENTSO-E Network Rules (accepted and applied directly by the TSO in accordance with the obligations of the FYROM undertaken by ratified international agreements, as well as by obligations stemming from the TSO’s membership in ENTSO-E) – Article 84 Para 2;
- MO’s task to perform calculation of the imbalances of the BRPs and propose the calculation for the cost of imbalances based on metered electricity, activated quantities of balancing services for each BSP, the cost of settlement and the final daily schedule received from the electricity transmission system operator – Article 88 Para 2 under 2);
- scope of the market rules – Article 92

**The Market Rules** set out/reiterate:

- an electricity producer sells (provides) system services – Article 5 Para 1;
- the TSO procures system services for balancing purposes in line with balancing rules and participates in the regional balancing market – Article 9 Para 1 and 3;
- the TSO at least once a year organizes a procurement for the above-mentioned services based on



the rules and conditions approved by ERC – Article 11 Para 1;  
- MO performs calculation of the imbalances of the BRPs and propose the calculation for the cost of imbalances based on metered electricity, activated quantities of balancing services for each BSP, the cost of settlement and the final daily schedule received from the electricity transmission system operator – Article 12 Para 1 under 1)

**The Grid Code:**

- mentions the trading of balancing services between price/bidding zones, as well as sharing of balancing services in wider geographical areas, including between synchronous areas in the context of assessing the transmission projects – Article 41, 48 and Appendix 3;  
- contains Chapter V.2 devoted to the system services, including the possibility to provide system services via contracts with other electric power systems, TSO's right to provide a reserve for secondary regulation outside its control area within set limits, and possibility to obtain partially reserve for tertiary regulation from neighboring power systems though agreement for the provision of tertiary reserve - Article 161 Para 2 indent two, Article 165 Para 12 and Article 166 Para 4;

	<p>- Appendix 13 further elaborates on the Methodology for determining secondary and tertiary reserve</p> <p><b>The Draft Balancing Rules</b> elaborate in detail on terms and conditions related to balancing</p>		
<b>Article 6 – Amendments to terms and conditions or methodologies of TSOs</b>	<p><b>The Energy Law</b> sets out NRA’s competence to monitor the application of balancing rules, as well as provisions of balancing services – Article 25 Para 2 under 4)</p>	<p>ERC competence can be assessed as <b>compliant</b> with the EB GL, as Article 24 Para 1 under 2) indent two and Article 25 Para 2 under 4) of the Energy Law foresees its competence to approve the balancing rules and monitor their application, which implies the possibility to request necessary amendments throughout the process of approving the balancing rules, as well as request amendments.</p> <p>Even though there is no explicit provision on how the TSO can request amendments to the balancing rules, the corresponding right stems from the fact that the TSO elaborates the balancing rules, hence it can initiate the amendments thereof.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 6 will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>
<b>Article 8 - Recovery of costs</b>	<p><b>The Energy Law</b> confers on ERC competence, when setting regulations and methodologies for pricing of electricity transmission services, base them on the principles of objectivity, transparency and non-discrimination, and take into account revenues and costs incurred by the TSO on the basis of</p>	<p>Currently there is no legal obligation for the TSO to undertake the obligations imposed by the EB GL, nor bear the costs related to the fulfilment of such obligations.</p> <p>However, the provisions of the <b>Energy Law</b> can be assessed as <b>compliant in substance</b> with the EB GL, as they set out ERC competence which corresponds to</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 8 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: in order to ensure the possibility for the TSO to recover all reasonable, efficient and proportionate costs related to the setting up the regional balancing market in the interim period, it may</b></p>

	<p>system services and balancing services – Article 28 Para 1 and 4, and Para 5 under 2)</p> <p>Additionally, the <b>Energy Law</b> foresees that [in case of endangered security of supply, accidents or major deviations in the consumption of electricity from the anticipated quantities] the costs for the purchased electricity, by applying the balancing mechanism, are compensated by the participants of the electricity market that caused the deviation (imbalance) - Article 78 Para 2 under 27)</p>	<p>the scope of general duties and powers set out in Article 37 of Directive 2009/72/EC and further elaborated by Article 8 of the EB GL, as well as foresees that the costs of deploying the balancing mechanism are covered by the BRPs causing the imbalance.</p>	<p><b>prove to be useful to introduce in the (Draft) Balancing Rules an explicit provision that follows the same logic as Article 8 Para 2 of the EB GL with a reference to the Energy Law (Article 28 Para 5 under 2) thereof).</b></p>
<b>Title II – Electricity balancing market</b>			
<b>Article 14 – Role of the TSOs</b>	<p><b>The Energy Law</b> sets out the TSO’s and MO’s tasks related to balancing:</p> <ul style="list-style-type: none"> <li>- the TSO organizes and manages balancing energy market, and adopts balancing rules – Article 68 Para 4 and Article 78 Para 2 under 3);</li> <li>- the TSO procures system services for balancing of the transmission system - Article 78 Para 2 under 20);</li> <li>- the TSO ensures balancing of the system and alignment of imbalance and balancing services, and calculates, invoices and collects payments for balancing services - Article 78 Para 2 under 26);</li> <li>- the MO performs calculation of the imbalances of the BRPs and</li> </ul>	<p>The provisions of the <b>Energy Law and Market Rules and Draft Balancing Rules</b> can be assessed as <u>compliant</u> with Article 14 Para 1 of the EB GL.</p> <p>The <b>division of competences between the TSO/MO</b> allows to assume that some of the TSO’s tasks related to the balancing market (imbalance calculation and draft calculation for financial settlement of imbalances) are conferred upon the MO as a third party.</p> <p>As per Article 13 Para 4 of the EB GL, a Member State or where applicable the NRA, may only <b>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.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 14 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: ensure the assessment of MO’s ability to carry out assigned tasks is carried out,</b> following the rationale of Article 13 Para 4 of the EB GL.</p>

	<p>proposes the calculation for the cost of imbalances – Article 88 Para 2 under 2)</p> <p><b>The Market Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- the TSO procures system services for balancing purposes in line with balancing rules – Article 9 Para 1;</li> <li>- the TSO at least once a year organizes a procurement for the above-mentioned services based on the rules and conditions approved by ERC – Article 11 Para 1;</li> <li>- MO performs calculation of the imbalances of the BRPs and propose the calculation for the cost of imbalances - Article 12 Para 1 under 1)</li> </ul> <p><b>The Grid Code</b> does not explicitly define the scheduling and dispatch arrangement</p> <p><b>The Draft Balancing Rules</b> elaborate on:</p> <ul style="list-style-type: none"> <li>- TSO’s responsibility for procurement of balancing services from BSPs in order to ensure operational security, and its responsibility towards BSPs – Article 3 Para 1 and 2 and respective chapters (Chapter 2.3. for FCR, Chapter 2.4. – aFRR, Chapter 2.5. – mFRR and Chapter 2.6. for RR);</li> <li>- TSO’s responsibility to operate independent [self-sufficient] dispatch model for determining the</li> </ul>	<p>Prior to the assignment the third party concerned shall demonstrate its ability to carry out the task to be assigned.</p> <p>Article 13 Para 5 of the EB GL foresees that in the event the tasks and obligations are assigned to a third party, <b>references to TSO in the EB GL shall be understood as referring to the assigned entity</b> and the NRA shall ensure regulatory oversight of the assigned entity in respect of assigned tasks and obligation.</p> <p>Having this in mind, the provisions of the <b>Energy Law, Market Rules and Draft Balancing Rules</b> are <u>compliant in substance</u> with the EB GL, as they ensure that the assigned tasks to the MO do not require direct cooperation, joint decision-making or entering into contractual relationship with other TSOs, and ERC has regulatory oversight of the MO’s activities related to the balancing market stemming from ERC’s competence to adopt the balancing rules and monitor their application.</p> <p>However, it might be necessary to evaluate/re-evaluate (a) the MO’s ability to carry out assigned tasks during the interim period/once the EB GL becomes part of the Energy Community <i>acquis</i> and (b) whether or not such division of tasks is suitable/efficient in the context of establishing regional balancing market.</p> <p>Even though the current framework does not contain explicit provisions on the scheduling and dispatching model, Article 3 Para 3 of the <b>Draft Balancing</b></p>	
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	<p>production and consumption plans - Article 3 Para 3;</p> <ul style="list-style-type: none"> <li>- description of balancing process within which the TSO can use FCR, aFRR and mFRR, and implement an independent process of activating RR – Article 13;</li> <li>- MO’s obligations: inform TSO on any changes in the register of market participants, calculate imbalances of the balancing group and propose calculation for financial settlement of imbalances to the TSO which then performs financial settlement of imbalance, calculate imbalances based on measured data, activated volume of balancing services per each BSP and daily schedule obtained from the TSO and DSO – Article 83, further elaborated in Chapter 3.4.2., 3.4.4. and 3.4.5.</li> </ul>	<p><b>Rules foresees that the TSO should operate a self-dispatching model.</b> Hence, the proposed draft provision is <b>compliant</b> with the EB GL. Presumably the self-dispatching model will be further elaborated in a new grid code. (Note: within a year after the Energy Law enters into force the TSO shall adopt a new grid code – Article 236 Para 4 under 3))</p>	
<p><b>Article 15 – Cooperation with DSOs</b></p>	<p><b>The Energy Law</b> mentions that the MO calculates imbalance and proposes the cost of imbalance based on, among other things, final daily schedules received from the DSO – Article 88 Para 2 under 2)</p> <p><b>The Draft Balancing Rules</b> further elaborate how the information exchange between the MO, TSO and DSO takes place, as well as mentions Protocol for delivering and exchanging data and information – Article 105, 106, 107, 109, 110 and 126</p>	<p>The provisions of the <b>Energy Law and Draft Balancing Rules</b> can be assessed as <b>compliant</b>, as they as they foresee a general obligation for the TSO, MO and DSO to cooperate and provide the necessary information in order to perform the imbalance settlement.</p> <p>The provisions defining the possibility to elaborate cost allocation methodology related to the <b>cooperation of the TSO and DSO concerning the reserve providing groups/units connected to the DSO grid (Title 10 of SO GL)</b> are <b>missing</b> in FYROM legislation. This might be</p>	<p><b>The adoption of the EB GL, as well as the SO GL (Article 182 in particular) under the auspices of the Energy Community will mean that Article 15 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> (if the national system allows from a technical point of view) <b>introduce in the (Draft) Balancing Rules provisions covering the cooperation between the TSO and DSO concerning the reserve providing groups/units connected to the DSO grid, following the rationale of Article 182 of the SO GL.</b></p>

		<p>related to the fact that the BSPs are those who are connected to the transmission system (implied by pre-qualification process mentioned in the Draft Balancing Rules).</p>	
<p><b>Article 16 – Role of BSPs</b></p>	<p><b>The Energy Law:</b></p> <ul style="list-style-type: none"> <li>- defines a BSP (i.e. participant of balancing market who provides balancing services on the basis of an agreement on participation in the balancing market) - Article 3 Para 1 under 12);</li> <li>- sets out specific provisions for the electricity producers who in accordance with the issued license may sell [electricity produced and / or] system services in the electricity market in the FYROM and abroad – Article 70</li> </ul> <p><b>The Draft Balancing Rules set out:</b></p> <ul style="list-style-type: none"> <li>- BSPs with an agreement on balancing [capacity] shall submit to the TSO the balancing energy bids corresponding to the volume, products, and other requirements set out in the agreement on balancing [capacity] – Article 4 Para 5;</li> <li>- all BSPs shall have the right to submit to the TSO the balancing energy bids from standard products or specific products for which it has passed the prequalification process – Article 4 Para 6;</li> <li>- possibility for ERC to oblige BSPs submit offers for balancing</li> </ul>	<p>The provisions of the <b>Draft Balancing Rules</b> covering <b>pre-qualification requirements</b> for the BSPs are <b>partially compliant</b> with Article 16 of EB GL and Article 158, 159, 161 and 162 of SO GL, as these provisions do not explicitly foresee pre-qualification requirements for potential RR providers (Article 161 and 162 of SO GL). Additionally, it should be noted that Article 7 Para 19 foresee that detailed technical requirements for BSP and necessary data to be provided are defined in the Grid Code. Such requirements are missing in the current version of the Grid Code.</p> <p>The provisions of the <b>Draft Balancing Rules</b> regulating procurement of capacity from aFRR and mFRR, as well as submission of bids for balancing capacity from aFRR and mFRR are assessed as <b>compliant</b> with Article 16 of the EB GL. However, an explicit provision on BSP’s right to update its balancing capacity bids before the gate closure time of the procurement process is <b>missing</b>. Even though Article 4 Para 5 and 6 of the <b>Draft Balancing Rules</b> follow the same wording as Article 16 Para 4 and 5 of the EB GL, an explicit provision prohibiting discrimination between balancing energy bids submitted by a BSP with or without</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 16 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce clear pre-qualification requirements for potential RR providers in the (Draft) Balancing Rules, as foreseen in Article 16 of EB GL and Article 161 and 162 of SO GL, as well as clear technical requirements for potential FRR/RR providers in the Grid Code;</b></li> <li>- <b>introduce in the (Draft) Balancing Rules a clear provision allowing BSP right to update its balancing capacity bids before the gate closure time of the procurement process;</b></li> <li>- <b>introduce in the (Draft) Balancing Rules a clear provision forbidding discrimination between balancing energy bids submitted by BSPs mentioned in Article 4 Para 5 and 6 respectively i.e. <u>a provision foreseeing equal rights to such BSPs regarding balancing energy bids;</u></b></li> <li>- <b>clarify in the (Draft) Balancing Rules the concept of “a contract for balancing capacity” and use it uniformly throughout the text, as well as introduce an explicit provision forbidding to predetermine the prices for balancing energy bids from standard products in a contract for balancing capacity;</b></li> </ul>

	<p>capacity/balancing energy (mandatory bidding) – Article 5;</p> <ul style="list-style-type: none"> <li>- prequalification process for acquiring status of BSP for potential FCR, aFRR and mFRR providers – Article 7, and additional requirements in Article 26 – 28 for aFRR providers and in Article 57– 59 for mFRR providers;</li> <li>- criteria for acquiring status of BSP -Article 10;</li> <li>- participation in auctions for aFRR – Article 22;</li> <li>- TSO’s right to set maximum value of price for balancing capacity bids from aFRR that is acceptable to the TSO – Article 23 Para 6;</li> <li>- procurement of balancing capacity from aFRR – Article 24, 34 - 38;</li> <li>- submitting and collecting bids for balancing energy from aFRR – Article 39 – 44;</li> <li>- participation in auctions for mFRR – Article 52;</li> <li>- procurement of balancing capacity from mFRR – Article 55, 65 – 69;</li> <li>- submitting and collecting bids for balancing energy from mFRR – Article 70 – 72;</li> <li>- general principles for procurement of balancing energy from RR – Article 80</li> </ul>	<p>contracted capacity (i.e. a provision foreseeing equal rights to such BSPs regarding balancing energy bids) is <u>missing</u>.</p> <p><b>The process for replacement reserves (RR) and consequently BSPs right to submit energy bids from RR</b> is briefly covered in Article 80 which can only be assessed as <u>partially compliant</u> with Article 16 of the EB GL, to the extent it mentions the possibility to procure balancing energy from RR via public auction in which all interested BSPs or market participants that have opportunity to participate in the balancing market can take part in.</p> <p><b>The main elements of the products for balancing energy from aFRR and mFRR</b> are set out respectively in Article 25 Para 7 and 56 Para 6 of the <b>Draft Balancing Rules</b>.</p> <p><b>The Draft Balancing Rules mention “an agreement on balancing”</b> (Article 2 Para 1 indent 11 and Article 4 Para 1) as the legal act governing contractual relationship between the TSO and BSP (although the definition of “an agreement on balancing” refers to BRP only), without further specifying the scope or content of such an agreement. Hence, it is <b>not feasible to conclude whether this agreement would correspond to a “contract for balancing capacity”</b>, mentioned in Article 16 of the EB GL.</p>	<ul style="list-style-type: none"> <li>- <b>clarify the provisions of the (Draft) Balancing Rules that currently imply possibility to regulate/limit prices of the balancing energy/capacity bids</b> (in the context of Article 5 para 2, Article 67 and Article 12 Para 2 of the Draft Balancing Rules).</li> </ul>
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		<p>Consequently, an explicit legal <b>provision forbidding to predetermine the prices for balancing energy bids from standard products in a contract for balancing capacity</b> is <b>missing</b>.</p> <p>Additionally, it should be noted that even though several provisions of the <b>Draft Balancing Rules</b> refer to the prices provided by the BSPs in their bids (e.g. Article 50, 68 and 77), Article 5 para 2, read in conjunction with Article 67, and Article 12 Para 2 of the <b>Draft Balancing Rules</b> imply the possibility to regulate/limit prices of the balancing energy bids in the undefined (interim) period of time.</p>	
<p><b>Article 17 – Role of BRPs</b></p>	<p><b>The Energy Law:</b></p> <ul style="list-style-type: none"> <li>- defines balance responsibility, including financial responsibility for any deviations and financial settlement thereof - Article 3 under 5);</li> <li>- defines BRP – Article 3 under 6);</li> <li>- sets out that each market participant mentioned in Article 69 Para 1 under 1) to 7) has balance responsibility (i.e. electricity producers, traders, suppliers, consumers that meet requirements of independent market participant set out in the Market Rules, TSO and DSO) – Article 69 Para 1 under 1) to 7) and Article 79 Para 1</li> </ul> <p><b>The Market Rules</b> elaborate on the MO's status as a BRP for all</p>	<p>The provisions of the <b>Energy Law and Draft Balancing Rules</b> stipulate BRP's obligation to undertake financial responsibility for its imbalances and, therefore, can be assessed as <b>compliant</b> with Article 17 Para 1 and 2 of the EB GL.</p> <p>However, an explicit provision putting an <b>obligation on a BRP to strive to be balanced in real time</b> is <b>missing</b> in FYROM legislation.</p> <p>While the <b>explicit provision allowing the BRP to change its schedule</b> prior to the intraday cross-zonal gate closure time is <b>missing</b> in FYROM legislation, the cross-zonal gate closure time is elaborated in the agreements concluded among MEPSO and the neighboring TSOs on</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 17 will be transposed into the national legislation in its integral text.</b></p> <p><b>Transitional solution: it is advisable to consider introducing in the (Draft) Balancing Rules and/or Grid Code explicit provision setting out the timeframe for changing daily schedule.</b></p>



	<p>preferential producers who receive feed-in tariff – Article 28</p> <p><b>The Grid Code</b> defines BRP in Article 9 Para 1, as well as foresees Article 175 Para 1 that a BRP has the right to make a request for intra-day modification of any part of the plan comprised in Daily power system operation plan</p> <p><b>The Draft Balancing Rules:</b></p> <ul style="list-style-type: none"> <li>- note that the rules should be implemented in a way that allows cross-border trade – Article 1 Para 4;</li> <li>- define BRP and agreement on balance responsibility – Article 2 Para 1 indent nine and 12 and Article 92;</li> <li>- set out conclusion of the agreement on balance responsibility – Article 82 Para 2;</li> <li>- elaborate on a balance group formed by all producers who receive feed-in tariff, and with the MO as a BRP – Article 87 Para 5</li> </ul>	<p>allocation of cross-border capacity<sup>32</sup>, based on Rules for allocation of cross-border capacity<sup>33</sup>. However, it should be noted that currently only on the FYROM – Serbia border MEPSO-EMS carry out intraday capacity allocation (with possibility for a market participant to change its schedule 90 minutes before hour H). There is no intraday capacity allocation on the FYROM – Bulgaria border. On the FYROM – Greece border the allocation of cross - border capacity is done by SEE CAO via long-term and day-ahead auctions in line with its rules<sup>34</sup> (i.e. does not cover intraday cross-border capacity allocation).</p> <p>It should also be noted that in the context of Article 17 Para 3 of the EB GL which refers to “intraday cross-zonal gate closure time”, there is no regional intraday market, nor joint TSOs proposal on intraday cross-zonal gate opening and closure time in the WB6 region as part of single intraday market coupling process. Hence, the current regulatory framework can be assessed <b>compliant in substance to the extent that it allows the BRP to change its schedule, while the</b></p>	
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<sup>32</sup> <https://aukcijaatc.mepso.com.mk/PublicPage/AuctionRules.aspx#Rules2019>

<sup>33</sup>

[http://www.mepso.com.mk/CMS99/Content\\_Data/Dokumenti/%D0%90%D1%83%D0%BA%D1%86%D0%B8%D0%B8/Pravila%20za%20aukcii%202017/Auction%20rules%20ANG%20za%20sl%20vesnik.pdf](http://www.mepso.com.mk/CMS99/Content_Data/Dokumenti/%D0%90%D1%83%D0%BA%D1%86%D0%B8%D0%B8/Pravila%20za%20aukcii%202017/Auction%20rules%20ANG%20za%20sl%20vesnik.pdf)

<sup>34</sup> [http://www.seecao.com/sites/default/files/documents/document/2\\_SEECAO\\_Daily%20Allocation%20Rules\\_final\\_0\\_0.pdf](http://www.seecao.com/sites/default/files/documents/document/2_SEECAO_Daily%20Allocation%20Rules_final_0_0.pdf)

		timeframe is unclear (depending on the border).	
<b>Article 18 – Terms and conditions related to balancing</b>	<p><b>The Energy Law</b> sets out in detail the scope of the balancing rules in Article 79</p> <p><b>The Draft Balancing Rules</b> cover:</p> <ul style="list-style-type: none"> <li>- in Chapter 2 the <b>terms and conditions for BSPs</b>, in particular: <ul style="list-style-type: none"> <li>(1) requirements for provision of balancing services, including qualification process for potential aFRR/mFRR providers - Article 7, Article 26 – 28 and Article 57 – 59;</li> <li>(2) rules for procurement of balancing capacity from aFRR/mFRR - Article 22, 24, 34 – 38 and Article 55, 65 – 69;</li> <li>(3) submitting and collecting bids for balancing energy from aFRR/mFRR – Article 39 – 44 and Article 70 – 72;</li> <li>(4) technical requirements for data and information exchange among BSPs and the TSO – Article 26 – 33 and Article 57 – 64;</li> <li>(5) rules for calculation of activated volume of balancing energy - Article 48 and 76;</li> <li>(6) rules for financial settlement – Article 49 and 77;</li> <li>(7) consequences in case of non-compliance with the terms – Article 51 and 79;</li> </ul> </li> <li>- in Chapter 3 the <b>terms and conditions for the BRPs</b>, in particular:</li> </ul>	<p><b>The terms and conditions for the BSPs and BRPs</b> set out in the <b>Draft Balancing Rules</b> are assessed as <b>compliant</b> with the EB GL, as the <b>Draft Balancing Rules</b> cover the main requirements for the terms and obligations for the BSPs and BRPs foreseen in Article 18 of the EB GL.</p> <p>It should, however, be noted that the <b>Draft Balancing Rules</b> contain several provisions (e.g. Article 5, Article 12 Para 2, Article 25 Para 8, Article 44, Article 67 and 150) which in essence qualify as transitional provisions, while the criteria for their phase-out is missing. Hence, the duration of the applicability of these provisions remain unclear.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 18 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: clarify the duration of the applicability of Article 5, Article 12 Para 2, Article 25 Para 8, Article 44, Article 67 and 150 of the (Draft) Balancing Rules, by setting out clear criteria for phase-out of the provisions above.</b></p>

	<p>(1) requirements for becoming a BRP – Article 87 – 92;</p> <p>(2) financial responsibility of BRPs – Article 82 Para 2;</p> <p>(3) requirements of data and information to be exchanged among the MO, TSO and DSO for calculation of imbalances – Article 105 – 111;</p> <p>(4) imbalance settlement – Article 122 – 135, and Article 140</p>		
<p><b>Article 24 – Balancing energy gate closure time</b></p>	<p><b>The Draft Balancing Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- the TSO in the procurement rules for purchasing balancing energy for aFRR defines the gate opening and gate closure time, as well as starting and ending time for submission of bids – Article 42 Para 1;</li> <li>- BSPs must submit bids for the auction on the platform for balancing energy from aFRR between the gate opening and gate closure time – Article 43 Para 1;</li> <li>- BSPs voluntarily submit bids for the auction on the aFRR platform between the starting and ending time for submission of bids – Article 43 Para 2;</li> <li>- the above-mentioned provisions will be applied when the conditions for creating market-based procurement method for aFRR are met; this transitional period can be ended by ERC by giving a prior notification to the TSO – Article 44 and 105;</li> </ul>	<p>The provisions of the <b>Draft Balancing Rules</b> can be assessed as <b>partially compliant</b> with Article 24 of the EB GL only to extent that these provisions mention balancing energy gate closure time, while making it not feasible to assess their compliance in substance, for instance, with requirements of Article 24 Para 2 of the EB GL.</p> <p>As per EB GL, the balancing energy gate closure time shall be defined for each standard product, at least for RR, mFRR and aFRR. <b>The Draft Balancing Rules</b> foresee that the gate closure time both for aFRR/mFRR will be defined by the TSO in procurement rules (Article 42 Para 1 and Article 53 Para 1) without further specifying the balancing energy gate closure time as such, nor criteria how it will be set. Besides, taking into account Article 44 of the Draft Balancing Rules, it remains unclear how the balancing energy gate closure time will be set during the transitional period till the market-based method (i.e. platform) for</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 24 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: the balancing energy gate closure time should be set out in the (Draft) Balancing Rules for each of the processes mentioned in Article 24 Para 1 of the EB GL and in line with criteria envisaged in Article 24 Para 2 of the EB GL.</b></p>

	<p>- the TSO in the procurement rules for purchasing balancing energy for mFRR defines the gate opening and gate closure time, as well as starting and ending time for submission of bids – Article 53 Para 1</p>	<p>submitting balancing energy bids from aFRR is put into place. Additionally, it should be noted that a <b>provision setting out balancing energy gate time for RR is missing</b>. Article 80 of the Draft Balancing Rules merely mentions the possibility for the TSO to use market-based method for procuring balancing energy for RR.</p>	
<p><b>Article 25 – Requirements for standard products</b></p>	<p><b>The Draft Balancing Rules</b> set out:</p> <p>- Article 23 Para 7 and Article 54 Para 4: the TSO will define the <b>products for balancing capacity from aFRR/mFRR</b> in procurement rules which will contain at least following characteristics:</p> <ol style="list-style-type: none"> <li>(1) product;</li> <li>(2) strategy for bidding;</li> <li>(3) full activation time;</li> <li>(4) type of activation;</li> <li>(5) minimum and maximum bid;</li> <li>(6) minimum and maximum price;</li> <li>(7) validity period of the bid;</li> <li>(8) resolution of the bid;</li> <li>(9) divisibility of the bid;</li> <li>(10) connecting bid;</li> <li>(11) availability;</li> <li>(12) payment</li> </ol> <p>- Article 25 Para 7 and Article 56 Para 6: the TSO will define the <b>products for balancing energy from aFRR/mFRR</b> in procurement rules which will contain at least following characteristics:</p> <ol style="list-style-type: none"> <li>(1) minimum bid;</li> <li>(2) bid;</li> </ol>	<p>(See also definition of “standard product”)</p> <p>The provisions of the <b>Draft Balancing Rules</b> can be assessed as <b>partially compliant</b> with Article 25 of the EB GL to extent that these provisions foresee that the TSO will define standard products for balancing capacity and balancing energy and mention minimum characteristics that cover most of the mandatory and variable characteristics envisaged in Article 25 Para 4 and 5 of the EB GL. However, since the products themselves will be defined in particular procurement rules, it is not feasible to fully assess the compliance of these provisions in substance.</p> <p>Additionally, it should be noted that a <b>provision setting out products for balancing capacity and balancing energy from RR is missing</b>.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 25 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce transitional definition of a standard product in the (Draft) Balancing Rules</b>, as proposed in the Final Report, Task 4. This implies the corresponding changes to the (Draft) Balancing Rules.</p>

	(3) minimum and maximum price (technical); (4) resolution of the bid; (5) divisibility of the bid; (6) connecting bid; (7) mandatory bid; (8) voluntary bid		
<b>Article 26 – Requirements for specific products</b>	<b>The Draft Balancing Rules</b> do mention specific products once in Article 4 Para 6 but do not define them, nor set out requirements for such products	Specific products for balancing energy and balancing capacity, applicable for the local market, are not defined in FYROM legislation, i.e. <b>missing</b> . Hence, it is not feasible to assess the compliance of minimum characteristics of the specific products, set out in Article 26 of the EB GL.	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 26 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: if the TSO identifies the necessity for specific products, the requirements for specific products, as well as the regular review thereof should be foreseen in the (Draft) Balancing Rules, following the rationale of Article 26 of the EB GL.</b>
<b>Title III – Procurement of balancing services</b>			
<b>Article 29 – activation of balancing energy bids from common merit order list</b>	<b>The Grid Code</b> mentions the possibility to provide system services via contracts with other electric power systems in Article 161 Para 2 indent two, without further elaborating on these contracts or exchange of system (balancing) services. <b>The Grid Code</b> in Article 166 Para 6 sets out that the <b>reserve for tertiary regulation that has been provided outside the borders of its control area is activated with redefinition of the exchange program with appropriate control area</b>	Given that only the TSOs obliged to implement the relevant platforms (Article 19 – 21 of the EB GL) are required to comply with the requirements of Article 29 – 31 of the EB GL, the provisions of the <b>Draft Balancing Rules</b> can be assessed as <b>partially compliant</b> with Article 29 - 31 of the EB GL, with the following identified shortcomings/discrepancies: - explicit <b>provisions on the common merit order list that would be used for cross-border activation of balancing energy bids</b> are <b>missing</b> . Article 46 and 73 of the <b>Draft Balancing Rules</b> foresee the usage of the common merit order list	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 29 - 31 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution:</b> - <b>principle of marginal pricing (pay-as-cleared) for activated balancing energy should be introduced in the (Draft) Balancing Rules.</b> This implies changes to Article 50 and 78 of the (Draft) Balancing Rules; - <b>introduce provisions in the (Draft) Balancing Rules on activation of balancing energy bids for RR process and pricing for balancing energy thereof;</b>
<b>Article 30 – Pricing for balancing energy and cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process</b>			
<b>Article 31 – Activation optimisation function</b>			

	<p><b>The Draft Balancing Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- ERC has the right to pass a decision defining the <b>methodology for calculating price of balancing energy which is used in the mandatory bidding process</b> – Article 5 Para 2;</li> <li>- ERC may set a <b>transitional period in which the activated balancing energy from aFRR is financially settled in line with the methodology established by ERC</b>; the decision on the transitional period and the methodology should be published not later than 30 calendar days before it enters into force – Article 25 Para 8;</li> <li>- <b>activation of balancing energy bids from aFRR</b>, including that the TSO is obliged to activate aFRR balancing energy only from those generation units that were submitted in the physical schedule of work/ operation of balancing units by the BSP - Article 45;</li> <li>- (creation of) merit order list for aFRR, i.e. <b>bids with the lowest price are activated first</b> until the necessary amount of balancing energy is activated; in case bids have the same price, the one with earlier timestamp shall be activated – Article 46;</li> <li>- backup procedure for activation in case the platform is not functioning properly/technical problems exist – Article 47;</li> </ul>	<p>for activating bids for balancing energy from aFRR/mFRR (within MEPSO control area), while Article 166 Para 6 of the <b>Grid Code</b> in relation to the activation of tertiary reserve outside the borders of MEPSO control area mentions “redefinition of the exchange program with appropriate control area” which is not further elaborated. The identified discrepancy largely stems from the fact that <b>cross-border exchange of balancing energy is not clearly regulated in FYROM legislation</b> (see also definition of “TSO-TSO model”). Consequently, the <b>same can be concluded about the pricing for balancing energy and cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process, as well as for activation optimization function</b>. (The latter is mentioned only in Article 42 of the Draft Balancing Rules in the context of procurement of balancing energy for aFRR, but is not elaborated further). Contracts for system services with other electric power systems or information on exchange programs mentioned in Article 161 Para 2 and Article 166 Para 6 of the Grid Code are not publicly available. Hence, it is not feasible to assess whether or not these contracts cover some of the requirements envisaged in Article 29 – 31 of the EB GL.</p> <ul style="list-style-type: none"> <li>- since there is no clearly set balancing energy gate closure time (leaving it up to the TSO to define it in the procurement/auction rules), <b>explicit provision forbidding the TSO to activate</b></li> </ul>	<ul style="list-style-type: none"> <li>- <b>ensure that Article 5 Para 2, Article 25 Para 8 and Article 67 Para 2 of the (Draft) Balancing Rules are not used in practice to regulate/limit prices for balancing energy or eliminate these provisions from the (Draft) Balancing Rules, or prescribe them in primary legislation with accompanying clear criteria;</b></li> <li>- <b>while the transitional solution is linked with the process of the TSOs of the WB6 region joining MARI and TERRE (optional) projects, i.e. projects for establishment of the European mFRR and RR platforms, in the interim period it shall be ensured that the agreements concluded among MEPSO and the neighboring TSOs on cross-border procurement/exchange of balancing energy are based on/aligned with the requirements of the EB GL (i.e. common merit order list, common definition of standard products, common pricing and settlement rules, etc.).</b></li> </ul>
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	<ul style="list-style-type: none"> <li>- <b>the activated balancing energy bids for aFRR are financially settled on the basis of activated volume and prices provided in the bids</b> by BSPs (arranged in a merit order list starting from the lowest) – Article 50;</li> <li>- <b>ERC has the right to pass a decision defining the methodology for calculating price of balancing energy from mFRR used in the period of time when the mandatory bidding process is run</b> – Article 67 Para 2;</li> <li>- <b>activation of balancing energy bids from mFRR</b> is done based on the merit order list, i.e. <b>bids with the lowest price are activated first</b> until the necessary amount of balancing energy is activated; in case bids have the same price, the one with earlier timestamp shall be activated – Article 73;</li> <li>- procedure for manual activation of balancing energy bids from mFRR – Article 74;</li> <li>- backup procedure for activation in case the platform is not functioning properly/technical problems exist – Article 75;</li> <li>- <b>the activated balancing energy bids for mFRR are financially settled on the basis of activated volume and prices provided in the bids</b> by BSPs (arranged in a merit order list starting from the lowest) – Article 78</li> </ul>	<p><b>balancing energy bids before the corresponding gate closure time</b> (with exception in case of the alert state or the emergency state) is <b>missing</b> (Article 45 Para 2 refer to generation units but does not mention time dimension).</p> <ul style="list-style-type: none"> <li>- Article 50 and 78 of the Draft Balancing Rules foresee “<b>pay-as-bid</b>” pricing for activation of balancing energy bids for aFRR/mFRR which is <b>non-compliant</b> with “<b>pay-as-cleared</b>” pricing set out in Article 30 of the EB GL;</li> <li>- <b>Article 5 Para 2, Article 25 Para 8 and Article 67 Para 2 suggest price regulation/limitation for the balancing energy</b> which might not provide correct price signals and incentives to market participants (<i>Note: Article 5 Para 2, Article 25 Para 8 and Article 67 Para 2 in essence are primary legislation norms which should not be included in a piece of secondary legislation, elaborated by the TSO</i>).</li> <li>- <b>provisions on activation of balancing energy bids for RR process and pricing for balancing energy</b> are <b>missing</b>.</li> </ul>	
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<p><b>Article 32 – Procurement rules (balancing capacity)</b></p>	<p>The <b>Grid Code</b> defines the primary, secondary and tertiary reserve in Article 9 Para 1, elaborates on primary, secondary and tertiary regulation in Article 164 – 166, and In Appendix 13 contains Methodology for determining secondary and tertiary reserve</p> <p>The <b>Draft Balancing Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- the <b>amount of required reserves (reserve capacity) is determined in the Grid Code</b> – Article 6 Para 2;</li> <li>- ERC has the right to pass a decision defining the <b>methodology for calculating price of balancing capacity which is used in the mandatory bidding process</b> – Article 5 Para 2;</li> <li>- <b>procurement of capacity for aFRR</b> – Article 22, 24, 37 and 38;</li> <li>- <b>procurement of capacity for mFRR</b> – Article 52, 53, 55, 66 – 69;</li> <li>- <b>ERC has the right to pass a decision defining the methodology for calculating price of balancing capacity from mFRR used in the period of time when the mandatory bidding process is run</b> – Article 67 Para 2</li> </ul>	<p>While the <b>definition of “reserve capacity”</b>, as foreseen in Article 3 Para 2 under 95) of the SO GL (“the amount of FCR, FRR or RR that needs to be available to the TSO”), <b>is missing</b> in FYROM legislation, Article 9 Para 1, 164 -166, and Appendix 13 of the <b>Grid Code</b> and Article 6 Para 2 of the <b>Draft Balancing Rules to a certain extent correspond to “reserve capacity”</b> and can, <b>in substantive terms, be assumed as partially compliant with the EB GL.</b></p> <p>The provisions of the <b>Draft Balancing Rules</b> stipulating procurement of balancing capacity can be assessed as <b>partially compliant</b> with Article 32 of the EB GL, having in mind the following shortcomings/discrepancies:</p> <ul style="list-style-type: none"> <li>- Article 24 of the Draft Balancing Rules foresee that the balancing capacity for aFRR is monthly product which is procured on an annual basis; if necessary, the TSO may organize additional monthly and weekly auctions. Hence, the procurement of balancing capacity for aFRR appears not to be performed on a short-term basis in any case (i.e.to the extent possible and where economically efficient - as stipulated in Article 32 of the EB GL);</li> <li>- <b>Article 5 Para 2 and Article 67 Para 2 of the Draft Balancing Rules suggest price regulation/limitation for the balancing capacity</b> and therefore might not reflect the full cost of ensuring the availability of the capacity. While the balancing capacity procurement process itself is</li> </ul>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that <b>Article 32 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce a definition of “reserve capacity” in the Grid Code</b> which will replicate the definition from the SO GL;</li> <li>- <b>review the (Draft) Balancing Rules, so as to ensure that the rules for the procurement of balancing capacity, including potential price regulation/limitation, follow the principles set out in Article 32 of the EB GL;</b></li> <li>- <b>ensure that Article 5 Para 2 and Article 67 Para 2 of the (Draft) Balancing Rules are not used in practice to regulate/limit prices for balancing capacity or eliminate these provisions from the (Draft) Balancing Rules, or prescribe them in primary legislation with accompanying clear criteria.</b></li> </ul>
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		<p>foreseen as market-based, the (potentially) regulated/limited price for balancing capacity might deem these (draft) provisions as <b>non-compliant</b> with Article 32 Para 2 under a) of the EB GL which foresees that capacity should be procured on a market-basis for at least FRR and RR;</p> <ul style="list-style-type: none"> <li>- no procurement method is explicitly foreseen for RR (Article 80 of the Draft Balancing Rules mention balancing energy only).</li> </ul>	
<p><b>Article 33 – Exchange of balancing capacity</b></p>	<p><b>The Energy Law</b> sets out TSO’s obligation to encourage the integration of balancing mechanism and reserve power, as well as participate in regional balancing market – Article 78 Para 2 under 16) and Article 78 Para 2 under 21)</p> <p><b>The Grid Code</b> foresees:</p> <ul style="list-style-type: none"> <li>- possibility to provide system services via contracts with other electric power systems - Article 161 Para 2 indent two;</li> <li>- TSO’s right to provide a reserve for secondary regulation outside its control area in the amount not greater than 34% of the total value of the reserve for secondary regulation within its area; additionally, the TSO is required to provide a constant fraction which amounts 50% of the total reserves for secondary and tertiary regulation within its control area – Article 165 Para 12;</li> </ul>	<p>(See also definition of “exchange of balancing capacity”)</p> <p>Article 78 Para 2 under 16) and Article 78 Para 2 under 21) of the <b>Energy Law</b> and Article 161 Para 2 indent two, Article 165 Para 12, Article 166 Para 4 and 5 of the <b>Grid Code</b> can be assessed as <b>partially compliant with the EB GL</b>, as these provisions foresee the possibility for the TSO to exchange (obtain from) balancing capacity for secondary and tertiary regulation with other TSOs, but they do not contain any explicit requirements related to such an exchange, nor the necessity to coordinate these requirements with the NRA. Therefore, it can be assessed that the <b>explicit provisions on rules and processes for the exchange of balancing capacity</b> are <b>missing</b> in FYROM legislation. These matters are left to be regulated in the contracts with other operators in other control areas.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 33 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: amendments to the (Draft) Balancing Rules/ Grid Code that would introduce requirements for exchange of balancing capacity pursuant to the provisions of the EB GL.</b></p>

	<p>- TSO can partially obtain reserve for tertiary regulation from neighboring power system through agreement for the provision of tertiary reserve, under condition that TSO is required to provide to constant part which amount of 50% of the total reserves for secondary and tertiary regulation within its control area – Article 166 Para 4 and 5</p> <p><b>The Draft Balancing Rules</b> mention optimization in the context of the procurement of balancing capacity for aFRR and mFRR in Article 37, 38, 53 and 69, without further elaborating the concept of (capacity procurement) optimization function</p>	<p><b>The Draft Balancing Rules</b> envisage some of the concepts that are relevant for the TSOs to exchange balancing capacity, such as (capacity procurement) optimization in Article 37, 38, 53 and 69. The notion of “capacity procurement optimization” in these provisions should be developed further in the draft rules themselves (and not leaving it up to the TSO to define in the procurement rules) in the context of both procurement of balancing capacity within the MEPSO’s control area and exchange of balancing capacity among the TSOs.</p>	
<p><b>Article 34 – Transfer of balancing capacity</b></p>	<p><b>There are no provisions</b> allowing the BSPs to transfer their obligations to provide balancing capacity, within the geographical area in which the procurement of balancing capacity has taken place</p> <p>Similarly, there is <b>no provision defining the conditions under which the cross-border transfer of balancing capacity can take place</b>, e.g. by taking into account the available cross-zonal capacity</p>	<p>As per the EB GL, there are two options – either the TSOs allow the BSPs to transfer their balancing capacity obligations, or the TSOs develop a proposal for requesting an exemption.</p> <p><b>The possibility for the BSPs to transfer their balancing capacity obligations is missing</b> in FYROM legislation. The option of requesting an exemption, if that would be the case, can be carried out by submitting amendments to the (Draft) Balancing Rules (revised version of the draft rules) and Grid Code to ERC for approval under Article 24 Para 1 under 2) indent one and two of the Energy Law.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 34 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the (Draft) Balancing Rules</b> (and if necessary, the Grid Code) <b>a possibility for the BSPs to transfer their balancing capacity obligations</b> within the geographical area in which the procurement of balancing capacity has taken place.</p>

Title IV Cross-zonal capacity for balancing services		
<p><b>Article 37 – Cross-zonal capacity calculation (Exchange of balancing energy or imbalance netting process)</b></p>	<p><b>The (Draft) Balancing Rules and Grid Code</b> do not specify the timeframe for updating of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting</p>	<p>While there are agreements in force, concluded among MEPSO and the neighboring TSOs on allocation of cross-border capacity, the <b>explicit provisions setting out the update/recalculation of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting are missing</b> in the legal acts.</p>
<p><b>Article 38 – General requirements (Exchange of balancing capacity or sharing of reserves)</b></p>	<p><b>The Grid Code</b> foresees the possibility to provide system services via contracts with other electric power systems, TSO's right to provide a reserve for secondary regulation outside its control area within certain limits, and partially obtain reserve for tertiary regulation from neighboring power system through agreement for the provision of tertiary reserve - Article 161 Para 2 indent two, Article 165 Para 12 and Article 166 Para 4</p> <p><b>The Grid Code, nor other legal act do not further specify how the exchange of balancing capacity and sharing reserves shall take place</b></p>	<p>(See the definition of “exchange of balancing capacity”)</p> <p>The provisions regulating how the exchange of balancing capacity and sharing reserves shall take place, including one of three methodologies (foreseen in Article 38 and Article 40 – 42 of the EB GL respectively) for allocating cross-zonal capacity, <b>are missing</b>.</p> <p>It should be noted that the EB GL allows the TSOs to allocate cross-zonal capacity for the exchange of balancing capacity and sharing reserves only if cross-zonal capacity is calculated in accordance with the capacity calculation methodologies developed pursuant to Regulation 2015/1222 (CACM GL) and 2016/1719 (FCA GL). Currently these two guidelines are not explicitly mentioned in the agreements on allocation of cross-border capacity, concluded by MEPSO and the Serbian</p>

		<p>TSO (EMS), and the Bulgarian TSO (ESO), but there is a general reference to necessity to ensure compliance with the applicable regulations set out by EU law<sup>35</sup>.</p> <p>The allocation of cross - border capacity on the FYROM – Greece border is carried out by SEE CAO via long-term and day-ahead auctions. The <b>Rules for explicit Daily Capacity Allocation on Bidding Zone borders serviced by SEE CAO</b> set out:</p> <ul style="list-style-type: none"> <li>- in case the Daily Transmission Rights holder reserves its Physical Transmission Rights for the balancing services, such Cross Zonal Capacity shall be excluded from the application of the Use It Or Lose It principle - Article 35 Para 3</li> <li>- in accordance with applicable national legislation, a TSO may be required to provide balancing services, in which case it may notify the Allocation Platform of its rules on balancing. If and to the extent that the TSO shall provide balancing services in accordance with applicable national legislation, such rules on balancing shall become and form part of the Allocation Rules, applicable to the relevant Bidding Zone border – Article 38</li> </ul>	
<p><b>Article 39 – Calculation of market value of cross-zonal capacity</b></p>	<p><b>There are no provisions setting out how the market value of cross-zonal capacity is calculated</b></p>	<p>Given that there is no methodology for allocating cross-zonal capacity, corresponding provisions setting out</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that</b></p>

<sup>35</sup> <https://aukcijaatc.mepso.com.mk/PublicPage/AuctionRules.aspx#Rules2019>

		<p><b>how the market value of cross-zonal capacity is calculated</b> for the exchange of balancing capacity and sharing reserves are <u>missing</u> as well.</p>	<p><b>Article 39 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the (Draft) Balancing Rules provisions defining how the market value of cross-zonal capacity is calculated.</b></p>
<b>Title V - Settlement</b>			
<p><b>Article 44 – General principles</b></p>	<p><b>The Energy Law</b> confers on ERC competence, when setting regulations and methodologies for pricing of electricity transmission services, take into account revenues and costs incurred by the TSO on the basis of system services and balancing services – Article 28 Para 5 under 2)</p> <p>Additionally, the <b>Energy Law</b> foresees that [in case of endangered security of supply, accidents or major deviations in the consumption of electricity from the anticipated quantities] the costs for the purchased electricity, by applying the balancing mechanism, are compensated by the participants of the electricity market that caused the deviation (imbalance) - Article 78 Para 2 under 27)</p> <p><b>The Draft Balancing Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- the calculation of activated balancing energy bids for aFRR/mFRR – Article 48 and 76;</li> <li>- financial settlement with BSPs for purchased balancing capacity and</li> </ul>	<p>The provisions of the <b>Energy Law and Draft Balancing Rules</b> are assessed as <u>partially compliant</u> with the general objectives of imbalance settlement set out in the EB GL. Partial compliance stems from:</p> <ul style="list-style-type: none"> <li>- <b>“pay-as-bid” pricing for activation of balancing energy bids for aFRR/mFRR</b> (see the analysis of Article 29-31 of the EB GL);</li> <li>- <b>provisions related to bids for balancing energy for RR, activation and pricing of such bids are missing</b> (see analysis of Article 29-31 and Article 48 of the EB GL);</li> <li>- even though ERC competence set out in Article 28 Para 5 under 2) of the Energy Law does not fully reflect the NRA’s obligation to ensure that the settlement process is <b>financially neutral for the TSO</b>, as required in Article 44 Para 2 of the EB GL, the above-mentioned provision together with Article 78 Para 2 under 27) of the Energy Law give the possibility to achieve the above-mentioned goal. However, it should be noted that, <b>as per Article 44 Para 2 of the EB GL, TSOs shall not incur economic gains or losses with regard to the financial outcome of 1) settlements of balancing energy, 2)</b></li> </ul>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 44 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce provisions in the (Draft) Balancing Rules</b> (and, in necessary, in a methodology for electricity transmission system tariffs) <b>clarifying the financial neutrality of the TSO in the settlement processes, following the rationale of Article 44 Para 2 of the EB GL.</b></p>

	<p>activated balancing energy bids for aFRR/mFRR – Article 49, 50, 77 and 78;</p> <ul style="list-style-type: none"> <li>- process for calculation of imbalances – Article 112 – 119;</li> <li>- calculation of scheduled exchanges – Article 120 and 121;</li> <li>- calculation of imbalances – 122 – 125;</li> <li>- calculation of costs for financial settlement of imbalances with BRPs – Article 126 – 136;</li> <li>- financial settlement of imbalances with BRPs – Article 140</li> </ul>	<p><b>settlement of the exchanges of energy between TSOs and 3) imbalance settlements</b>, and any positive or negative financial outcome as a result of the above settlements must be passed on to network users in accordance with the applicable national rules. As mentioned earlier, currently explicit provisions on rules and processes for the exchanges of capacity are missing in FYROM legislation, and the same applies to the settlement of the exchanges of energy between TSOs. Having this in mind, the current legal framework, in its totality, can be assessed as only <b>partially compliant</b> with Article 44 Para 2 of the EB GL, as it lacks clear provisions on one out of three elements that should be taken into account when assessing/ensuring financial neutrality of the TSO in the settlement processes.</p> <p>Additionally, it should be taken into account that even though Article 50 and 78 of the <b>Draft Balancing Rules</b> foresee that the <b>activated balancing energy bids for aFRR/mFRR are financially settled on the basis of activated volume and prices provided in the bids</b> by BSPs (arranged in a merit order list starting from the lowest), the concern raised regarding potential regulation/limitation of the prices for balancing capacity/energy bids remain valid (see the analysis of Article 29-31 and 32 of the EB GL).</p>	
<p><b>Article 45 – Balancing energy calculation</b></p>	<p><b>The Draft Balancing Rules set out:</b></p>	<p>Article 48 of the <b>Draft Balancing Rules</b> containing <b>provisions on how activated</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that</b></p>

	<ul style="list-style-type: none"> <li>- the calculation of activated balancing energy bids for aFRR which is based on <b>metered</b> activation, done for each ISP (1 hour) and each direction - Article 48;</li> <li>- the calculation of activated balancing energy bids for mFRR which is based on <b>requested</b> activation and done for each ISP - Article 76;</li> <li>- the right of BSPs to appeal the report on calculation of the activated volume of balancing energy for aFRR/mFRR – Article 50 Para 5 and Article 78 Para 5</li> </ul>	<p><b>volume of balancing energy for aFRR is calculated</b> are assessed as <b>compliant</b> with Article 45 Para 1 and 2 of the EB GL.</p> <p>Article 76 of the <b>Draft Balancing Rules</b> containing <b>provisions on how activated volume of balancing energy for mFRR is calculated</b> are assessed as <b>partially compliant</b> with Article 45 Para 1 and 2 of the EB GL, as it does not explicitly foresee the calculation of activated volume of balancing energy for each direction.</p> <p><b>Clear provisions on how the activated volume of balancing energy for RR is calculated are missing.</b></p> <p>Similarly, <b>provisions setting out procedure for claiming the recalculation of the activated volume of balancing energy for RR are missing.</b></p>	<p><b>Article 45 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- align Article 76 of the (Draft) Balancing Rules with Article 45 Para 2 of the EB GL (calculation done for each direction);</li> <li>- introduce in the (Draft) Balancing Rules clear provisions on how the activated volume of balancing energy for RR is calculated, as well as procedure for claiming the recalculation of the activated volume of balancing energy, following the rationale of Article 45 of the EB GL.</li> </ul>
<p><b>Article 47 – Balancing energy for frequency restoration process</b></p> <p><b>&amp;</b></p> <p><b>Article 48 – Balancing energy for reserve replacement process</b></p>	<p><b>The Draft Balancing Rules</b> set out payments for balancing energy for aFRR/mFRR in Article 50 Para 6 and 7 and Article 78 Para 6 and 7, namely, the BSP pays to TSO in case of downward regulation, and the TSO pays to BSP in case of upward regulation</p>	<p>Article 50 and Article 78 of the <b>Draft Balancing Rules</b> appear to be <b>partially compliant</b> with Article 47 and 48 of the EB GL, as they do not explicitly reflect the payment of price, be it positive, zero or negative, of the activated volume of balancing energy for aFRR/mFRR for each direction in line with Table 1 in Article 46 of the EB GL.</p> <p>Particular attention should be paid to the situation foreseen in Article 5 Para 2 of the <b>Draft Balancing Rules</b> (i.e. mandatory bidding for balancing capacity and balancing energy and pricing thereof), and what the price and settlement with BSPs would be in such a case, so as to</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 47 and 48 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- align Article 50 and Article 78 of the (Draft) Balancing Rules with Article 47 and 48 of the EB GL in terms of payment of price, be it positive, zero or negative, for the activated volume of balancing energy for aFRR/mFRR for each direction;</li> <li>- introduce clear provisions on payment for the activated volume of balancing energy for RR, following the rationale of Article 48 of the EB GL.</li> </ul>

		<p>ensure that the requirements of the EB GL are met if this provision is utilised.</p> <p><b>Provisions on payment for the activated volume of balancing energy for RR are <u>missing</u>.</b></p>	
<p><b>Article 49 – Imbalance adjustment to the balance responsible party</b></p>	<p><b>The Draft Balancing Rules</b> do not define “imbalance adjustment”, but imply its applicability in Article 83 Para 3, Article 123 and Article 126 Para 1</p>	<p>Article 83 Para 3, Article 123 and Article 126 Para 1, read in conjunction with Article 122, of the <b>Draft Balancing Rules</b> can be assessed as <b><u>partially compliant</u></b> with Article 49 of the EB GL, according to which <b>the imbalance adjustment shall be applied to the concerned BRP for each activated balancing energy bid</b>, calculated by the TSO as the netted volume of (a) all balancing energy volumes from all activated bids for that ISP that assign this balancing energy to the concerned BRP and (b) all volumes activated by the TSO for purposes other than balancing, that are assigned to the concerned BRP. Currently <b>explicit provisions covering the determination of volumes activated by the TSO for purposes other than balancing are <u>missing</u>.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 49 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>-introduce a definition of “imbalance adjustment” in the (Draft) Balancing Rules which will replicate the definition from the EB GL;</li> <li>- introduce clear provisions in the (Draft) Balancing Rules on how the volumes activated by the TSO for purposes other than balancing are determined and assigned to the concerned BRP for the purpose of imbalance calculation.</li> </ul>
<p><b>Article 50 – Intended exchanges of energy</b></p>	<p><b>There are no provisions</b> setting out TSO-TSO settlement rules for the intended exchanges of energy</p> <p><b>The Grid Code</b> mentions the possibility to provide system services via contracts with other electric power systems, as well as exchange program with other</p>	<p>Explicit provisions regulating TSO-TSO settlement rules for the intended exchanges of energy from aFRR/mFRR/RR are <b><u>missing</u></b> in FYROM legislation.</p> <p>Contracts for system services with other electric power systems or information on exchange programs mentioned in Article</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 50 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- introduce explicit provisions in the (Draft) Balancing Rules and Grid Code that would clarify the intended exchanges of energy from</li> </ul>



	<p>control area in the context of activating reserve for tertiary regulation - Article 161 Para 2 indent two and Article 166 Para 6</p>	<p>161 Para 2 and Article 166 Para 6 of the Grid Code are not publicly available. Hence, it is not feasible to assess their compliance with Article 50 of the EB GL, according to which common settlement rules should be developed for all intended exchanges of energy related to imbalance netting and cross-border FRR and RR activation process.</p>	<p><b>aFRR/mFRR/RR with other TSOs, pricing in such exchanges, as well as whether imbalance netting can be applied for these exchanges;</b></p> <ul style="list-style-type: none"> <li>- ensure that the agreements concluded among MEPSO and other TSOs on cross-border procurement/exchange of balancing energy are based on/aligned with the requirements of the EB GL (i.e. common merit order list, common rules for exchange of balancing energy, common pricing and settlement rules, etc.)</li> </ul>
<p><b>Article 52 – Imbalance settlement</b></p>	<p><b>The Draft Balancing Rules</b> define the imbalance settlement with BRPs, in particular:</p> <ul style="list-style-type: none"> <li>- process for calculation of imbalances – Article 112 – 119;</li> <li>- calculation of scheduled exchanges – Article 120 and 121;</li> <li>- calculation of imbalances – 122 – 125;</li> <li>- calculation of costs for financial settlement of imbalances with BRPs – Article 126 – 136;</li> <li>- financial settlement of imbalances with BRPs – Article 140</li> </ul> <p><b>The Draft Balancing Rules</b> do not explicitly mention “imbalance adjustment” for the BRPs, but Article 83 Para 3, Article 123 and Article 126 Para 1 refer to balancing services (which includes both capacity and energy) provided by BSPs</p>	<p>Provisions of the <b>Draft Balancing Rules</b> setting out imbalance settlement with BRPs can be assessed as <b>compliant</b> with the requirements set out in Article 52 of the EB GL, as these provisions appear to ensure that the TSO settles (will settle) within its scheduling area with each BRP for each ISP all calculated imbalances against the imbalance price.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 52 will be transposed into the national legislation in its integral text.</b></p> <p><b>No separate transitional solution is necessary regarding Article 52</b></p>

	<b>The Draft Balancing Rules</b> explicitly mention “single pricing” in Article 127 Para 4		
<b>Article 53 – Imbalance settlement period</b>	<b>The Draft Balancing Rules</b> do not define but use the notion of “imbalance settlement period/ISP” and “individual settlement period of deviations”, as well as state that the imbalance calculation “is performed for the period of one month for each month separately and individually for each period of settlement of deviations of <b>one hour</b> ” - Article 42 Para 2, Article 51 Para 4, Article 53 Para 2, Article 106 Para 5, Article 134 para 1 and Article 112 Para 2	While the terms “imbalance settlement period/ISP” and “individual settlement period of deviations” used in the <b>Draft Balancing Rules</b> appear to be used within the same meaning as “imbalance settlement period” in the EB GL, the period of time defined as settlement period (1 hour) is <b>non-compliant with the EB GL</b> , as the EB GL target model foresees the imbalance settlement period of 15 minutes.	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 53 will be transposed into the national legislation in its integral text.</b>  <b>Having in mind the interim solution for imbalance settlement period</b> (Final report, Task 4), <b>no separate transitional solution is necessary.</b>
<b>Article 54 – Imbalance calculation</b>	<b>The Draft Balancing Rules</b> set out: - process for calculation of imbalances – Article 112 – 119, including BRP’s right to object the calculation of imbalances; - calculation of scheduled exchanges - Article 120 and 121; - imbalance calculation - Article 122 - 125  <b>The Draft Balancing Rules</b> do not explicitly state that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals	(See also definition of “allocated volume” and “position”)  Having in mind the analysis of Article 49, provisions of the <b>Draft Balancing Rules</b> appear to be <b>partly compliant</b> with imbalance calculation principles set out in the EB GL, as they foresee calculation of imbalance based on “scheduled exchanges” (i.e. the nominated/declared position of the members of a balancing group/the balancing group; the term assessed as compliant in substance with “position”) and “final position” (the term assessed as compliant in substance with “allocated volume”) for each BRP, for each ISP, in the imbalance area.	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 54 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution:</b> along the proposed solutions for definitions of “allocated volume” and “position”, as well as Article 49 – Imbalance adjustment for the BRPs, <b>introduce a provision in the (Draft) Balancing Rules explicitly stating that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals.</b>

<p><b>Article 55 – Imbalance price</b></p>	<p><b>The Draft Balancing Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- the MO prepares the draft plan for the imbalance cost which does not include expenses covered by other funding sources, such as the tariff for using the transmission grid – Article 126 Para 3;</li> <li>- the TSO calculates the cost of imbalance settlement for each BRP in each ISP, based on cost of activated balancing energy, and settles the cost (price) which can be positive, zero and negative in accordance with the table of payments – Article 127;</li> <li>- the TSO calculates the cost of imbalance settlement based on the volume of activated balancing energy and total imbalance of the system – Article 128;</li> <li>- the cost of activated balancing energy is calculated as weighted average price for positive/negative activated balancing energy from aFRR, mFRR and RR – Article 129;</li> <li>- the price of inactivated energy (avoided activation of balancing energy) for positive/ negative imbalance is calculated as HUPX – 50%/ HUPX +50% - Article 130</li> </ul>	<p>The provisions of the <b>Draft Balancing Rules</b> can be assessed as <b>partly compliant</b> with requirements for calculation of imbalance prices, as set out in Article 55 of the EB GL. The partial compliance stems from the following observations:</p> <ul style="list-style-type: none"> <li>- the cost of activated balancing energy is calculated as weighted average price for positive/negative activated balancing energy from aFRR, mFRR <b>and RR</b> (Article 129 of the Draft Balancing Rules). Yet, there are no provisions in the current text of the <b>Draft Balancing Rules</b> setting out how the balancing energy bids for RR are activated and price of activated balancing energy from RR formed;</li> <li>- the <b>definition of the value of avoided activation of balancing energy from FRR/RR is missing, nor is there any link between this value and the calculation of the imbalance price as foreseen in Article 55 Para 4 under b) and Para 5 under b)</b>. Additionally, the mere fact that the calculation of this value in case of positive/ negative imbalance is attached to HUPX with minus or plus 50% market index does not necessarily mean that it reflects the actual/real-time situation in the system;</li> <li>- having in mind Article 5 Para 2, Article 25 Para 8 and Article 67 Para 2 of the draft rules, no provision explains the impact of these norms on the calculation of imbalance in the (undefined) interim period.</li> </ul>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 55 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Article 129 and 130 of the (Draft) Balancing Rules should be reviewed regarding meeting the requirements of Para 4 and 5 of Article 55 of the EB GL.</b></p>
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<p><b>Article 56 – Procurement within scheduling area</b></p>	<p>See analysis for Article 32</p>	<p>See analysis for Article 32</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 56 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> in addition to solutions proposed for regarding Article 32 of the EB GL, <b>introduce provisions setting out the rules for the settlement of RR in the (Draft) Balancing Rules.</b></p>
<p><b>Article 57 – Procurement outside a scheduling area</b></p>	<p>See analysis for Article 33</p>	<p>See analysis for Article 33</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 57 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> in addition to solutions proposed regarding Article 33 of the EB GL, <b>introduce provisions in setting out the rules for the settlement of procured balancing capacity outside MEPSO’s scheduling area in the (Draft) Balancing Rules.</b></p>

## 6. MONTENEGRO

The gap analysis was based on the only publicly available English version of the Energy Law<sup>36</sup>, as well as on the Law on Cross-border Exchange of Electricity and Natural Gas<sup>37</sup>, Market Rules<sup>38</sup>, Rules on the functioning of electricity balancing market (hereinafter – Balancing Rules)<sup>39</sup>, Methodology of establishing prices, deadlines and terms for providing ancillary services and balancing services for the electric energy transmission system (hereinafter – Methodology)<sup>40</sup> and Rules on functioning of electricity transmission system (hereinafter – Grid Code)<sup>41</sup>, which were available only in Montenegrin language and were translated into English by using automated translation tool. Hence, the accuracy and granularity of gap analysis was limited and some of the identified discrepancies might not be relevant due to inconsistencies between the Montenegrin and English version of the above-mentioned legal acts, as a result of (automated) translation.

Bilateral agreements between Montenegrin TSO (CGES) and neighboring TSOs were not analyzed in detail but they were taken into account to the extent that these agreements should be aligned with the relevant amendments to legal acts, proposed as transitional solutions.

EB GL/SO GL	National legislation	Level of compliance (compliant, non-compliant, partly compliant, missing)	Proposed changes
<b>Part I - General provisions of SO GL</b>			
<b>Article 3 – Definitions</b>			
<b>(6) “frequency containment reserves” (FCR)</b>	Article 132 Para 5 of the <b>Energy Law</b> does not define FCR but mentions system frequency within previously	Even though the “old” and “new” terminology is used and the term “active power reserve” (which as per the SO GL	<b>The adoption of the SO GL under the auspices of the Energy Community will mean that the</b>

<sup>36</sup> <http://www.poreskauprava.gov.me/ResourceManager/FileDownload.aspx?rid=271867&rType=2&file=Energy%20Law.pdf>

<sup>37</sup> <http://www.sluzbenilist.me/pregled-dokumenta-2/?id={F98665F3-1C4A-4994-A3F4-F676B3D784C5}#>

<sup>38</sup> [http://regagen.co.me/cms/public/image/uploads/4\\_Trzisna\\_pravila.pdf](http://regagen.co.me/cms/public/image/uploads/4_Trzisna_pravila.pdf)

<sup>39</sup> [http://regagen.co.me/cms/public/image/uploads/3\\_Pravila\\_za\\_rad\\_balansnog\\_trzista\\_elektricne\\_energije.pdf](http://regagen.co.me/cms/public/image/uploads/3_Pravila_za_rad_balansnog_trzista_elektricne_energije.pdf)

<sup>40</sup> [http://regagen.co.me/cms/public/image/uploads/Metodologija\\_za\\_pomocne\\_i\\_balansne\\_usluge\\_Precisceni\\_tekst.pdf](http://regagen.co.me/cms/public/image/uploads/Metodologija_za_pomocne_i_balansne_usluge_Precisceni_tekst.pdf)

<sup>41</sup> [http://regagen.co.me/cms/public/image/uploads/Pravila\\_za\\_funkcionisanje\\_prenosnog\\_sistema\\_elektricne\\_energije\\_Precisceni\\_tekst\\_sa\\_prilozima.pdf](http://regagen.co.me/cms/public/image/uploads/Pravila_za_funkcionisanje_prenosnog_sistema_elektricne_energije_Precisceni_tekst_sa_prilozima.pdf)

	<p>defined containment scope and maintenance of <b>reserve volumes required by the Frequency Containment Process</b></p> <p><b>The Grid Code</b> in Article 139 under 1) defines the automatic engagement of the reserve of primary regulation - <b>frequency containment reserves (FCR), which represents the action of turbine speed regulators after deviation frequencies from the nominal value, due to the imbalance in production and consumption in synchronous systems</b></p> <p><b>The Grid Code</b> does not use the term “frequency containment reserves” further in the text, but uses “<b>primary regulation</b>” extensively</p> <p><b>The Market Rules</b> do not define FCR but mention “<b>primary frequency control</b>” and “<b>restoration on reserve used for primary regulation</b>” (in the definition of “secondary regulation”) – Article 4 Para 1 under 29) and 32)</p> <p><b>The Methodology</b> does not define FCR but mentions “<b>primary frequency regulation</b>” (as one of the ancillary services) and “<b>primary regulation</b>” (in the context that it shall be provided by the service providers free of charge) - Article 5</p>	<p>covers the balancing reserves available for maintaining the frequency) is not defined in the current framework, the <b>Grid Code definition of FCR can be assessed as <u>compliant</u> with the definition of FCR from the SO GL.</b></p>	<p><b>definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- introduce a definition of “active power reserves” replicating the definition from Article 3 Para 2 under 16) of the SO GL in the Grid Code;</li> <li>- to ensure coherence, alignment of the terminology used throughout the Grid Code, Methodology and Market Rules should be done.</li> </ul>
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	Para 1 under 1) and Article 8 under 1)		
<p><b>(7) “frequency restoration reserves” (FRR)</b>  <b>(99) “automatic FRR”</b>  <b>(143) “manual FRR full activation time”</b></p>	<p><b>The Energy Law</b> does not define FRR but in Article 132 Para 5 mentions [reserve volumes required by] the <b>Frequency Restoration Process</b></p> <p><b>The Grid Code</b> in Article 139 under 2) defines aFRR, which enables the realization of a defined exchange program between regulatory areas, the take-off of the frequency regulation from the primary regulation, and consequently the release of the activated primary reserve, the regulation of the frequency at the setpoint, and the correction of the synchronous time, by manually engaging the tertiary control reserve</p> <p><b>The Grid Code</b> does not use the term “frequency restoration reserves” further in the text, but uses “secondary regulation” extensively</p> <p><b>The Market Rules</b> define in Article 4 Para 1 under 32) “secondary regulation” as automated, centralized function whose goal is adjusting the generation in the Control Area for the purpose of maintaining system frequency and exchange programs with other Control Areas at a set level, so as to restore the reserve used for primary regulation</p>	<p>Even though the “old” and “new” terminology is used, the <b>Grid Code definition of aFRR can be assessed as <u>partially compliant in substance with the definition of FRR from the SO GL</u></b>, as the <b>Grid Code refers to mFRR in the context of tertiary regulation</b>, while in the EB GL/SO GL the frequency restoration reserves encompasses both with automatic and manual activation (aFRR/mFRR).</p> <p>The definition of “secondary regulation” in the <b>Market Rules and Methodology</b> appear to be <b><u>partially compliant in substance</u></b> with the definition of FRR from the SO GL.</p>	<p><b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>clarify the definition of FRR in the Grid Code with that of the SO GL.</b> This implies aligning the terminology throughout the Grid Code in terms of “secondary regulation”/“tertiary regulation”;</li> <li>- <b>to ensure coherence, alignment of the terminology used throughout the Grid Code, Methodology and Market Rules should be done.</b></li> </ul>

	<p><b>The Methodology</b> mentions “secondary frequency regulation” (as one of the ancillary services) and uses “secondary regulation” extensively throughout the text, which is defined in Article 11 Para 1 as automated, centralized function aimed at increasing production (regulation upwards) or by reducing production (regulation downwards) in service facilities of the service provider, ensuring the maintenance of frequency and power sharing programs with neighboring control areas at a given value</p>		
<p><b>(8) “replacement reserves” (RR)</b></p>	<p><b>The Energy Law</b> does not define RR but in Article 132 Para 5 mentions [reserve volumes required by] the <b>Reserve Replacement Process</b></p> <p><b>The Grid Code</b> in Article 139 under 3) defines tertiary control reserve, that is, <b>the frequency restoration reserve (mFRR) or the replacement reserve (RR)</b>, which allows the release of the scope of the engaged aFRR.</p> <p><b>The Grid Code</b> does not use the term “frequency restoration reserve” or “replacement reserve” further in the text, but <b>uses “tertiary regulation”</b> extensively</p> <p><b>The Market Rules</b> define in Article 4 Para 1 under 34) <b>“tertiary regulation”</b> as changes to the</p>	<p>Even though the “old” and “new” terminology is used, the <b>Grid Code definition of mFRR and RR can be assessed as <u>partially compliant in substance</u> with the definition of FRR/RR from the SO GL</b>, as the <b>Grid Code refers to mFRR in the context of tertiary regulation.</b></p> <p>The definition of “tertiary regulation” in the <b>Market Rules and Methodology</b> appear to be <b><u>partially compliant in substance</u></b> with the definition of RR from the SO GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- replicate the definition from the SO GL in the <b>Grid Code</b>. This implies aligning the terminology throughout the Grid Code in terms of “tertiary regulation”;</li> <li>- to ensure coherence, alignment of the terminology used throughout the <b>Grid Code, Methodology and Market Rules should be done.</b></li> </ul>



	<p>spinning active power of generating units in real time at the direct order for starting up (cold) system reserves and buying/importing of necessary electric power with the goal of restoring the service of secondary regulation and maintaining the frequency at a set value with the goal of the stable operation of the system</p> <p><b>The Methodology</b> mentions “<b>tertiary frequency regulation</b>” (as one of the ancillary services) and uses “<b>tertiary regulation service</b>” extensively throughout the text, which is defined in Article 17 Para 1 as tertiary reserve for regulation upward corresponding to the strength of the largest production unit in the system whose operation planned for the respective period, and the tertiary reserve for downward regulation corresponding to the strength of the largest consumer unit whose work planned in the same period</p>		
<b>Title I - General provisions of EB GL</b>			
<b>Article 2 - Definitions</b>			
<b>(9) “balancing”</b>	<p><b>The Energy Law</b> defines the notion of “Electricity System Balancing” in Article 132 Para 5, and uses the notion in Article 41 Para 1 under 10), Article 43 Para 3 under 3), Article 58 Para 5 under 3) – in these</p>	<p><b>Article 132 Para 5 of the Energy Law is assessed as <u>compliant</u> with the definition from the EB GL.</b></p> <p><b>The Market Rules</b> definition of “system balancing” is assessed as <b><u>non-compliant</u></b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p>

	<p>three Articles it seems to be used in the context of balancing services, Article 111 Para 3, Article 114 Para 2 under 5), Article 124 Para 4 under 3, Article 126 Para 2, Article 132 Para 6, and uses the notion of “balancing function” when defining the balancing energy market under 5) and the notion of “balancing of capacity/energy” when defining “balancing services” under 80), and the notion of “system balancing purposes” Article 14 para 2 under 4)</p> <p><b>The Market Rules</b> define “system balancing” in Article 4 Para 2 under 2)</p> <p><b>The Balancing Rules</b> define “balancing” in Article 3 Para 2</p> <p><b>The Methodology</b> does not define but uses the notion of “system balancing needs” in Article 19 Para 5, and “balancing” in Article 21 Para 1 and Article 25 Para 1 (appears to be used in both Articles in the context of balancing services), Article 32 (which makes a reference to the Market Rules), Article 33 Para 2 and 3</p> <p><b>The Grid Code</b> defines “balancing” in Article 7 Para 1 and elaborates how balancing is done in Article 143</p>	<p>with the definition from the EB GL, as it only makes a reference to the amount of reserves (with no further elaboration), and does not mention maintenance of system frequency nor all actions and processes (but rather focuses on handling bids for increase/decrease of generation and/or consumption in real time, and not all timelines)</p> <p><b>The Balancing Rules</b> definition is assessed as <b>non-compliant</b> with the EB GL definition, as it also only makes reference to the maintenance of the amount of regulation reserves (with no further elaboration), and does not mention maintenance of system frequency nor all actions and processes (but rather focuses on buying and selling energy in real time, and does hence not make references to all timelines).</p> <p>The definition from the <b>Grid Code</b> is assessed as <b>non-compliant</b> with the definition from the EB GL, as it makes no reference to all actions or processes, nor to ensuring maintenance of system frequency and compliance with the amount of reserves</p>	<p><b>As a transitional solution: replicate the definition from the EB GL in the Market Rules</b> (which in Article 4 Para 1 references to the definitions from the Law but provides a different definition of “balancing” in Article 4 Para 2), <b>Balancing Rules and Grid Code</b>. This also implies aligning the terminology with that of Article 3 under 6),7), and 8) of the SO GL.</p>
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<p><b>(10) “balancing market”</b></p>	<p><b>The Energy Law</b> defines the “balancing electricity market” in Article 6 Para 1 under 5)</p> <p><b>The Market Rules</b> do not define “balancing market” but use the notion in Article 5 para 1 under 6) and Article 6</p> <p><b>The Balancing Rules</b> define the “balancing market” in Article 3 Para 1</p> <p><b>The Methodology</b> does not define “balancing market” but uses the notion in Article 6 Para 4</p> <p><b>The Grid Code</b> defines the “balancing market” in Article 7 Para 1</p>	<p><b>The Energy Law</b> definition of “balancing market” is assessed <u>as compliant</u> with the definition from the EB GL.</p> <p><b>The Market Rules</b> definition of “balancing market” is assessed as <u>partially compliant</u> with the definition from the EB GL, as it omits to make a reference to market-based management of balancing.</p> <p><b>The Grid Code</b> definition of “balancing market” is assessed as <u>non-compliant</u> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- amend the definitions in the Balancing Rules by including a reference to market-base management of balancing (this also implies changes to the whole model of the balancing market so that it is in line with such a definition);</li> <li>- align the definition in the Grid Code with that of the EB GL.</li> </ul>
<p><b>(3) “balancing services”</b></p>	<p><b>The Energy Law</b> defines “balancing service in the energy sector” in Article 6 para 1 under 80)</p> <p><b>The Market Rules</b> do not define “balancing services” but use the notion in Article 33 Para 1, Article 36 Para 4, Article 58 Para 1, and Article 60 Para 17 (in all articles simultaneously with the notion of “ancillary services”)</p> <p><b>The Balancing Rules</b> does not define “balancing services” but use the notion in Article 28 Para 1 (simultaneously with the notion of “ancillary services”)</p>	<p>The definition from the <b>Energy Law</b> is assessed as <u>partially compliant</u> with the definition from the EB GL (as it uses verbs instead of nouns and is hence unclear in its intention).</p> <p>Special attention should be paid to Article 5 of the <b>Methodology</b> which attempts to make a differentiation between ancillary services and balancing services. However, this is not done in a manner which is consistent with the definition of balancing services in the EB GL, i.e. making it at best <u>partially compliant in substance</u> with the EB GL definition. To make things even more complex, primary, secondary and tertiary</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: define the scope of “ancillary services” in the Grid Code, Market Rules, Balancing Rules (and Methodology) in a clear way, so as to enable to define “balancing services” as a narrower part of ancillary services in line with the definition from the EB GL, and ensure the terms are used consistently throughout all the texts.</b></p>

	<p><b>The Methodology</b> does not define “balancing services” but use the notion in Article 1, Article 2, Article 5 Para 2 (where it further elaborates what balancing services encompass), Article 34 Para 3, Article 36, Article 27 Para 1 under 5), Article 39 para 1, Article 40 Para 1, Article 42 Para 1 and Article 44 (in all articles simultaneously with “ancillary services”) and in the title of Chapter III Heading 5.</p> <p><b>The Grid Code</b> does not define nor use “balancing services”. It does use the notion of “ancillary services” in Article 2 Para 1 under 6), Article 7 Para 1 when defining “dispatching instruction”, Article 120 Para 1 under 2), Article 125 Para 2 under 4), Article 135 Para 2 under 3), Article 137, Article 138 (which elaborates that ancillary service include: primary/secondary/tertiary regulation, <u>delivery of balancing energy</u>, but also compensation programs, energy for covering losses in the transmission system, voltage control, and re-establishment of the system), Article 151 Para 1 under 2), Article 153, Article 154 Para 4, Article 188 Para 1 under 6, Article 199 Para 2 and 3, Article 200 Para 2, the notion of “ancillary services and balancing energy (by activating reserves when</p>	<p>regulation are foreseen as ancillary services (which also include energy for compensation programs, voltage control-reactive power, delivery of reactive energy, black start and island operation), while maintaining the necessary level of reserves for the operation of the system is foreseen as a balancing service, making the overlapping between the two impossible to untangle.</p> <p>By just reading Article 138 of the <b>Grid Code</b> it would appear that ancillary services are a wider term than balancing services and that in substance they include both balancing capacity and energy. However, this is neither consistently nor clearly portrayed throughout the Grid Code, let alone when read in conjunction with the Market Rules or the Methodology.</p>	
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	<p>needed)” in Article 15 para 1 under 3, Article 18 (which elaborates on the content of the Contract on Ancillary Services and Balancing Energy and imply that ancillary services cover primary/secondary/tertiary regulation, but also compensation programs, voltage control, and re-establishment of the system), and Annex 4.3.</p>		
<p><b>(4) “balancing energy”</b></p>	<p><b>The Energy Law</b> does not define but uses the notion of “balancing energy” with regards to the conclusion of an Agreement on Ancillary Services and Balancing Energy in Article 112 Para 7 indent 3</p> <p><b>The Market Rules do not define</b> but use the notion of “balancing energy” when defining Article 4 Para 2 under 40) when defining the Agreement on purchasing Balancing Energy (<i>Note: this contract is neither mentioned nor elaborated further in the text</i>)</p> <p><b>The Balancing Rules</b> do not define but use the notion of “balancing energy” in Article 3 Para 1 when defining the “balancing market”, Article 6 para 4, Article 12 Para 3, Article 18 Para 6, Article 20 Para 3, Article 25 Para 7, state that the “TSO purchases energy necessary for the balancing on the balancing market” in Article 12 Para 2, state</p>	<p>Article 12 Para 2 and Article 15 Para 1 of the <b>Balancing Rules</b> are assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as they foresee that energy bought on the balancing market is used for balancing of the transmission system, but make no references the balancing service providers (see below: definition of BSP)</p> <p>Article 11 Para 4 under 2), Article 12 Para 7, and Article 17 Para 2 under a) and b) of the <b>Methodology</b> are assessed as <b>compliant in substance</b> with the definition from the EB GL as they imply energy used for balancing of the system and are provided by balancing service providers (when read in conjunction with Article 10 and Article 15)</p> <p><b>The Grid Code</b> definition is assessed as <b>non-compliant</b> with the definition from the EB GL</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of the “balancing energy” in the Balancing Rules, Methodology and Grid Code which will replicate the definition from the EB GL, and ensure that it is used appropriately throughout the texts.</b></p>

	<p>that “bids for purchasing and sale of energy on the balancing market are given with the goal to enable the TSO to balance the transmission system” in Article 15 Para1</p> <p><b>The Methodology</b> does not define “balancing energy”, but uses the notion of “delivered energy for upward/downward regulation” in Article 11 Para 4 under 2), the “amount of energy used in secondary regulation” in Article 12 Para 7, the “delivery/acceptance of energy” in the context of tertiary regulation in Article 17 Para 2 under a) and b)</p> <p><b>The Grid Code</b> defines balancing energy in Article 7 Para 3</p>		
<p><b>(5) “balancing capacity”</b></p>	<p><b>The Energy Law</b> does not define “balancing capacity”, but uses the notion of “balancing of capacities” in Article 4 Para 2 under 80), “reserve capacities” in Article 13, Article 16 Para 1 under 3), “capacities for provision of ancillary services” in Article 14 Para 2 under 4), and the notion of “reserve in power” in Article 63</p> <p><b>The Market Rules</b> do not define nor use “balancing capacity”</p> <p><b>The Balancing Rules</b> do not define nor use “balancing capacity”</p>	<p><b>Definition of “balancing capacity” is missing in Montenegrin legislation.</b></p> <p><b>Methodology</b> (Article 11 Para 4 under 1) with respect to secondary regulation, and Article 17 Para 1 under 2) with respect to tertiary regulation) can be assessed as <u>partially compliant</u> in substance with the definition from the EB GL, as they foresee secondary/tertiary capacity which the service provider is obliged to hold (guarantee the availability of). However, Article 14 Para 1 and Article 24 Para 1 state that the prices for activation (balancing energy) are determined in respective contracts – annual for secondary and without a</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “balancing capacity” in the Balancing Rules, the Methodology and the Grid Code which will replicate the definition from the EB GL.</b> This will imply setting out clear rules in the Balancing Rules pertaining to bids for balancing energy which correspond to the volume of balancing capacity (amount of reserves) which a service provider has agreed to hold.</p>

	<p><b>The Methodology foresees</b> the that the service provider “guarantees the availability of its generating capacity, for the needs of the TSO” Article 11 Para 4 under 1) with respect to secondary regulation, and in Article 17 Para 1 under 2) with respect to tertiary regulation</p> <p><b>The Grid Code</b> does not define “balancing capacity”, but implicitly deals with the subject matter in Annex 4.3 (Contract on Procurement of Ancillary Services and Balancing Energy) – Article 1, (which covers different types of reserves), Article 9, Article 11, Article 16, Article 19, Article 20, Article 25 Para 3, Article 28, and Article 33 Para 2.</p>	<p>specified timeframe for tertiary, which brings up the question of the relation of these two articles of the Methodology with Articles 15, 16, and 21 of the Balancing Rules covering bids, as the latter is the only legal act mentioning the bids for balancing energy (i.e. “in respect to which the BSP has agreed to submit bids for a corresponding volume of balancing energy” from the definition of the EB GL).</p> <p>Annex 4.3 of the <b>Grid Code</b> in its totality can at best only be assessed <b>as partially compliant</b> in substance with the definition from the EB GL. Namely, Article 15, Article 25 Para 3, and Article 33 Para 2 of this Annex only limit the price of balancing energy, and make a reference that this limit is set in line with the Methodology (which in Article 14 and 24 limit the price to double average price of import/export for the year preceding the year of contract conclusion). Taking all of the above into account, and especially that the prices of balancing energy are only limited in the contract foreseen in this Annex, it remains unclear how the actual prices are determined, i.e. whether bids foreseen in Articles 15, 16 and 21 of the Balancing Rules play any role. The legal situation is further complicated, i.e. made unclear by the provision of Article 143 Para 2 of the Grid Code which specifies that all producers are obliged to submit offers(bids) for engaging their remaining generating</p>	
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		capacities together with their production plans.	
<b>(6) “balancing service provider”</b>	<p><b>The Energy Law</b> does not define “balancing service provider” but uses the notion of “service providers” in Article 41 Para 1 under 10, in Article 63 Para 1 under 1), Para 2 under 1), and Article 112 Para 1 under 7) indent 3</p> <p><b>The Market Rules</b> do not define “balancing service provider”, but use the notion of “ancillary service provider” in Article 4 Para 2 under 44 when defining the Contract on providing ancillary services</p> <p><b>The Balancing Rules</b> do not define “balancing service provider”</p> <p><b>The Methodology</b> does not define “balancing service provider”, but defines the notion of “ancillary service provider” in Article 4 para 2 under 3), and uses it in Article 35 Para 2. It uses the notion of “service provider” in Article 1 Para 1, Article 2 Para 1 under 2), Article 3 Para 1 under 1), Article 4 Para 2 under 1) when defining the Contract on provision of ancillary services, Article 5 Para 2 when defining the scope of balancing services, Article 6 Para 1 and 2 Article 7 Para 5 and 6, Article 8, Article 9, Article 10 (which defines the service providers in relation to secondary regulation),</p>	<p><b>The definition of balancing service providers is <u>missing</u> in Montenegrin legislation.</b></p> <p>The use of the notion “service provider” in the <b>Methodology</b> implies that it is generic and used both for ancillary and balancing services as defined in Article 5 (<i>see: definition of balancing services above</i>). Article 10 (which defines the service providers in relation to secondary regulation) read in conjunction with Article 11 Para 1 and 4 under 1) and Article 13 Para 3) imply that these are market participants with reserve-providing units (generators). Article 16 (which defines service providers in relation to tertiary reserve) read in conjunction with Article 17 Para 2 and Article 18 Para 1 and 2, Article 19 Para 4 under 2), Article 25 Para 4, Article 26 Para 2, Article 28, implies that these are market participants with reserve-providing units (generators or consumers which can reduce their consumption). Hence, the abovementioned Articles can be assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p><b>Annex 4.3 of the Grid Code</b> - Article 1 which covers the different types of reserves, Article 8, Article 18 and Article 27 where the specific units that are providing secondary/tertiary regulation are to be enumerated (and then further</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “balancing service providers” in the Market Rules, Balancing Rules, Methodology and Grid Code which will replicate the definition from the EB GL.</b> Aside from ensuring that it is used appropriately throughout the texts, it is necessary to <b>streamline this transitional solution with the transitional solution for balancing services</b> (see above: definition of balancing services).</p>



	<p>Article 11 Para 1, 4, Article 14 Para 1 and 4, Article 15, Article 16 (which defines service providers in relation to tertiary reserve), Article 17 Para 2 and 3, Article 18, Article 19 Para 4, Article 20 Para 1 and 2, Article 21 Para 3-5, Article 22 Para 2, Article 24 para 1 and 3, Article 25 para 2 and 4, Article 26 Para 2 and 3, Article 28 Para 1, Article 29, Article 30 Para 3, and Article 43 para 2.</p> <p><b>The Grid Code</b> does not define “balancing service provider” but uses the notion of “service provider” in Article 137 Para 2, “ancillary service provider” in Article 200 para 2, and throughout Annex 4.3 (Contract on Procurement of Ancillary Services and Balancing Energy)</p>	<p>specified in Addendum 3/Addendum 4/Addendum 5 to the Contract), Article 9, 19 and 28 (which specify scope of regulation in MW, i.e. the reserve capacity) are, in their totality, assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p><b>Article 5.1.6 (Balancing entities) of the Market Code, read in conjunction with Articles 5.1.7 (Contractual Balancing Reserves) and 5.2 (Participation in the Balancing Mechanism) in substance</b> define who can be the balancing service provider and are thus <b>compliant</b> with the requirements of the definition of balancing service provider from the EB GL</p>	
<p><b>(7) “balance responsible party”</b></p>	<p><b>The Energy Law</b> does not explicitly define “balance responsible party” but uses it in Article 112 Para 8 indent 3, Article 190 Para 1 under 2), and Article 125 Para 2. It elaborates the notion of “balance responsibility” in Article 125 and <b>implicitly defines</b> “balance responsible party” in Para 2 thereof. Article 127 elaborates on the notion of “balance group”.</p> <p><b>The Market Rules</b> do not explicitly define BRP, but use the notion of “balance responsible party/bearer of balance responsibility for the</p>	<p>Article 125 Para 2 of the <b>Energy Law</b>, read in conjunction with Article 127 Para 2 is assessed <b><u>as compliant</u></b> with the definition from the EB GL.</p> <p>Articles 36 (specifically Para 3), 37 (specifically Para 2), 39 (specifically Para 2, 8 and 9) and 41 (specifically Para 1 under 3)) of the <b>Market Rules</b> are assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p>Article 33 of the <b>Methodology</b> (in conjunction with the reference to the Energy Law in Article 4 Para 1) is assessed</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “balance responsible party” in the Market Rules and the Grid Code which will replicate the definition from the EB GL.</b></p>

	<p>balancing group” extensively throughout the text. Of relevance for assessment of the compliance with the definition from the EB GL are Articles 36, 37, 39 and 41 thereof.</p> <p><b>The Balancing Rules</b> do not define “balance responsible party”</p> <p>Article 4 Para 1 of the <b>Methodology</b> makes a reference according to which the notions used in the Methodology have the meaning determined in the Energy Law, the Grid Code, Market Code and Methodology for determining the regulatory revenue and prices for using the transmission system. It uses the notion of “BRP/bearer of balance responsibility” in Article 33.</p> <p><b>The Grid Code</b> defines “balance responsibility” and “balance responsible party” in Article 7 Para 2</p> <p>Article 2 Para 2 of the <b>Energy Law</b> defines “balance responsibility” while Articles 171-173 regulate the “balance responsibility of market participants”</p> <p>Article 2.1. of the <b>Market Code</b> provides a definition of “<b>Balance Responsible Party</b>”. The details of the balance responsibility are further elaborated in Article 3 of the Market Code</p>	<p>as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p> <p><b>The Grid Code definition of BRP alone is assessed as <u>non-compliant</u></b> with the definition from the EB GL, as it does not foresee the responsibility of the BRP for its imbalances but only the obligation to participate in the imbalance calculation. However, read together with the definition of “balance responsibility” it can be assessed as <b><u>compliant in substance</u></b> with the definition as it would in this case foresee the responsibility of the BRP for its imbalances (<i>Note: the definition of “imbalances” is a separate issue; see: below</i>)</p>	
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	Article 2.1. of the <b>Grid Code</b> foresees the definition of “ <b>Balance Responsible Party</b> ”		
<b>(8) “imbalance”</b>	<p><b>The Energy Law</b> does not define “imbalance” but uses it in Article 112 Para 1 under 9), Article 125 para 1, 2, 6 and 7, Article 127 Para 1, 2, Article 129 Para 1 under 3), and Article 130 Para 2 under 11)</p> <p><b>The Market Rules</b> do not define “imbalance” but use it in Article 36 para 3 and 4, Article 37 Para 2, Article 39 Para 5, Article 41 Para 1 under 3) and Para 3 under 9), Article 42 Para 2, Article 50 Para 2 under 1) and 3), Articles 51 -56</p> <p><b>The Balancing Rules</b> do not define “imbalance</p> <p><b>The Methodology</b> does not define “imbalance” but uses it in Article 34 Para 2 (which makes a reference to the Market Rules), Article 24 Para 4, and Article 34 Para 4</p> <p><b>The Grid Code</b> defines “imbalance” in Article 7 Para 1</p>	<p>Articles 51-56 of the <b>Market Rules</b>, in their totality, can be assessed as <b>partially compliant in substance</b> with the definition from the EB GL. Namely, “total realization of the BRP in the accounting interval” (Article 54) can be read as “allocated volume” from the EB GL, “submitted schedule of the BRP in the accounting interval”(Article 54) can be read as the “final position” from the EB GL, where “accounting interval” can be read as the “imbalance settlement period” from the EB GL. However, the Market Rules fail to make any reference to the “imbalance adjustment” as foreseen in the EB GL (thus partial compliance).</p> <p><b>The Grid Code</b> definition of “imbalance” is assessed as <b>partially compliant</b> with the definition from the EB GL (as it fails to make a reference to “imbalance adjustment” and “imbalance settlement period”).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance” in the Market Code and Grid Code which will replicate the definition from the EB GL. This would imply making necessary amendments to Articles 51-55 of the Market Rules, which would reflect the definition.</b></p>
<b>(9) “imbalance settlement”</b>	<b>The Energy Law</b> does not define “imbalance settlement”, but uses the notion of “financial settlement of balance calculation” in Article 94, Para 3 under 3 indent 4, Article 116 Para 1 under 8 indent 5, Article 125	The definition of “imbalance settlement” in the <b>Market Rules</b> is assessed as <b>compliant</b> with the definition from the EB GL. However, the notion is used only once in Article 59 Para 3. Instead, the Market Rules introduce and further use	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>

	<p>Para 5, Article 190 Para 1 under 3), “financial account and settlement” in Article 125 Para 6, “financial settlement” in Article 126 Para 3, Article 130 Para 2 under 11) , “financial settlement of imbalance” in Article 129 Para 1 under 3) and under 8 indent 2). There is no mechanism for charging and paying BRPs for their imbalances, as the Law only foresees the conclusion of respective contracts on financial settlement (Article 126 Para 3, Article 125 Para 5, Article 127 Para 5, Article 129 Para 1 under 8 indent 2)</p> <p><b>The Market Rules</b> define “imbalance settlement” in Article 4 Para 2 but this notion is used only once in Article 59 Para 3.</p> <p><b>The Balancing Rules</b> do not define “imbalance settlement”</p> <p><b>The Methodology</b> does not define “imbalance settlement” but Article 4 Para 1 makes a reference according to which the notions used in the Methodology have the meaning determined in among others, the Market Rules. It uses the notion in the context of the imbalance settlement price in Article 33.</p> <p><b>The Grid Code</b> does not define “imbalance settlement”</p>	<p>the notion of “financial calculation of imbalances” in Article 59 and “financial settlement” in Article 60</p>	<p><b>As a transitional solution: use the notion of “imbalance settlement” as defined in Article 4 Para 2 of the Market Rules throughout the text.</b> This means removing terms which are redundant and confusing (financial settlement, financial calculation of imbalances, etc.), and consider doing the same in the Energy Law if an opportunity for legislative changes appears.</p>
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<p><b>(10) “imbalance settlement period”</b></p>	<p><b>The Energy Law</b> does not define “imbalance settlement period”</p> <p><b>The Market Rules</b> do not define “imbalance settlement period” but define “accounting interval” in Article 4 Para 2 under 14)</p> <p><b>The Balancing Rules</b> do not define “imbalance settlement period” but define “accounting interval” in Article 4 Para 3 under 4), but it is not used further in the text.</p> <p><b>The Methodology</b> does not define but makes a reference in Article 4 Para 1, according to which the notions used in the Methodology have the meaning determined, among others, in the Market Rules.</p> <p><b>The Grid Code</b> does not define “imbalance settlement period”</p>	<p>The definition of “accounting interval” foreseen in Article 4 Para 2 under 14) of the <b>Market Rules</b>, read in conjunction with Article 27, Article 52-54 and Article 57 is assessed as <b><u>compliant in substance</u></b> when used in the context of imbalance settlement.</p> <p>Article 4 Para 1 of the <b>Methodology</b>, according to which the notions used in the Methodology have the meaning determined, among others, in the Market Rules, read in conjunction with Article 33 of the Methodology where “accounting interval” is used, can be assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: so as to avoid unnecessary intervention in the text of the Market Rules which makes a number of references to the “accounting interval”, not all of which are related to the “imbalance settlement period” as defined in the EB GL, the proposal is to amend the existing “accounting interval” definition in the Market Rules as follows: “Accounting interval – Period of one hour (or shorter). When used in the context of imbalance settlement the accounting interval shall mean the time unit for which balance responsible parties’ imbalance is calculated.”</b></p>
<p><b>(11) “imbalance area”</b></p>	<p><b>The Energy Law, Market Rules, Balancing Rules, Methodology, and the Grid Code</b> do not define “imbalance area”</p>	<p>The definition of “imbalance area” is <b><u>missing</u></b> in Montenegrin legislation.</p> <p>When analysing the provisions of Article 57 and Article 58 Para 5-9, of the <b>Market Rules</b>, it can be concluded that the imbalance area is the Control Area of the CGES or its scheduling area in the sense of Art. 54 of the EB GL, which would render it <b><u>compliant in substance</u></b> with the definition from the EB.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance area” in the Market Rules and the Methodology which will replicate the definition from the EB GL.</b></p>

<p><b>(12) “imbalance price”</b></p>	<p><b>The Energy Law, Balancing Rules, and Grid Code</b> do not define “imbalance price”</p> <p><b>The Market Rules do not define “imbalance price” but use the notion of “basic imbalance price”</b> in Article 57, Article 58, Article 44 Para 2 under 2) and 7), and when defining “tolerance zone” in Article 4 Para 2</p> <p><b>The Methodology does not explicitly define “imbalance price” but devotes Article 33 to the calculation of the “imbalance settlement price”</b></p>	<p>Article 58 Para 1 of the <b>Market Rules</b> makes a reference to the Methodology in terms of how the imbalance price is calculated, while Para 3 states that this price it is calculated for each imbalance settlement, and Paras 7-9 cover variations of positive and negative imbalances (in correlation with the imbalance of the Montenegrin Control Area). In their totality (including the norm making a reference to the Methodology), <b>the provisions of the Market Rules</b> are assessed as <b>compliant in substance</b> with the definition from the EB GL.</p> <p>Article 33 of the <b>Methodology</b> covering the calculation of the “imbalance settlement price” is assessed as <b>compliant in substance</b> with the definition from the EB GL, as it is determined for imbalances in each direction, and can be positive, negative and zero.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>
<p><b>(13) “imbalance price area”</b></p>	<p><b>The Energy Law, Market Rules, Balancing Rules, Methodology, and the Grid Code</b> do not define “imbalance price area”</p>	<p>The definition of “imbalance area” is <b>missing</b> in Montenegrin legislation.</p> <p>When analysing the provisions of Article 57 and Article 58 Para 5-9, of the <b>Market Rules</b>, it can be concluded that the imbalance price area is the Control Area of the CGES or its scheduling area in the sense of Art. 54 of the EB GL, which would render it <b>compliant in substance</b> with the definition from the EB.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance price area” in the Market Rules and the Methodology which will replicate the definition from the EB GL.</b></p>
<p><b>(14) “imbalance adjustment”</b></p>	<p><b>The Energy Law, Market Rules, Balancing Rules, Methodology, and</b></p>	<p>The definition of “imbalance adjustment” <b>missing</b> in Montenegrin legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the</b></p>

	<p>the <b>Grid Code</b> do not define “imbalance adjustment”</p>	<p>Article 21 Para 3 of the <b>Balancing Rules</b>, read in conjunction with Articles 14-20 thereof, appears to introduce “imbalance adjustment” in substantive terms. However, these provisions of the Balancing Rules can be assessed as <b>partially compliant in substance</b> with the definition from the EB GL (as there is no clear link between the activated balancing energy, BSP and BRP in the context of the calculation of the imbalance of the respective BRP).</p> <p>Article 54 of the <b>Market Rules</b> dealing with the calculation of the imbalance omits to cover imbalance adjustment, and does not contain a link to the Balancing Rules in this respect (see: definition of “imbalance” above).</p>	<p>definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution:</p> <ul style="list-style-type: none"> <li>- introduce a definition of “imbalance adjustment” in the Balancing Rules which will replicate the definition from the EB GL, and use it accordingly in Article 21 thereof.</li> <li>- introduce a clear bridging norm in the Market Rules, i.e. a norm making a link between Article 54 of the Market Rules and Article 21 (Para 3) of the Balancing Rules, so as to ensure absolute clarity that the “imbalance adjustment” contained in this norm of the Balancing Rules is taken into account in the determination of the volume of the imbalance in line with the provisions of the Market Rules.</li> </ul>
(15) “allocated volume”	<p>The <b>Energy Law, Market Rules, Balancing Rules, Methodology, and the Grid Code</b> do not define “allocated volume”</p>	<p>The definition of “allocated volume” <b>missing</b> in Montenegrin legislation.</p> <p>Article 54 of the <b>Market Rules</b> uses “total realization of the BRP in the accounting interval” which can be assessed as <b>compliant in substance</b> with the definition from the EB GL.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “allocated volume” in the Market Rules which will replicate the definition from the EB GL and ensure that it is used appropriately throughout the text.</p>
(16) “position”	<p>The <b>Energy Law, Market Rules, Balancing Rules, Methodology, and the Grid Code</b> do not define “position”</p>	<p>The definition of “position” <b>missing</b> in Montenegrin legislation.</p> <p>Article 54 of the <b>Market Rules</b> uses “submitted schedule of the BRP in the accounting interval” which can be</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “position” in the Market Rules</p>

		assessed as <b>compliant in substance</b> with the definition from the EB GL.	<b>which will replicate the definition from the EB GL and ensure that it is used appropriately throughout the text.</b>
<b>(17) “self-dispatching model”</b>	<p><b>The Energy Law, Market Rules, Balancing Rules, Methodology, and the Grid Code</b> do not define “self-dispatching model”</p> <p><b>The Market Rules</b> elaborate self-scheduling process in Article 27 – 31</p> <p><b>The Grid Code</b> describes the principles of system management and management activities in Article 150 and 151</p>	<p>An explicit <u>definition</u> of “self-dispatching model” as such is <b>missing</b> in Montenegrin legislation.</p> <p>Article 27 – 31 of the <b>Market Rules</b> and Article 150 and 151 of the <b>Grid Code</b>, <b>in substantive terms</b>, can be assessed as <b>compliant</b> with the definition of “self-dispatching model” set out in EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p>Given that the self-dispatching definition in the EB GL is provided so as to differentiate those options in the EB GL applicable to the self-dispatching model and those applicable to the central dispatching model, there is no need for any transitional solution.</p>
<b>(21) “TSO-TSO model”</b>	<p><b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Balancing Rules, Methodology and Grid Code</b> do not define “TSO-TSO model”</p> <p><b>The Law on Cross-border Exchange of Electricity and Natural Gas</b> does not define “TSO-TSO model” but sets out the TSO’s obligation to operate the electricity transmission system <b>in line with rules regulating, among other things, the trade of ancillary services and balancing services</b> (implying the adoption of Guidelines/Network Codes under the auspices of the Energy Community), and establish <b>regional cooperation in order to integrate balancing mechanisms</b> - Article 9</p>	<p>The explicit definition of “TSO-TSO model” is <b>missing</b> in the Montenegrin legislation.</p> <p>The provisions of the <b>Law on Cross-border Exchange of Electricity and Natural Gas</b> are assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as they imply the exchange of balancing services in line with the EB GL.</p> <p>Article 16 Para 3 and Article 19 Para 5 of the <b>Methodology</b> (refer to tertiary regulation services), Article 139 under 2) of the <b>Grid Code</b> (refer to aFRR, i.e. secondary regulation services), and Article 28 Para 2 of the <b>Balancing Rules</b> (refer to exchange of balancing energy), in their totality, can be assessed as</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “TSO-TSO model” in the Methodology, Balancing Rules</b> (to the extent the exchange of balancing energy is concerned) <b>and Grid Code which will replicate the definition from the EB GL.</b> This would also imply amendments to Article 28 Para 2 of the Balancing Rules and substantively elaborating on the exchange of balancing energy in line with the EB GL, instead of just referring to the Law on Cross-border Exchange of Electricity and Natural Gas, which, in fact, just sets out general principles and foresees fines for misdemeanours.</p>



	<p>Para 1 under 8), Article 9 Para 3 and Article 10</p> <p><b>The Methodology</b> does not define “TSO-TSO model” but foresees <b>possibility to procure and deliver tertiary regulation services from other TSOs</b> in Article 16 Para 3 and Article 19 Para 5</p> <p><b>The Balancing Rules</b> does not define “TSO-TSO model” but contain a reference to that these rules cannot be a limitation to the <b>TSO’s participation in the mechanisms for exchange of balancing energy with other TSOs</b> in line with the Law on Cross-border Exchange of Electricity – Article 28 Para 2</p> <p><b>The Grid Code</b> does not define “TSO-TSO model” but mentions the realization of exchange programs in relation to aFRR in Article 139 under 2)</p>	<p><b>partially compliant in substance</b> with the definition from the EB GL.</p> <p><b>All of the abovementioned provisions lack the link to the respective balancing service provider, as foreseen in the EB GL definition.</b></p>	
<p><b>(22) “connecting TSO”</b></p>	<p><b>*Same as for “TSO-TSO” model (see (21) above)</b></p>	<p>The explicit definition of “connecting TSO” is <b>missing</b> in the Montenegrin legislation.</p> <p>The notion of connecting TSO is implicitly included in the provisions of the Methodology (see: definition of TSO-TSO model above), yet, they miss the link to the balancing service providers and balancing responsible parties, as well as compliance with the terms and</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “connecting TSO” in the Grid Code which will replicate the definition from the EB GL.</b></p>

		conditions related to balancing and are therefore assessed as <b>non-compliant in substance</b> with the definition from the EB GL.	
(23) “exchange of balancing services”	*Same as for “TSO-TSO” model (see (21) above)	The explicit definition of “exchange of balancing services” is <b>missing</b> in Montenegrin legislation.  *Same as for “TSO-TSO” model (see (21) above)	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  As a transitional solution: introduce a definition of “exchange of balancing services” in the Methodology, Balancing Rules (to the extent the exchange of balancing energy is concerned) and Grid Code which will replicate the definition from the EB GL.
(24) “exchange of balancing energy”	*Same as for “TSO-TSO” model (see (21) above)	The explicit definition of “exchange of balancing energy” is <b>missing</b> in Montenegrin legislation.  *Same as for “TSO-TSO” model (see (21) above)	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  As a transitional solution: introduce a definition of “exchange of balancing energy” in the Methodology, Balancing Rules and Grid Code which will replicate the definition from the EB GL.
(25) “exchange of balancing capacity”	*Same as for “TSO-TSO” model (see (21) above)	The explicit definition of “exchange of balancing capacity” is <b>missing</b> in Montenegrin legislation.  *Same as for “TSO-TSO” model (see (21) above)	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  As a transitional solution: introduce a definition of “exchange of balancing capacity” in the Methodology and Grid Code which will replicate the definition from the EB GL.

<p><b>(26) “transfer of balancing capacity”</b></p>	<p><b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Balancing Rules, Methodology and Grid Code</b> do not define “transfer of balancing capacity”</p>	<p>The explicit definition of “transfer of balancing capacity” is <u>missing</u> in Montenegrin legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “transfer of balancing capacity” in the Methodology and Grid Code which will replicate the definition from the EB GL.</b></p>
<p><b>(27) “balancing energy gate closure time”</b></p>	<p><b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Balancing Rules, Methodology and Grid Code</b> do not define “balancing energy gate closure time”</p> <p><b>The Balancing Rules</b> mention “last closing deadline of the balancing market” in Article 15 Para 5, but does not define it nor use further in the text</p>	<p>The explicit definition of “balancing energy gate closure time” is <u>missing</u> in Montenegrin legislation</p> <p>Article 15 Para 5 of the <b>Balancing Rules</b> is too vague and not further elaborated to allow to assess the level of its compliance with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “balancing energy gate closure time” in the Methodology and Balancing Rules which will replicate the definition from the EB GL, and use the term accordingly in Article 15 Para 5 of the Balancing Rules.</b></p>
<p><b>(28) “standard product”</b></p>	<p><b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code</b> do not define “standard product”</p> <p><b>The Balancing Rules</b> mention the balancing market products and provide a non-exhaustive list of such products in Article 14 and 16</p>	<p>The definition of “standard product” is <u>missing</u> in Montenegrin legislation.</p> <p>The products mentioned in Article 14 Para 3 of the <b>Balancing Rules</b> are determined by the MO, upon prior consent of the TSO, and can be changed by publishing them on the MO’s website 15 days before they enter into force. Having in mind, that “standard product” means a harmonized balancing product defined by all TSO which per definition excludes arbitrary changes thereof, the provisions of the Balancing Rules deem to</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “standard product” in the Balancing Rules which will replicate the definition from the EB GL (for substantive elaboration of what “standard products” would be please refer below to explanation for Article 24 of the EB GL).</b></p>

		be <b>non-compliant</b> with the definition of the EB GL.	
<b>(29) “preparation period”</b>	<b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code</b> do not define “preparation period”	The definition of “preparation period” is <b>missing</b> in Montenegrin legislation	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “preparation period” in the Balancing Rules and Grid Code which will replicate the definition from the EB GL.</b></p>
<b>(30) “full activation time”</b>	<b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code</b> do not define “full activation time”	The definition of “full activation time” is <b>missing</b> in Montenegrin legislation.	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “full activation time” in the Balancing Rules and Grid Code which will replicate the definition from the EB GL.</b></p>
<b>(31) “deactivation period”</b>	<b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code</b> do not define “deactivation period”	The definition of “deactivation period” is <b>missing</b> in Montenegrin legislation.	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “deactivation period” in the Balancing Rules and Grid Code which will replicate the definition from the EB GL.</b></p>
<b>(32) “delivery period”</b>	<b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code</b> do not define “delivery period”	The definition of “delivery period” is <b>missing</b> in Montenegrin legislation.	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>

			As a transitional solution: introduce a definition of “delivery period” in the Balancing Rules and Grid Code which will replicate the definition from the EB GL.
(33) “validity period”	The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code do not define “validity period”	The definition of “validity period” is <u>missing</u> in Montenegrin legislation.	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “validity period” in the Balancing Rules and Grid Code which will replicate the definition from the EB GL.</p>
(34) “mode of activation”	The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code do not define “mode of activation”	The definition of “mode of activation” is <u>missing</u> in Montenegrin legislation.	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “mode of activation” in the Balancing Rules and Grid Code which will replicate the definition from the EB GL.</p>
(36) “specific product”	The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code do not define “specific product”	The definition of “specific product” is <u>missing</u> in Montenegrin legislation.	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “specific product” in the Balancing Rules which will replicate the definition from the EB GL.</p>
(37) “common merit order list”	The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules,	The definition of “common merit order list” is <u>missing</u> in Montenegrin legislation.	The adoption of the EB GL under the auspices of the Energy Community will mean that the

	<p><b>Methodology and Grid Code</b> do not define “common merit order list”</p> <p>The <b>Balancing Rules</b> set out how the <b>bids are ranked for each product (by price/timestamp) and selected by the TSO (based on criterion of the economically most favourable bid)</b> - Article 17 Para 2 - 4</p> <p>The Rules foresee that <b>in case of limitations</b> in transmission capacities, including the cross-border capacities, <b>the TSO may choose the offers which are not economically the most favourable</b> – Article 18 Para 5</p>	<p>Article 17 Para 2 – 4 of the Balancing Rules can be assessed as being <b>partially compliant in substance</b> with the definition of “common merit order list” from the EB GL to the extent that these provisions foresee sorting bids in order of their prices. Since the criteria “economically most favourable bid” is not elaborated in the Balancing Rules, it may only be assumed that the TSO selects (activates) bids in order of their prices.</p> <p>Article 18 Para 5 of the Balancing Rules can be assessed as <b>non-compliant</b> with the definition of “common merit order list” from the EB GL.</p>	<p><b>definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “common merit order list” in the Balancing Rules which will replicate the definition from the EB GL, as well as foresee the obligation for the TSOs in the interim period to establish common merit order list for mFRR/aFRR</b> (also see definitions of “frequency restoration reserves” and “replacement reserves”).</p>
(38) “TSO energy bid submission gate closure time”	<p>The <b>Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code</b> do not define “TSO energy bid submission gate closure time”</p>	<p>The definition of “TSO energy bid submission gate closure time” is <b>missing</b> in Montenegrin legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “TSO Energy bid submission gate closure time” in the Balancing Rules which will replicate the definition from the EB GL.</b></p>
(39) “activation optimization function”	<p>The <b>Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code</b> do not define “activation optimization function”</p>	<p>The definition of “activation optimization function” is <b>missing</b> in Montenegrin legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “activation optimization function” in the Balancing Rules which will replicate the definition from the EB GL.</b></p>

<p><b>(40) “imbalance netting process function”</b></p>	<p><b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code</b> do not define “imbalance netting process function”</p>	<p>The definition of “activation optimization function” is <b>missing</b> in Montenegrin legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “imbalance netting process function” in the Grid Code which will replicate the definition from the EB GL.</b></p>
<p><b>(41) “TSO – TSO settlement function”</b></p>	<p><b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code</b> do not define “TSO – TSO settlement function”</p>	<p>The definition of “TSO – TSO settlement function” is <b>missing</b> in Montenegrin legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “TSO – TSO settlement functions” in the Grid Code which will replicate the definition from the EB GL, and integrate it accordingly throughout the text.</b></p>
<p><b>(42) “capacity procurement optimization function”</b></p>	<p><b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Methodology and Grid Code</b> do not define “capacity procurement optimization function”</p>	<p>The definition of “capacity procurement optimization function” is <b>missing</b> in Montenegrin legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “capacity procurement optimization function” in the Methodology which will replicate the definition from the EB GL.</b></p>
<p><b>(45) “requesting TSO”</b></p>	<p><b>*Same as for “TSO-TSO” model (see (21) above)</b></p>	<p>The explicit definition of “requesting TSO” is <b>missing</b> in Montenegrin legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p>

			As a transitional solution: introduce a definition of “requesting TSO” in the Balancing Rules and Grid Code which will replicate the definition from the EB GL.
<b>Article 4 – Terms and conditions or methodologies of TSOs</b>	<p><b>The Energy Law</b> sets out:</p> <ul style="list-style-type: none"> <li>- NRA’s (REGAGEN) obligation to cooperate with other NRAs of the (Energy Community) CPs/region – Article 42 Para 7;</li> <li>- NRA’s competence to set methodology for determining prices, deadlines and conditions for provision of ancillary services and balancing services – Article 43 Para 1 under 2);</li> <li>- NRA’s competence to approve the Market Rules, as well as the Grid Code and other rules on operation of electricity balancing market – Article 44 Para 2;</li> <li>- NRA’s competence to supervise application of the Market Rules, monitoring provision of ancillary services per approved prices, application of regulations governing cross-border energy exchange, technical cooperation of the TSO with other TSOs, compliance with and application of the Grid Code – Article 48 Para 1 under 4), 9), 18) and 20);</li> <li>- the scope of the Market Rules and Balancing Rules – Article 130;</li> <li>- meaning of the electricity system balancing – Article 132 Para 5;</li> <li>- TSO’s obligation to promote and develop cooperation and</li> </ul>	Currently there is no legal obligation for the TSO to develop the exact terms and conditions or methodologies required by the EB GL, at national or regional level, and for the NRA to approve them.	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Articles 4 and 5 will be transposed into the national legislation in their integral text.</b></p> <p>Given that the <b>Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Balancing Rules, Grid Code and Methodology</b> are assessed as compliant in substance, there will be no legal obstacle for the creation, proposal, and approval of the terms and conditions or methodologies envisaged in Articles 4 and 5 of the EB GL. Hence, <b>no transitional solution is proposed.</b></p> <p><b>However, it should be noted that currently there are two primary legislation acts (Energy Law and Law on Cross-border Exchange of Electricity and Natural Gas) and four secondary legislation acts (Market Rules, Balancing Rules, Methodology and Grid Code) aimed at regulating the procurement of balancing capacity, activation of balancing energy and financial settlement of BRPs, out of which only one (Grid Code) is elaborated by the TSO. Hence, the option of merging at least some of the above-mentioned secondary legislation acts, along the competence for the TSO to be in charge of elaborating these documents, should be considered.</b></p>
<b>Article 5 – Approval of terms and conditions or methodologies of TSOs</b>		<p>However, the current legal basis set out in the <b>Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Balancing Rules, Methodology and Grid Code</b> can be assessed as <u>compliant in substance</u> with the EB GL, as it provides:</p> <ul style="list-style-type: none"> <li>- general rules for TSO’s regional cooperation, including to ensure efficient and economic system balancing;</li> <li>- REGAGEN competence to approve the Market Rules and other rules on operation of electricity balancing market which corresponds to the NRA’s approval of the terms and conditions for the provision of balancing services, as foreseen in Article 37 Para 6 of Directive 2009/72/EC and further elaborated by Article 3 and 4 of the EB GL,</li> </ul> <p>which can be used as a starting point for developing regional balancing market in the interim period (till adoption of the EB GL under the auspices of the Energy Community).</p>	



	<p>integration of the balancing market with other TSOs, based on the ratified international contract and in order to ensure efficient and economic system balancing - Article 132 Para 6;</p> <p>- TSO's (CGES) and Market Operator's (COTEE) status and role in operating/managing the balancing market - Article 112 Para 1 under 45) and 46), Article 128 Para 2 and Article 129 Para 1 under 3), 7) and 8)</p> <p>Additionally, <b>the Law on Cross-border Exchange of Electricity and Natural Gas</b> sets out that the TSO is obliged to operate the electricity transmission system at the interconnections in line with rules regulating, among other things, the trade of ancillary services and balancing services – Article 9 Para 1 under 8). These rules (implying the adoption of Guidelines/Network Codes under the auspices of the Energy Community) are adopted by the Government of Montenegro, based on the proposal of the TSO - Article 9 Para 3.</p> <p>Article 10 of the Law also obliges the TSO to establish regional cooperation in order to integrate balancing mechanisms</p> <p><b>The Methodology</b> mentions that the <b>procurement and delivery of tertiary regulation services from</b></p>		<p>Additionally, particular attention should be paid to the fact that <b>currently the Balancing Rules are the only legal act mentioning submission of bids for balancing energy</b>. As there are <b>no bridging provisions between the Market Rules, Methodology (which covers procurement of balancing capacity) and the Balancing Rules</b>, the current <b>legal framework may not fully provide</b> (or at least does not explicitly describe) <b>encompassing rules for the procurement of balancing capacity, activation of balancing energy and financial settlement</b>, as foreseen in the EB GL. Hence, a <b>general review/overhaul of the current legal framework might be necessary to reflect the requirements of the EB GL, as well as practice that would be aligned with these requirements</b>. It may prove to be beneficial to explicitly describe/clarify procurement of balancing capacity (both for FRR and RR), activation of balancing energy (both for FRR and RR), and financial settlement (with BSPs, BRPs and other TSOs), if possible, in one legal act (see substantive elaboration of what amendments should be made at each of the relevant Article of the EB GL below).</p>
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	<p><b>other TSOs</b> shall be carried out in accordance with a <b>contract regulating the operation of the control block</b> to which the TSO belongs to <b>and other agreements for system balancing needs</b> – Article 19 Para 5</p> <p><b>The Grid Code</b> mentions the realization of exchange programs in relation to aFRR (Article 139 under 2)), as well as dimensioning of common reserve – Article 139, 140 and 141</p>		
<b>Article 6 – Amendments to terms and conditions or methodologies of TSOs</b>	<p><b>The Energy Law</b> in Article 47 Para 1 sets out REGAGEN competence to request amendments to proposed documents, as well as changes of current documents, when providing approval or consent in line with the Law</p>	<p>REGAGEN competence can be assessed as <b>compliant</b> with the EB GL, as the <b>Energy Law</b> foresees its competence to request necessary amendments throughout the process of approving the Market Rules/any other rules on operation of electricity balancing market/Grid Code, as well as request amendments.</p> <p>Even though there is no explicit provision on how the MO can request amendments to the Market Rules/Balancing Rules, the corresponding right stems from the fact that the MO elaborates these rules, hence it can initiate the amendments thereof.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 6 will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>
<b>Article 8 - Recovery of costs</b>	<p><b>The Energy Law</b> confers on REGAGEN competence, when setting a methodology [for determining prices, deadlines and conditions for provision of ancillary</p>	<p>Currently there is no legal obligation for the TSO to undertake the obligations imposed by the EB GL, nor bear the costs related to the fulfilment of such obligations.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 8 will be transposed into the national legislation in its integral text.</b></p>

	<p>services and balancing services], ensure that the TSO is granted appropriate long and short-term incentive to increase efficiency, market integration and security of supply – Article 43 Para 2</p> <p>The Law foresees that REGAGEN sets allowed revenue, prices or charges for the use of electricity transmission system, ancillary services and balancing services, and MO’s operations – Article 43 Para 3 under 1), 3) and 4) (see also Article 58 Para 2 under 1), 3) and 4))</p> <p><b>The Methodology</b> sets out that the costs related to ensuring the balancing capacity for secondary and tertiary regulation are covered via transmission system tariffs in line with the methodology for setting tariffs, while the costs related to the balancing energy (activated) for secondary and tertiary regulation are covered by imbalance price paid by the system users that caused imbalance – Article 34 Para 1 and 2.</p> <p>The Methodology further elaborates that the costs related to ensuring the balancing capacity for secondary and tertiary regulation shall form an integral part of the TSO’s costs which cannot be controlled (influenced) in line with the transmission tariffs methodology – Article 34 Para 2</p>	<p>However, the provisions of the <b>Energy Law</b> can be assessed as <b><u>compliant in substance</u></b> with the EB GL. These provisions set out REGAGEN competence which corresponds to the scope of general duties and powers set out in Article 37 Para 8 of Directive 2009/72/EC and further elaborated by Article 8 of the EB GL, i.e. NRA’s obligation, when fixing or approving the tariffs or methodologies and the balancing services, ensure that TSOs are granted appropriate long and short-term incentive to increase efficiencies, foster market integration and security of supply and support the related research activities.</p>	<p><b>As a transitional solution: in order to ensure the possibility for the TSO to recover all reasonable, efficient and proportionate costs related to the setting up the regional balancing market in the interim period, it may prove to be useful to amend the Methodology by introducing an explicit provision that follows the same logic as Article 8 Para 2 of the EB GL with a reference to the Energy Law (Article 43 Para 2 thereof).</b></p>
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<p><b>Title II – Electricity balancing market</b></p>			
<p><b>Article 14 – Role of the TSOs</b></p>	<p><b>The Energy Law</b> sets out TSO’s (CGES) and Market Operator’s (COTEE) status and role in operating/managing the balancing market, namely, the <b>TSO manages the balancing market</b> and contributes to preparation of the Balancing Rules (Article 112 Para 1 under 45) and 46), while the <b>MO elaborates the Market Rules and the Balancing Rules, performs imbalance calculation and financial settlement of imbalance, and prepares standard contracts</b> on financial settlement of balancing account, balance responsibility, and on participation in the balancing market (Article 128 Para 2 and Article 129 Para 1 under 3), 7) and 8))</p> <p><b>The Balancing Rules:</b>  - further elaborate on the TSO’s and MO’s role in the balancing market management/organization – <b>MO organizes</b> (i.e. admits a potential BRP to the balancing market, registers all participants), while <b>TSO operates the balancing market</b> (i.e. gathering, verification and activation of chosen bids, calculation of the amounts of bought and sold energy, as well as payments and collection on the basis of sold and bought energy) – Article 3 Para 3 to 6;</p>	<p>Having in mind the identified shortcomings regarding the usage of “ancillary services” and “balancing services” (see definition of “balancing services”), the provisions on TSO’s role, as defined in the <b>Energy Law, Balancing Rules and Methodology</b>, can be assessed as <b>partially compliant</b> with Article 14 Para 1 of the EB GL.</p> <p>The <b>division of competences between the TSO/MO</b> (albeit not always very straight-forward in the legal framework) allows to assume that some of the TSO’s tasks related to the balancing market (e.g. organizing balancing market, imbalance calculation, imbalance financial settlement with BRPs, elaborating the Balancing Rules) are conferred upon the MO as a third party. As per Article 13 Para 4 of the EB GL, a Member State or where applicable the NRA, may only <b>assign TSO’s tasks and obligations which do not require direct cooperation, joint decision-making or entering into contractual relationship with TSOs from other Member States</b>. Prior to the assignment the third party concerned shall demonstrate its ability to carry out the task to be assigned. Article 13 Para 5 of the EB GL foresees that in the event the tasks and obligations are assigned to a third party, <b>references to TSO in the EB GL shall be understood as referring to the assigned entity</b> and the NRA shall ensure</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 14 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b>  - <b>ensure the assessment of MO’s ability to carry out assigned tasks is carried out</b>, following the rationale of Article 13 Para 4 of the EB GL;  - <b>clarify Article 36 Para 3 and 4 of the Market Rules and Article 34 Para 1 under 2) of the Methodology</b> by introducing clear provisions on procedure/conditions how this transfer of collected funds between the MO and TSO takes place</p>

- set out that in case the system balance cannot be provided by automatic secondary regulation, the TSO is obliged to provide necessary capacity and energy for the balancing of the transmission system by (1) buying and selling electricity in the balancing market, (2) buying or selling electricity in its control area or in the control area of the neighboring countries, (3) activating tertiary reserve – Article 5

**The Market Rules** set out:

- the contractual relationship between the MO/TSO and BRPs, as well as elaborate on MO's tasks and responsibilities regarding the imbalance calculation and financial settlement with BRPs – Article 4 Para 1 under 38) – 41), Article 5, 52, 54, 59, 60;

- **the MO collects imbalance payments received from the BRPs which caused imbalance and transfers these funds to the TSO, the entity responsible for ensuring ancillary services, in line with the legal act on ancillary services and balancing services** – Article 36 Para 3 and 4

**The Methodology** reconfirms that the TSO shall be responsible for the provision of ancillary services and balancing services – Article 1 Para 4. The Methodology mentions that

regulatory oversight of the assigned entity in respect of assigned tasks and obligation.

Having this in mind, the provisions of the **Energy Law, Balancing Rules, Market Rules and Methodology** are **compliant in substance** with the EB GL, as they ensure that the assigned tasks to the MO do not require direct cooperation, joint decision-making or entering into contractual relationship with other TSOs, and REGAGEN has regulatory oversight of the MO's activities related to the balancing market.

However, it might be necessary to evaluate/re-evaluate (a) the MO's ability to carry out assigned tasks during the interim period/once the EB GL becomes part of the Energy Community *acquis* and (b) whether or not such division of tasks is suitable/efficient in the context of establishing regional balancing market.

It should also be noted that **Article 36 Para 3 and 4 of the Market Rules and Article 34 Para 1 under 2) of the Methodology** are not *per se* non-compliant with the EB GL, yet, they do seem to provide cross-references back and forth, without clear provisions on procedure/conditions how this transfer of collected funds between the MO and TSO takes place.

Article 27 – 31 of the **Market Rules** and Article 150 and 151 of the **Grid Code, in substantive terms**, can be assessed as

	<p>the <b>costs related to the balancing energy (activated) for secondary and tertiary regulation are covered by imbalance price</b> paid by the system users that caused imbalance <b>in accordance with the balancing mechanism further regulated in the Market Rules</b> – Article 34 Para 1 under 2)</p> <p><b>The Market Rules</b> elaborate self-scheduling process in Article 27 – 31</p> <p><b>The Grid Code</b> describes the principles of system management and management activities in Article 150 and 151</p>	<p><b>compliant</b> with the self-dispatching model set out in EB GL.</p>	
<p><b>Article 15 – Cooperation with DSOs</b></p>	<p><b>The Energy Law</b> mentions that the electricity distribution grid code should regulate the procedure for submission of data and information to TSO and to other energy undertakings that are necessary for their work - Article 122 Para 2 under 6)</p> <p><b>The Market Rules</b> set out metering data to be provided by TSO/DSO to MO for imbalance calculation, financial calculation/settlement and control of the financial settlement - Article 3 under 5)</p>	<p>Article 122 Para 2 under 6) of the Energy Law and Article 3 under 5) of the Market Rules can be assessed as <b>partially compliant</b>, as they foresee a general obligation for the TSO, MO and DSO to cooperate and provide the necessary information (Market Rules refer to metering data) in order to perform the imbalance settlement.</p> <p>The provisions defining the possibility to elaborate the cost allocation methodology related to the <b>cooperation of the TSO and DSO concerning the reserve providing groups/units connected to the DSO grid</b> (Article 15 Para 3 of the EB GL Title 10 of SO GL) are <b>missing</b> in the Montenegrin legislation. Yet, it might stem from the fact that the</p>	<p><b>The adoption of the EB GL, as well as the SO GL (Article 182 in particular) under the auspices of the Energy Community will mean that Article 15 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> (if the national system allows from a technical point of view) <b>introduce amendments in the Market Rules covering the cooperation between the TSO, MO and DSO concerning the reserve providing groups/units connected to the DSO grid, following the rationale of Article 182 of the SO GL.</b> This might imply amendments to Article 6 of the Methodology on ancillary services and balancing services and/or the Grid Code.</p>

		ancillary/balancing service providers are those who are connected to the transmission system (as foreseen in Article 6 of the Methodology on ancillary services and balancing services).	
<b>Article 16 – Role of BSPs</b>	<p><b>The Energy Law</b> merely mentions that the <b>energy undertakings and final customers that can provide ancillary and services of balancing</b> shall offer to TSO/DSO ancillary services and services of balancing in a transparent procedure – Article 132 Para 3</p> <p><b>The Balancing Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- the balancing market is a voluntary, short-term market that supports gathering and using (engaging) offers (bids) for balancing energy in order to balance the transmission system - Article 3 Para 1</li> <li>- balancing of the system, among other things, means maintaining the required level of regulatory reserve - Article 3 Para 2 under 3);</li> <li>- steps to be taken by the TSO if the system balance cannot be ensured by automated secondary regulation (buying/selling electric energy on the balancing market/in its control area/neighboring control areas/activating tertiary reserve) - Article 5;</li> <li>- a participant of the electricity market becomes a participant in the balancing market once it is</li> </ul>	<p>The lack of a compliant definition of “balancing services” (see also definition “balancing services) and the fact that the <b>provisions of the Energy Law, Balancing Rules and Methodology</b> do not provide a clear distinction between the providers of ancillary services and providers of balancing services (besides, the Methodology uses “balancing services” in the context of imbalance settlement with BRPs, e.g. in Article 32 and 33) result in unclear framework in relation to the BSPs.</p> <p>In the context of Article 16 of the EB GL, the current legal framework can be assessed as <b>non-compliant</b> due to the following identified shortcomings/discrepancies:</p> <ul style="list-style-type: none"> <li>- <b>pre-qualification requirements</b> for the BSPs, as foreseen in Article 16 of EB GL and Article 158, 159, 161 and 162 of SO GL, are currently <b>missing</b> in the Montenegrin legislation. Instead, the Balancing Rules and the Methodology define a process for admission to the balancing market and 2 – 4 contracts to be concluded for a potential BSP (a trilateral Membership Agreement, an optional agreement on the balancing market (also used as “contract on binding bidding”), agreement on provision of services, and an optional framework</li> </ul>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 16 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>along with the introduction of the definition of “balancing service provider” introduce clear pre-qualification requirements for the BSPs, as foreseen in Article 16 of EB GL and Article 159 and 162 of SO GL, as well as ensure that the successful completion of the pre-qualification process shall be considered enough to become a BSP.</b> This implies further review of the necessity for the procedure on admission to the balancing market and decreasing the number of contractual arrangements for a potential BSP to be able to provide bids for balancing capacity and balancing energy;</li> <li>- <b>introduction of clear provisions in the Balancing Rules and Methodology on bids for balancing capacity and bids for balancing energy.</b> This implies a general review of the Balancing Rules and Methodology, including but not limited to introducing a clear bridging norm, i.e. <b>making a link between these two documents and clarifying to what extent each of them regulates procurement of balancing capacity (submission of balancing</b></li> </ul>

	<p>admitted by the MO and concludes a trilateral Membership Agreement with the MO and TSO - Article 6 Para 1 and 3;</p> <ul style="list-style-type: none"> <li>- a balancing market participant which concludes an agreement on the balancing market with the MO becomes a balance market constituent, and is obliged to secure a certain quantity of bids on the balancing market – Article 11 Para 1, 2 and 4;</li> <li>- further differentiation between the participants in the balancing market with obligation to submit bids under the contract and those participants which are voluntary giving offers on the balancing market, without concluding a contract on binding bidding – Article 13 Para 1;</li> <li>- balancing market products – Article 14;</li> <li>- content of offers (bids) – Article 16</li> </ul> <p><b>The Methodology:</b></p> <ul style="list-style-type: none"> <li>- uses the term “<b>service providers</b>”:</li> <li>(a) all producers connected to the transmissions system (except privileged producers, i.e. RES) and end costumers with appropriate technical-technological possibilities and business interest to provide such services (i.e. reduction of consumption, see Article 25) and</li> <li>(b) electricity suppliers and traders for providing power (balancing energy) - Article 6 Para 1 and 2;</li> </ul>	<p>agreement on the sale of electricity for short-term tertiary regulation service provider). These contractual arrangements seem to be excessively overregulated and this might/should not be the case if the pre-qualification requirements for BSPs were in place;</p> <ul style="list-style-type: none"> <li>- <b>the Methodology and Balancing Rules do not contain provisions on the bids for balancing capacity</b> (necessary to participate in the procurement of balancing capacity) <b>and balancing energy</b> (necessary to activate the balancing energy) within the meaning of the EB GL. In fact, it remains <b>unclear to what extent each of these documents regulate procurement of balancing capacity for secondary and tertiary and activation of balancing energy thereof</b>, leaving it up to the interpretation. Since there are no bridging provisions that would clarify the above-mentioned, it can only be assumed that the Methodology was aimed at setting out conditions for procuring balancing capacity (though, lacking any provisions foreseeing submission of balancing capacity bids), while the Balancing Rules were meant to cover activation of balancing energy bids via short-term balancing energy market. However, it <b>remains unclear</b> from Article 5 under 3) of the <b>Balancing rules</b> (refers to activation of tertiary regulation), read in conjunction with Article 14 Para 1 and Article 24 Para 1 of the <b>Methodology</b> (state that the prices for activation of balancing energy are determined in respective contracts), <b>whether or not the</b></li> </ul>	<p><b>capacity bids) and activation of balancing energy (submission of balancing energy bids) from FRR and RR;</b></p> <ul style="list-style-type: none"> <li>- <b>amend the Balancing Rules by introducing a transitional definition of a standard product</b>, as proposed in the Final Report Task 4, <b>and based on that clarify the right of BSPs without contracted capacity to submit energy bids from these products and equal treatment of such bids thereof.</b> This implies further review of Article 14 of the Balancing Rules and/or the Methodology;</li> <li>- <b>altogether eliminate any kind of existing/potential discrimination of BSPs with and without contracted capacity, in terms of the right to submit balancing energy bids and equal settlement rules.</b> This implies amendments to the Methodology and Balancing Rules;</li> <li>- <b>introduce an explicit provision in the Balancing Rules</b> (and, if necessary, in the Methodology) <b>forbidding to predetermine the prices for balancing energy bids from these products in a contract for balancing capacity and clarify Article 6 of the Methodology by stating that the prices of balancing energy are not determined but capped in line with the Methodology (in the period of application of caps);</b></li> <li>- <b>clarify in the Methodology the concept of “a contract for balancing capacity”</b> and use it uniformly for all relevant legal acts.</li> </ul>
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	<ul style="list-style-type: none"> <li>- sets out that the TSO and service providers shall conclude an agreement on provision of services which, among other things, shall contain the price - Article 6 Para 5 and 6;</li> <li>- defines the <b>obligations of the service providers in relation to secondary regulation</b> – Article 10 (read in conjunction with Article 11 which describes the service for secondary regulation);</li> <li>- defines the <b>obligations of the service providers in relation to tertiary regulation</b> – Article 16 (read in conjunction with Article 17 which describes the service for tertiary regulation);</li> <li>- mentions that the TSO and interested short-term tertiary regulation service provider shall conclude a framework agreement on the sale of electricity – Article 21 Para 3;</li> <li>- defines the <b>obligations of the market participants with reserve-providing units</b> (generators or consumers which can reduce their consumption) - Article 25 Para 2 and Article 26 Para 2</li> </ul> <p><b>The Grid Code</b> in Article 143 Para 2 specifies that all producers are obliged to submit offers (bids) for engaging their remaining generating capacities together with their production plans. The code</p>	<p><b>bids on the short-term balancing energy market are submitted for tertiary regulation only and only by the BSPs who do not have respective contracts for balancing capacity. If that is the case, then such provisions are <u>non-compliant</u> with Article 16 of the EB GL, as they foresee <b>discrimination among the BSPs</b> (with contracted capacity and without) - BSPs with contracted capacity not having the right to submit balancing energy bids and activated balancing energy is settled at capped prices in the respective contract, while BSPs without contracted capacity seem to have right to submit bids for balancing energy (for tertiary regulation) on short-term market without (predetermined) capped prices.</b></p> <p>- additionally, it should be noted that <b>the Balancing Rules and Methodology in general fall short of providing explicit differentiation between the BSPs with contracted capacity and without.</b></p> <p>The <b>balancing market products are mentioned in Article 14 of the Balancing Rules</b>, but these products <b>do not comply with the EB GL requirements for the standard and specific products</b> (see substantial elaboration below in the analysis of Article 25 and 26 of the EB GL). Given that there are no explicit provisions separating bids for balancing energy from bids for balancing capacity and the possibility for BSPs with contracted capacity to submit balancing energy bids is unclear, it is <b>not feasible to precisely determine whether or not</b></p>	
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	<p>also sets out an agreement on balancing capacity in Annex 4.3.</p> <p><b>Legal framework does not define pre-qualification requirements for the BSPs</b></p>	<p><b>Article 6 of the Methodology, setting out that the price for ancillary services/balancing services is determined in the agreement on provision of services, fulfils the requirement of Article 16 Para 6 of the EB GL</b>, namely, that the price for balancing energy bids from these products shall not be predetermined in a contract for balancing capacity. If Article 14 and 24 of the Methodology are taken into account, it would appear that the prices for (balancing energy) in the agreement on provision of services (Article 6 of the Methodology) are just capped and not predetermined, but only until conditions foreseen in Article 43 Para 2 of the Methodology are met, after which predetermining the price would again be possible.</p>	
<p><b>Article 17 – Role of BRPs</b></p>	<p><b>The Energy Law</b> foresees:</p> <ul style="list-style-type: none"> <li>- every market participant (except RES producers) shall be balance responsible entity and financially responsible for balance deviations - Article 125 Para 2;</li> <li>- the status of a BRP is awarded by the MO, and a BRP is obliged to sign a trilateral contract with the MO and TSO on balance responsibility and a contract with the MO on financial settlement of balance account – Article 125 Para 3-5</li> </ul> <p><b>The Market Rules</b> further elaborate on:</p>	<p>The provisions of the <b>Energy Law and Market Rules</b> foresee the obligation for the BRPs to strive to be balanced in real time, and is therefore <b>compliant</b> with Article 17 Para 1 of the EB GL</p> <p>The current legal framework foresees the <b>financial responsibility of the BRP</b> for the imbalance and, therefore, is <b>compliant</b> with Article 17 Para 2 of the EB GL.</p> <p><b>The Market Rules allow the BRP to change its schedule.</b> The cross-zonal gate closure time is further elaborated in the agreements concluded among CGES and the neighboring TSOs on allocation of intraday cross-border capacity. However,</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 17 will be transposed into the national legislation in its integral text.</b></p> <p><b>Transitional solution shall not be deemed necessary.</b></p>

	<ul style="list-style-type: none"> <li>- BRP’s role, including on financial responsibility and obligation to pay the costs of balancing to the MO, in line with the calculation of the imbalance, financial calculation and financial settlement of the imbalance - Article 36 Para 2 and 3;</li> <li>- BRP’s obligation to be balanced in real time and in case of imbalance in real time the BRP is obliged to take over balance responsibility towards the TSO for the caused imbalance, i.e. the deviation from its own schedule - Article 37;</li> <li>- a BRP may change its schedule no later than till 15:00 on day D-1 for day D – Article 31 Para 3;</li> <li>- the change of schedules in intraday time frame shall be done in accordance with the rules for intraday cross-border allocation on the border of the control area – Article 32 Para 5</li> </ul> <p><b>The Methodology</b> sets out that the principles, <b>basic concepts of balancing and the balance mechanism are determined by the Market Rules</b> – Article 32</p>	<p>the timeframes vary depending on the border.</p> <p>It should also be noted that in the context of Article 17 Para 3 of the EB GL which refers to “intraday cross-zonal gate closure time”, there is no regional intraday market, nor joint TSOs proposal on intraday cross-zonal gate opening and closure time in the WB6 region as part of single intraday market coupling process. Hence, the current legal framework can be assessed <b>compliant in substance</b> with the requirements of the EB GL <b>to the extent that it allows the BRP to change its schedule.</b></p>	
<p><b>Article 18 – Terms and conditions related to balancing</b></p>	<p><b>The Energy Law</b> sets out a general scope of the Market Rules and Balancing Rules in Article 130 Para 2 and 3, while NRA’s competence to set methodology for determining prices, deadlines and conditions for provision of ancillary services and</p>	<p><b>The terms and conditions for the BSPs</b> foreseen in the current legal framework can be assessed as <b>non-compliant</b> with the requirements of Article 18 of the EB GL, mainly due to the blurred line between the ancillary services and balancing services. The Balancing Rules and Methodology supposedly should</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 18 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: expand the scope of the Balancing Rules and Methodology by replicating the scope of terms and conditions</b></p>

	<p>balancing services in Article 43 Para 1 under 2</p> <p><b>The Market Rules</b> elaborate on BRPs responsibility, set out imbalance calculation, final settlement and financial settlement – Article 1</p> <p><b>The Balancing Rules</b> claim to regulate organization of the balancing market, registering participants, types of contracts to be concluded, balancing market products, procedures for admission and selection of bids, calculation, invoicing and payment on the basis of concluded transactions – Article 1</p> <p><b>The Methodology</b> aims to establish the scope of service providers, types of services, and the procedure for determining prices for the ancillary services and balancing services – Article 1</p>	<p>cover the terms and conditions for BSPs, yet they fail to provide clear requirements for provision of balancing services, i.e. balancing capacity and balancing energy (see also Article 16 – Role of BSPs). <i>(Note: the scattered provisions both in the Balancing Rules and Methodology, as well as notable number of descriptive norms without legal weight (endorsement) significantly diminishes the comprehensibility of the legal framework.)</i></p> <p><b>The terms and conditions for the BRPs</b> set out in the Market Rules can be assessed as <b>partially compliant</b> with Article 18 of the EB GL, as the Market Rules comply with some of the essential requirements (e.g. financial responsibility for the imbalances), while not fully complying with others (e.g. imbalance settlement requirements pursuant to Article 52 – 55 of the EB GL).</p>	<p><b>for the BSPs and the BRPs, as set out in Article 18 of the EB GL.</b> This would require a general overhaul of the current framework, along with the associated amendments on the qualification requirements for the BSPs, clarifying submission of bids for balancing capacity and balancing energy, defining standard products in the interim period, etc.</p>
<p><b>Article 24 – Balancing energy gate closure time</b></p>	<p><b>The Balancing Rules</b> mention:</p> <ul style="list-style-type: none"> <li>- offers in the balancing market can be changed until the last closing deadline of the balancing market - Article 15 Para 5;</li> <li>- the balancing market functions as a real time market – Article 15 Para 7;</li> <li>- participants in the balancing market may give, modify or remove existing bids at the latest 30</li> </ul>	<p>(See also definition of “balancing energy gate closure time” and “standard product”)</p> <p>As per EB GL, the balancing energy gate closure time shall be defined for each standard product, at least for RR, mFRR and aFRR. The Balancing Rules mention balancing market products in Article 14, yet, the products do not contain minimum characteristics of the standard</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 24 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: along with introducing the transitional definition of “standard product”, as proposed in the Final Report, Task 4, in the Balancing Rules, as well as the definition of the term “common merit order list” and “balancing energy gate closure</b></p>

	<p>minutes before the beginning of the hour to which the bid applies – Article 19 Para 1;</p> <p>- the precise trading time, with the prior approval of the TSO, shall be determined MO and published on its website, and changed by informing the participants 15 days in advance - Article 19 Para 3 and 4</p>	<p>products, set out in Article 25 of the EB GL. Hence, in this regard the current framework is <b>non-compliant</b> with Article 24 of the EB GL.</p> <p>The provisions of the <b>Balancing Rules</b> setting out the gate closure time for [balancing energy] bids can be assessed as <b>compliant in substance</b> with Article 24 Para 2 of the EB GL, as they foresee that the balancing energy gate closure time is as close as possible to real time (30 minutes before hour H), it is not before the intraday cross-zonal gate closure time (varies depending on the border in the range between 90 to 120 minutes) and can be considered as sufficient time for the necessary balancing processes.</p>	<p><b>time” itself, the balancing energy gate closure time should be set out in the Balancing Rules in line with criteria envisaged in Article 24 Para 2 of the EB GL.</b></p>
<p><b>Article 25 – Requirements for standard products</b></p>	<p><b>The Balancing Rules:</b></p> <p>- set out that the products are determined by the MO, upon a prior approval of the TSO – Article 14 Para 1;</p> <p>- describe the balancing market products both for sale and purchase:</p> <ol style="list-style-type: none"> <li>1) a fifteen-minute product,</li> <li>2) hourly product,</li> <li>3) Block hourly products for 2 or 4; hours consecutively;</li> <li>4) <u>other products</u>, - Article 14 Para 3</li> </ol> <p>- suggest that the bids are non-divisible - Article 14 Para 3 under 3), Article 16 Para 1 under 6) and Para 5</p>	<p>As identified above, the standard products for balancing energy and balancing capacity are not defined in the Montenegrin legislation, i.e. <b>missing</b>.</p> <p>The products mentioned in Article 14 Para 3 the <b>Balancing Rules</b> do not contain minimum characteristics of the standard products, nor comply with variable characteristics (e.g. divisibility) set out in Article 25 of the EB GL. Hence, the provisions of the <b>Balancing Rules</b> can be assessed as <b>non-compliant</b> with the EB GL.</p> <p>Besides, the products mentioned in Article 14 Para 3 of the <b>Balancing Rules</b> are determined by the MO, upon prior consent of the TSO, and can be changed by publishing them on the MO’s website 15 days before they enter into force.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 25 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce transitional definition of a standard product in the Balancing Rules</b>, as proposed in the Final Report, Task 4. This implies the corresponding changes to Article 14 and 16 of the Balancing Rules.</p>

		Having in mind, that “standard product” means a harmonized balancing product defined by all TSO which per definition excludes arbitrary changes thereof, Article 14 Para 3 of the Balancing Rules can be assessed as <b>non-compliant</b> with Article 25 of the EB GL.	
<b>Article 26 – Requirements for specific products</b>	<b>The Balancing Rules</b> do not define, nor set out requirements for specific products	Specific products for balancing energy and balancing capacity, applicable for the local market, are not defined in the Montenegrin legislation, i.e. <b>missing</b> . Hence, it is not feasible to assess the compliance of minimum characteristics of the specific products, set out in Article 26 of the EB GL.	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 26 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: if the TSO identifies the necessity for specific products, the requirements for specific products, as well as the regular review thereof should be foreseen in the Balancing Rules, following the rationale of Article 26 of the EB GL.</b>
<b>Title III – Procurement of balancing services</b>			
<b>Article 29 – activation of balancing energy bids from common merit order list</b>	<b>The Methodology</b> sets out: - the price for using secondary/tertiary regulation (services, i.e. includes availability of capacity and use of service) which shall be determined (on annual basis for secondary and without a specified timeframe for tertiary) in the contract concluded by the services provider and TSO, and cannot be higher than double average price for import of electricity or double average price of export of electricity (whichever is higher) in the previous year before the conclusion of the	The provisions of the Methodology provide a basic mechanism for the cross-border exchange of balancing energy for mFRR/RR (tertiary regulation) with another TSO (TSO-TSO model) or BSP (TSO – BSP model), leaving it up to the “contract regulating the operation of the control area and other agreements regulating the exchange of energy” to further to further elaborate this exchange.  Given that only the TSOs obliged to implement the relevant platforms (Article 19 – 21 of the EB GL) are required to comply with the requirements of Article 29 – 31 of the EB GL, the	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 29 - 31 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution:</b> - along the introduction of clear provisions in the Balancing Rules and Methodology on bids for balancing energy for FRR and RR, <b>Article 14 Para 1 and Article 24 Para 1 of the Methodology should be amended to set out that the price of activated balancing energy is equal to marginal price of last activated MWh (pay-as-cleared pricing)</b> . A similar review is necessary regarding the provisions of the Balancing Rules.
<b>Article 30 – Pricing for balancing energy and cross-zonal capacity used for exchange of balancing energy or for operating the imbalance netting process</b>			
<b>Article 31 – Activation optimisation function</b>			

	<p>contract – Article 14 Para 1 and Article 24 Para 1;</p> <p>- <b>the tertiary regulation services</b> (including “use of service”, i.e. <b>activation of tertiary capacity upwards/downwards</b>, see Article 17 Para 2 under 2)) for the part of the reserve <b>that cannot be provided in Montenegro, is provided</b> by the TSO <b>concluding the contracts with other operators or energy entities from other control areas</b> – Article 16 Para 3;</p> <p>- <b>procurement and delivery of tertiary control services</b> (including “use of service”, i.e. <b>activation of tertiary capacity upwards/downwards</b>) <b>from the TSOs of the interconnected systems shall be carried out in accordance with a contract regulating the operation of the control area</b> to which the operator is a member <b>and other agreements regulating the exchange of energy</b> – Article 19 Para 5;</p> <p>- the price caps set out in Article 14 and 24 are applicable till adequate level of competition is reached, i.e., at least 3 service providers whose total bid exceeds 50% of system requirements – Article 43 Para 2</p> <p><b>The Balancing Rules:</b></p> <p>- <b>suggest the activation of balancing energy bids via the voluntary, short-term balancing market that functions in real-time</b></p>	<p>provisions in the Methodology regarding the cross-border exchange of balancing energy can be assumed to be <b>partly compliant</b> with Article 29 - 31 of the EB GL only to the extent that the Market Code foresees a general possibility for the TSO to receive balancing services from other TSOs or BSPs in another control area.</p> <p>The Methodology and Balancing Rules do not provide clear provisions on how the activation of balancing energy (bids) for secondary and tertiary regulation is carried out within CGES scheduling area, let alone for the cross-border exchange of balancing energy.</p> <p>Article 14 Para 1 and Article 24 Para 1 of the <b>Methodology</b> state that the prices for activation (balancing energy) are determined in respective contracts – annual for secondary and without a specified timeframe for tertiary regulation, and the price cannot exceed the defined price cap defined (applicable till the certain level of liquidity in the balancing market is reached - see article 43 Para 2 of the Methodology).</p> <p>Having in mind the analysis of Article 16, 44, 47 and 48 of the EB GL, it can be interpreted/presumed (as it is not explicitly set out in the legal framework) that the activation of balancing energy for secondary and tertiary regulation under the respective contracts on provision of ancillary services and balancing services is not linked with the</p>	<p>- <b>while the transitional solution is linked with the process of the TSOs of the WB6 region joining MARI and TERRE (optional) projects</b>, i.e. projects for establishment of the European mFRR and RR platforms, <b>in the interim period it shall be ensured that the agreements concluded among CEGS and the TSOs of Serbia and BiH on cross-border procurement/exchange of balancing energy are based on/aligned with the requirements of the EB GL (i.e. common merit order list, common definition of standard products, common pricing and settlement rules, etc.).</b></p>
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(except in case of technical problems) – Article 3 Para 1, and Article 15 Para 7;

- offers are submitted on the balancing market with an aim to enable the TSO to balance the system – Article 15 Para 1;
- the **bids are ranked for each product by price/timestamp**, to allow the TSO to choose a bid with lower/higher prices when buying/selling electricity; if multiple bids have the same price, the earlier submitted bid will have priority – Article 17 Para 2 and 3;
- the **TSO selects the most appropriate according to the criterion of the economically most favourable bid** – Article 17 Para 4;
- **in case of limitations** in transmission capacities, including the cross-border capacities, **the TSO may choose the offers which are not economically the most favourable** – Article 18 Para 5;
- **activation of the offer is done via a trading application**, managed by the TSO, except in case of technical problems when the TSO can suspend the trading and purchase/sell balancing energy via bilateral agreements – Article 20 Para 2 and Article 25 Para 1, 4, 5 and 7;
- these rules shall not limit the TSO's participation in the mechanisms for exchange of balancing energy with other TSOs in line with the Law on

activation of balancing energy (for tertiary regulation) via the submission of balancing energy bids on the short-term balancing market.

Under such an assumption, the current framework in the context of activating balancing energy for secondary and tertiary regulation under the respective contracts and its pricing is assessed as **non-compliant** with Article 29 – 31 of the EB GL, as the TSO does not use cost-effective balancing energy bids for activation of balancing energy under these contracts, and the prices for balancing energy in such a case are capped (i.e. are not based on pay-as-cleared principle, nor take into account the pricing method in the day-ahead/intraday timeframes).

The provisions of the **Balancing Rules** imply that the price for the balancing energy from tertiary regulation is set based on “pay-as-bid” pricing which is **non-compliant** with “pay-as-cleared” pricing set out in Article 30 of the EB GL.



	Cross-border Exchange of Electricity – Article 28 Para 2		
<b>Article 32 – Procurement rules (balancing capacity)</b>	<p><b>The Energy Law</b> mentions that the Energy Balance of Montenegro shall define, among other things, required [...] reserve capacities and specify opportunities to provide electricity for system balancing purposes, and capacities for provision of ancillary services - Article 13 Para 1 and Article 14 Para 2 under 4). Article 16 Para 1 under 3) of the Law also mentions that the long-term and annual energy balance shall specify required level of reserve capacities</p> <p><b>The Methodology</b> sets out:</p> <ul style="list-style-type: none"> <li>- the TSO shall determine annual service procurement plan which is an integral part of the Energy Balance of Montenegro – Article 7 Para 1 and 3;</li> <li>- provision of ancillary services shall be carried out via open tender – Article 7 Para 5;</li> <li>- the ancillary service providers from Montenegro shall submit offers in the procedure implemented by the TSO up to the level of necessary reserves – Article 7 Para 6;</li> <li>- the formula for calculation of the costs for procurement of</li> </ul>	<p>The provisions of the <b>Methodology</b> in relation to procurement of balancing capacity can be assessed as <b>partially compliant</b> in substance with the EB GL. Partial compliance stems from the fact that these provisions do not clarify the procurement rules, but merely mention the TSO’s annual services procurement plan, open tender, (procurement) procedure implemented by the TSO. Additionally, the procurement and delivery of tertiary control services from other TSOs is left up to a contract regulating the operation of the control area and other agreements regulating the exchange of energy.</p> <p>Articles 12, 22 and 36-37 of the <b>Methodology</b> foresee the regulation of the price of availability of secondary/tertiary capacity and are assessed as <b>non-compliant</b> with Article 32 Para 2 under a) of the EB GL which foresees that at least FRR and RR should be procured on a market-basis. The fact that a tendering procedure is conducted does not change this assessment, as the price itself is ultimately determined by the NRA<sup>42</sup>.</p> <p>In terms of “reserve capacity”, Article 139 and 140 of the Grid Code can be assumed</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 32 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: review the Methodology, so as to ensure that the rules for the procurement of balancing capacity, including its pricing, follow the principles set out in the EB GL</b> (market-based, short-term to extent possible and where economically efficient). This might also require amending the formulation of Article 43 Para 3 and Article 58 Para 2 of the Energy Law.</p>

<sup>42</sup> [http://www.regagen.co.me/cms/public/image/uploads/Odluka\\_o\\_utvrdivljanju\\_cijena\\_i\\_troskova\\_za\\_pruzanje\\_pomocnih\\_usluga\\_i\\_usluga\\_balansiranja\\_2017-2019.pdf](http://www.regagen.co.me/cms/public/image/uploads/Odluka_o_utvrdivljanju_cijena_i_troskova_za_pruzanje_pomocnih_usluga_i_usluga_balansiranja_2017-2019.pdf)

	<p>secondary/tertiary reserves – Article 12 and 22</p> <ul style="list-style-type: none"> <li>- the submitting of the request by the TSO to the NRA for determining the prices for providing ancillary services and services of balancing – Article 36 (further elaborated in terms of the content of the request, the deliberations and the decision of the NRA in Articles 37-42);</li> <li>- <b>the tertiary regulation services</b> (including “availability services”, i.e. <b>guaranteeing tertiary capacity</b>, see Article 17 Para 2 under 1)) for the part of the reserve <b>that cannot be provided in Montenegro, is provided by the TSO concluding the contracts with other operators or energy entities from other control areas</b> – Article 16 Para 3;</li> <li>- <b>procurement and delivery of tertiary control services</b> (including “availability services”, i.e. <b>guaranteeing tertiary capacity</b>) <b>from the TSOs of the interconnected systems shall be carried out in accordance with a contract regulating the operation of the control area</b> to which the operator is a member <b>and other agreements regulating the exchange of energy</b> – Article 19 Para 5</li> </ul> <p><b>The Grid Code</b> mentions:</p> <ul style="list-style-type: none"> <li>- aFRR dimensioning shall be done in line with the regulation on the system operation, adopted by the</li> </ul>	<p>as <b>compliant in substance with the definition of “reserve capacity”</b>, as foreseen in Article 3 Para 2 under 95) of the SO GL (“the amount of FCR, FRR or RR that needs to be available to the TSO”).</p>	
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	<p>Government (implying a reference to the SO GL), in cooperation with other TSOs. The amount of reserves, based on the agreements concluded with other TSOs, shall be determined by the annual energy balance, which shall be adopted by the Government – Article 140;</p> <p>- the dimensioning of the common reserve of the control area is carried out in accordance with the regulation, adopted by the Government in accordance with the Law on Cross-border Exchange of Electricity and Natural Gas – Article 141 Para 2</p>		
<p><b>Article 33 – Exchange of balancing capacity</b></p>	<p><b>The Methodology</b> foresees that the missing tertiary regulation services can be obtained by the TSO concluding the contract with other operators or energy entities in other control areas, as well as mentions agreements regulating the exchange of energy (in relation to procurement and delivery of tertiary control services) – Article 16 Para 3 and Article 19 Para 5</p>	<p>(See also definition of “exchange of balancing capacity”)</p> <p>The current legal framework foresees the possibility to exchange balancing capacity among the TSO, but it does not contain any explicit requirements related to such exchange, nor necessity to coordinate these requirements with the NRA. Therefore, it can be assessed that the <b>explicit provisions on rules and processes for the exchange of balancing capacity</b> are <u>missing</u> in the Montenegrin legislation.</p> <p>These matters are left to be regulated in the contracts with other operators or energy entities in other control areas, and agreements regulating the exchange of energy.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 33 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: amendments to the Methodology (or elaborate separate rules for exchange of balancing capacity which would form an integral part of a legal act covering balancing matters) that would introduce requirements for exchange of balancing capacity pursuant to the provisions of the EB GL.</b></p>

		<p>It should also be noted that Article 16 Para 3 of the <b>Methodology</b> foresees exchange of balancing services for tertiary regulation, by using <b>both TSO-TSO and TSO-BSP model</b>. As per the EB GL, the target model reached by four years after entry into force of the EB GL should be TSO-TSO model (this does not apply to the TSO-BSP model for RR if one of the two involved TSOs does not operate the reserve replacement process as part of the load-frequency-control structure in line with the SO GL; see Article 35 Para 7 of the EB GL). If CEGS and other involved TSOs wish to continue the application of the TSO-BSP model for FRR, they shall develop a common proposal, as foreseen in Article 35 Para 2 of the EB GL, having in mind the phase-out requirement.</p>	
<p><b>Article 34 – Transfer of balancing capacity</b></p>	<p><b>There are no provisions</b> allowing the BSPs to transfer their obligations to provide balancing capacity, within the geographical area in which the procurement of balancing capacity has taken place</p> <p>Similarly, there is <b>no provision defining the conditions under which the cross-border transfer of balancing capacity can take place</b>, e.g. by taking into account the available cross-zonal capacity</p>	<p>As per the EB GL, there are two options – either the TSOs allow the BSPs to transfer their balancing capacity obligations, or the TSOs develop a proposal for requesting an exemption.</p> <p><b>The possibility for the BSPs to transfer their balancing capacity obligations is missing</b> in the Montenegrin legislation. The option of requesting an exemption, if that would be the case, can be carried out by submitting amendments to the Balancing Rules and Grid Code to REGAGEN for approval under Article 44 Para2 of the Energy Law, or by foreseeing such exemption in the Methodology.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 34 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Methodology/Balancing Rules (and if necessary, the Grid Code) a possibility for the BSPs to transfer their balancing capacity obligations</b> within the geographical area in which the procurement of balancing capacity has taken place. This solution should be viewed together with a general review of the current framework in relation to BSPs.</p>

Title IV Cross-zonal capacity for balancing services			
<p><b>Article 37 – Cross-zonal capacity calculation (Exchange of balancing energy or imbalance netting process)</b></p>	<p><b>The Methodology, Balancing Rules and Grid Code</b> do not specify the timeframe for updating of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting</p>	<p>While there are agreements in force, concluded among CGES and the neighboring TSOs on allocation of cross-border capacity, the <b>explicit provisions setting out the update/recalculation of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting are missing</b> in the legal acts.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 37 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: TSO should use the cross-zonal capacity remaining after the intraday cross-zonal gate closure time as proposed (in Task 4). Introduce this provision in the Methodology/Balancing Rules and the Grid Code (and/or respective national rules and/or contracts governing the allocation of cross-border capacities if necessary).</b></p>
<p><b>Article 38 – General requirements (Exchange of balancing capacity or sharing of reserves)</b></p>	<p><b>The Energy Law</b> mentions that the TSO may jointly with the TSOs from other countries establish a legal entity for coordinated auctions for the purpose of allocation of cross-border capacities -131 Para 1</p> <p><b>The Law on Cross-border Exchange of Electricity and Natural Gas</b> sets out that the TSO is obliged to operate the electricity transmission system at the interconnections in line with rules regulating, among other things, the trade of ancillary services and balancing services (implying the applicability of the Guidelines/Network Codes under the auspices of the Energy Community), as well as establish regional cooperation in order to integrate balancing mechanisms – Article 9 Para 1 under 8) and Article 10</p>	<p>(See the definition of “exchange of balancing capacity”)</p> <p>The provisions regulating how the exchange of balancing capacity and sharing reserves shall take place, including one of three methodologies (foreseen in Article 38 and Article 40– 42 of the EB GL respectively) for allocating cross-zonal capacity, <b>are missing</b>.</p> <p>It should be noted that the EB GL allows the TSOs to allocate cross-zonal capacity for the exchange of balancing capacity and sharing reserves only if cross-zonal capacity is calculated in accordance with the capacity calculation methodologies developed pursuant to Regulation 2015/1222 (CACM GL) and 2016/1719 (FCA GL).</p> <p>Even though Article 9 Para 1 under 8) of the Law on Cross-border Exchange of Electricity and Natural Gas imply the</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 38 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Methodology/Balancing Rules and the Grid Code (and/or respective national rules and/or contracts governing the allocation of cross-border capacities if necessary) provisions defining how the TSO calculates and allocates the available cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, pursuant to the general requirements set out in the EB GL.</b></p>

	<p><b>The Methodology</b> foresees that the procurement and delivery of tertiary control services from the TSOs of the interconnected systems shall be carried out in accordance with a contract regulating the operation of the control area and other agreements regulating the exchange of energy – Article 19 Para 5</p> <p><b>None of the legal acts above further specify how the exchange of balancing capacity and sharing reserves shall take place</b></p>	<p>applicability of the Guidelines/Network Codes under the auspices of the Energy Community, the guidelines above are not explicitly mentioned in the agreement on allocation of cross-border, concluded by CGES and Serbian TSO (EMS).</p> <p>It should also be noted that the explicit allocation of available capacity on the borders with Albania and Bosnia and Herzegovina are done by SEE CAO via long-term and day-ahead auctions. The <b>Rules for explicit Daily Capacity Allocation on Bidding Zone borders serviced by SEE CAO<sup>43</sup></b> set out:</p> <ul style="list-style-type: none"> <li>- in case the Daily Transmission Rights holder reserves its Physical Transmission Rights for the balancing services, such Cross Zonal Capacity shall be excluded from the application of the Use It Or Lose It principle - Article 35 Para 3</li> <li>- in accordance with applicable national legislation, a TSO may be required to provide balancing services, in which case it may notify the Allocation Platform of its rules on balancing. If and to the extent that the TSO shall provide balancing services in accordance with applicable national legislation, such rules on balancing shall become and form part of the Allocation Rules, applicable to the relevant Bidding Zone border – Article 38</li> </ul>	
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<sup>43</sup> [http://www.seecao.com/sites/default/files/documents/document/2\\_SEECAO\\_Daily%20Allocation%20Rules\\_final\\_0\\_0.pdf](http://www.seecao.com/sites/default/files/documents/document/2_SEECAO_Daily%20Allocation%20Rules_final_0_0.pdf)

<p><b>Article 39 – Calculation of market value of cross-zonal capacity</b></p>	<p><b>There are no provisions setting out how the market value of cross-zonal capacity is calculated</b></p>	<p>Given that there is no methodology for allocating cross-zonal capacity, corresponding provisions setting out <b>how the market value of cross-zonal capacity is calculated</b> for the exchange of balancing capacity and sharing reserves are <u>missing</u> as well.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 39 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Methodology/Balancing Rules provisions defining how the market value of cross-zonal capacity is calculated.</b></p>
<p><b>Title V - Settlement</b></p>			
<p><b>Article 44 – General principles</b></p>	<p><b>The Methodology</b> sets out:</p> <ul style="list-style-type: none"> <li>- price for secondary regulation service – Article 12 (capacity) and 14 (energy);</li> <li>- determination of the amount of energy “produced in secondary regulation” – Article 13 Para 7</li> <li>- settlement with the providers of for secondary regulation service usage (energy) – Article 14 para 4 and Article 15;</li> <li>- price for tertiary regulation service – Article 22 (capacity) and 24 (energy);</li> <li>- price for procurement of services from end-users – Article 25 Para 5 and 6;</li> <li>- settlement with the providers of for tertiary regulation service – Article 26 Para 3 (energy) and Article 29;</li> <li>- calculation of the basic imbalance price (Cp) - Article 33;</li> <li>- allocation of costs related to the ancillary services and balancing services – Article 34 Para 1;</li> </ul>	<p>The provisions of the <b>Methodology, Market Rules and Balancing Rules, in broad terms</b>, can be assessed as <u>partly compliant</u> with the general objectives of imbalance settlement set out in the EB GL.</p> <p>It should be noted that <b>partial compliance refers to the provisions covering imbalance settlement with BRPs</b> (see also Article 52 – 55 of the EB GL), while the <b>provisions (or lack thereof) related to the settlement with BSPs can be assessed as non-compliant</b>, mainly due to the fact that there are no explicit provisions on how the activated volume of balancing energy is calculated (aside from the vague provision of Article 13 Para 7 of the Methodology), as well as the settlement price for balancing energy (“cost of using service”) appears to be limited by a regulated price cap in the period of the application of the cap, and otherwise under the “pay-as-bid” principle (see also Article 45 – 49 of the EB GL).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 44 will be transposed into the national legislation in its integral text.</b></p> <p><b>No separate transitional solution is necessary regarding Article 44 (see solutions proposed for the following articles)</b></p>

	<p>- financial neutrality for the TSO – Article 34 Para 3 and 4</p> <p><b>The Market Rules</b> define the imbalance settlement with BRPs, in particular:</p> <ul style="list-style-type: none"> <li>- imbalance calculation – Article 51 - 54;</li> <li>- tolerance zone – Article 57;</li> <li>- determination of imbalance price – Article 58;</li> <li>- financial calculation of imbalance – Article 59;</li> <li>- financial settlement – Article 60</li> </ul> <p><b>The Balancing Rules</b> foresee that once the TSO accepts the offer (bids) the transaction is concluded – Article 21 Para 1</p> <p><b>The Energy Law</b> confers on REGAGEN competence, when setting a methodology [for determining prices, deadlines and conditions for provision of ancillary services and balancing services], to ensure that the TSO is granted appropriate long and short-term incentive to increase efficiency, market integration and security of supply – Article 43 Para 2</p>	<p>Article 34 Para 3 of the <b>Methodology</b> which mentions that the TSO cannot gain profit nor incur losses related to the provision of ancillary services and balancing services, read in conjunction with Article 43 Para 2 of the <b>Energy Law</b>, can be assessed as <b>compliant</b> with Article 44 Para 2 of the EB GL, as these provisions reflect the NRA’s obligation to ensure that the settlement process is <b>financially neutral</b> for the TSO.</p>	
<p><b>Article 45 – Balancing energy calculation</b></p>	<p><b>The Methodology</b> defines that the amount of energy “produced in the secondary regulation” is determined as integral difference in the (current) power (capacity used for regulation) and the base power,</p>	<p><b>Clear provisions on how the activated volume of balancing energy for FRR/RR is calculated are missing.</b></p> <p>Article 13 Para 7 of the Methodology on determining the amount of energy “produced in the secondary regulation”</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 45 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p>



	<p>calculated separately for upward and downward regulation – Article 13 Para 7</p> <p><b>The Balancing Rules</b> mention that the TSO shall keep records on the activated bids for balancing energy and these records shall contain the amount of activated energy in MWh – Article 20 Para 3 and 4</p>	<p>is, at best, insufficient provision, while there are no provisions on the calculation of activated energy for tertiary regulation. Similarly, Article 20 Para 3 and 4 of the Balancing Rules do not elaborate how/whether the activated energy is calculated and used for settlement of activated volumes with the concerned BSP.</p> <p>Consequently, <b>a provision setting out procedure for claiming the recalculation of the activated volume of balancing energy for FRR/RR is <u>missing</u></b> as well.</p>	<ul style="list-style-type: none"> <li>- <b>introduce in the Methodology and Balancing Rules clear provisions on how the activated volume of balancing energy for FRR/RR is calculated</b>, following the rationale of Article 45 of the EB GL;</li> <li>- <b>introduce in the Methodology and Balancing Rules procedure for claiming the recalculation of the activated volume of balancing energy;</b></li> <li>- <b>the terminology used in the introduce in the Methodology and Balancing Rules should be aligned with the terminology used in the Guidelines (e.g. FCR/FRR/RR).</b></li> </ul>
<p><b>Article 47 – Balancing energy for frequency restoration process</b></p> <p><b>&amp;</b></p> <p><b>Article 48 – Balancing energy for reserve replacement process</b></p>	<p><b>The Methodology</b> sets out:</p> <ul style="list-style-type: none"> <li>- the payment for using secondary/tertiary reserve (payment from the TSO to the service provider in case of upward regulation and vice versa in case of downward regulation) – Article 14 para 4 and Article 26 Para 3;</li> <li>- the regulated price cap for the use of secondary/tertiary regulation service, i.e. the price determined in the contract concluded by the services provider and TSO <b>cannot be higher than double average price for import of electricity or double average price of export of electricity</b> (whichever is higher) <b>in the previous year</b> before the conclusion of the contract – Article 14 Para 1 and Article 24 Para 1 and 2;</li> <li>- in one range the difference in the price of using tertiary regulation for positive imbalance and the price of</li> </ul>	<p>Given that there are no clear provisions on how the activated volume of balancing energy for FRR/RR is calculated, the current framework in terms of settlement with BSPs can be assessed as <b>non-compliant</b> with Article 47 and 48 of the EB GL.</p> <p>Additionally, <b>clear provisions on the settlement price for balancing energy for FRR/RR are <u>missing</u></b>, having in mind the following. From Article 14 Para 1 and Article 24 Para 1 and 2 of the Methodology and Annex 4.3. of the Grid Code it is visible that the price cap for the use of secondary/tertiary regulation service (i.e. energy) is set out in the contract on provision of ancillary services and balancing services (see clause 17 of the template contract). Albeit not explicitly set out in the current framework, it can be assumed that for activation purposes and for the purpose to set a price for activated capacity a BSP</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 47 and 48 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- along the introduction of clear provisions on how the activated volume of balancing energy for FRR/RR is calculated, <b>amend the Methodology and Balancing Rules, so as to ensure clear regulation on settlement of balancing energy for FRR/RR with BSPs (both with contracted capacity and without)</b>, following the rationale of Article 47 and 48 of the EB GL;</li> <li>- <b>terminology used in the Methodology and Balancing Rules should be aligned with the terminology used in the Guidelines (e.g. FRR/RR).</b></li> </ul>

	<p>energy for negative imbalance, determined in the contract concluded by the services provider and TSO, cannot be higher than 50% - Article 24 Para 4</p>	<p>can submit bids (for balancing energy) in line with the Balancing Rules, bearing in mind the price cap. This, however, covers the situation with BSPs with contracted capacity, while no clear provisions exist on settlement of balancing energy with BSPs without contracted capacity, aside from the necessity to conclude a framework contract with the TSO in Article 21 of the Methodology, for which it can only be assumed that they also have to submit bids, bearing in mind the above-mentioned price cap (see also Article 16 – Role of BSPs).</p>	
<p><b>Article 49 – Imbalance adjustment to the balance responsible party</b></p>	<p><b>The Market Rules and Balancing Rules</b> do not define, nor “imbalance adjustment” that would provide a clear link between the activated balancing energy, BSP and BRP in the context of the calculation of the imbalance of the respective BRP</p> <p>Article 21 Para 3 of the <b>Balancing Rules</b> mentions that the concluded sales transactions shall also include changes in schedule of participants in the electricity market in accordance with the Market Rules</p> <p><b>The Market Rules</b> cover submission and changes of MPs schedules in chapter VIII but do not elaborate on imbalance adjustment, nor contain any notion of it</p>	<p>Article 21 Para 3 of the <b>Balancing Rules</b> merely implies imbalance adjustment which is not further elaborated in the rules themselves, nor the Market Rules.</p> <p>As per the EB GL, the imbalance adjustment shall be applied to the concerned BRP for each activated balancing energy bid, calculated by the TSO as the netted volume of (a) all balancing energy volumes from all activated bids for that ISP that assign this balancing energy to the concerned BRP and (b) all volumes activated by the TSO for purposes other than balancing, that are assigned to the concerned BRP.</p> <p>Having in mind the above-mentioned, explicit provisions following the same rationale as in Article 49 of the EB GL are <b>missing</b> in the Montenegrin legislation.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 49 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> -introduce a definition of “imbalance adjustment” in the Market Rules which will replicate the definition from the EB GL; - introduce clear provisions in the Market Rules (and, if necessary, in Balancing Rules) that would replicate the requirements for imbalance adjustment to the BRPs pursuant to Article 49 the EB GL, including the clear provisions on how the volumes activated by the TSO for purposes other than balancing are determined and assigned to the concerned BRP for the purpose of imbalance calculation.</p>

<p><b>Article 50 – Intended exchanges of energy</b></p>	<p><b>The Energy Law, Law on Cross-border Exchange of Electricity and Natural Gas, Market Rules, Balancing Rules, Methodology and Grid Code</b> do not contain explicit provisions TSO-TSO settlement rules for the intended exchanges of energy</p> <p><b>The Methodology</b> in the context of procurement and delivery of tertiary control services from other the TSOs mentions “agreements regulating the exchange of energy” without further elaborating on such agreements – Article 19 Para 5</p>	<p>Explicit provisions regulating TSO-TSO settlement rules for the intended exchanges of energy from aFRR/mFRR/RR are <b>missing</b> in the Montenegrin legislation.</p> <p>Article 19 Para 5 of the <b>Methodology</b> is insufficient to assess the compliance with Article 50 of the EB GL, according to which common settlement rules should be developed for all intended exchanges of energy related to imbalance netting and cross-border FRR and RR activation process.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 50 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce explicit provisions in the Methodology or Balancing Rules (or elaborate separate rules for intended exchanges of energy which would form an integral part of a legal act covering balancing matters) that would clarify the intended exchanges of energy from aFRR/mFRR/RR with other TSOs, pricing in such exchanges, as well as whether imbalance netting can be applied for these exchanges;</b></li> <li>- <b>ensure that the agreements concluded among CGES and other TSOs on cross-border procurement/exchange of balancing energy are based on/aligned with the requirements of the EB GL (i.e. common merit order list, common rules for exchange of balancing energy, common pricing and settlement rules, etc.)</b></li> </ul>
<p><b>Article 52 – Imbalance settlement</b></p>	<p><b>The Market Rules</b> defines the imbalance settlement with BRPs, in particular:</p> <ul style="list-style-type: none"> <li>- imbalance calculation, by specifying positive and negative imbalance – Article 51 - 54;</li> <li>- tolerance zone – Article 57;</li> <li>- determination of imbalance price depending on positive or negative imbalance (in correlation with the imbalance of the Montenegrin Control Area) – Article 58;</li> </ul>	<p>Provisions of the <b>Market Rules</b> in broad terms, can be assessed as <b>partly compliant in substance</b> with the requirements for imbalance settlement set out in the EB GL to the extent that the provisions of Chapter VII provide basis for the settlement with each BRP for each ISP for the calculated imbalances, as well as foresee single imbalance pricing.</p> <p>However, as identified above, the current framework is <b>missing clear provisions on imbalance adjustment.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 52 will be transposed into the national legislation in its integral text.</b></p> <p><b>Transitional solution: amend</b> Article 33 of the <b>Methodology</b> and Article 58 of the <b>Market Rules</b>, insofar it refers to Cp, so as to ensure compliance with Article 52 of the EB GL.</p>

	<p>- financial calculation of imbalance – Article 59; - financial settlement – Article 60</p> <p><b>The Methodology</b> elaborates on:</p> <ul style="list-style-type: none"> <li>- calculation of the basic imbalance price (Cp) which is applied for the imbalance settlement and determined in each accounting interval as an average price for procurement/delivery of energy for the need of system balancing in this interval - Article 33 Para 3;</li> <li>- if the sum of activation of the secondary/tertiary regulation and compensation of unintentional deviations is zero, the basic imbalance price for that interval is determined in accordance with the contract concluded by the services provider and TSO in relation to the compensation programs, and cannot be higher than average price for import of electricity or average price of export of electricity (whichever is higher) in the previous year before the conclusion of the contract – Article 30 Para 3 and Article 33 Para 4</li> </ul> <p><b>The Market Rules</b> do not explicitly mention “dual pricing”</p>	<p>Additionally, it should be noted that the <b>imbalance price calculation involves application of the imbalance tolerance zone and basic imbalance price (Cp)</b>. The latter is determined in each ISP as average price of procurement/delivery of energy for the need of system balancing in this interval, i.e. price for activation of the secondary/tertiary regulation and <b>compensation of unintentional deviations (Ek)</b> (Article 33 of the Methodology). Depending on positive or negative imbalance (in correlation with the imbalance of the Montenegrin Control Area) and whether or not a BRP is outside the tolerance zone, a coefficient to Cp is applied (Article 58 Para 8 and 9 of the Market Rules).</p> <p><b>Even though both Market Rules and Methodology foresee that the basic imbalance price shall reflect the TSO’s real cost for system balancing, the fact that the price for activation of balancing energy for compensation of unintentional deviations (Ek) forms part of the imbalance price calculation does not only seem not to reflect the real time value of energy</b> (which shall be used as a reference price at which the imbalances are settled), <b>but can also potentially increase/decrease the basic imbalance price</b>. Besides, in the event of no activation of balancing energy, the basic imbalance price would contain Ek which does not necessarily reflect the value of the avoided activation of</p>	
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		<p>balancing energy from secondary and tertiary regulation.</p> <p>In this regard, Article 33 of the <b>Methodology</b> and Article 58 of the <b>Market Rules</b>, insofar it refers to Cp, can be assessed <b>non-compliant</b> with Article 44 Para 1 under b of the EB GL.</p>	
<b>Article 53 – Imbalance settlement period</b>	<p><b>The Market Rules</b> do not define “imbalance settlement period” but define “accounting interval”, i.e. period of one hour or shorter (Article 4 Para 2 under 14) and use it throughout the text</p>	<p>While term “accounting interval” used in the <b>Market Rules</b> appear to be used within the same meaning as “imbalance settlement period” in the EB GL, the period of time defined as settlement period is <b>non-compliant with the EB GL</b>, as the EB GL target model foresees the imbalance settlement period of 15 minutes.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 53 will be transposed into the national legislation in its integral text.</b></p> <p><b>Having in mind the interim solution for imbalance settlement period</b> (Final report, Task 4), <b>no separate transitional solution is necessary.</b></p>
<b>Article 54 – Imbalance calculation</b>	<p><b>The Market Rules</b> set out imbalance calculation in Articles 51-56, in particular regarding “total realization of the BRP in the accounting interval” and “submitted schedule of the BRP in the accounting interval” (Article 54)</p> <p><b>The Market Rules</b> do not explicitly state that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals</p>	<p>Having in mind the analysis of Article 49 and Article 53, provisions of the <b>Market Rules</b> appear to be <b>partly compliant</b> with imbalance calculation principles set out in the EB GL, as it foresees calculation of imbalance based on “total realization of the BRP in the accounting interval” (the term assessed as compliant in substance with “allocated volume”) and “submitted schedule of the BRP in the accounting interval” (the term assessed as compliant in substance with “final position”) for each BRP, for each ISP, in the imbalance area.</p> <p>However, it should be noted that Article 51 Para 1 and 2 of the <b>Market Rules</b> foresee the opposite of what Article 54 Para 6 of the EB GL sets out, i.e. positive imbalance should mean a BRP’s surplus, while negative imbalance – BRP’s</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 54 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> (see proposed solutions for Article 49 – Imbalance adjustment for the BRPs; Article 53 – Imbalance settlement period)</p> <ul style="list-style-type: none"> <li>- additionally, <b>introduce a provision in the Market Rules explicitly stating that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals;</b></li> <li>- <b>amend Article 51 Para 1 and 2 of the Market Rules, so as to ensure compliance with Article 54 Para 6 of the EB GL.</b></li> </ul>

		shortage. In this regard, Article 51 Para 1 and 2 of the <b>Market Rules</b> is <b><u>non-compliant</u></b> with Article 54 Para 6 of the EB GL.	
<b>Article 55 – Imbalance price</b>	<p><b>The Market Rules</b> set out</p> <ul style="list-style-type: none"> <li>- basic imbalance price (Cp) must reflect the real cost of the TSO in the process of balancing the system – Article 58 Para 2;</li> <li>- basic imbalance price shall be calculated for each accounting interval and it is the same for all BRPs – Article 58 Para 3 and 4;</li> <li>- the imbalance price for BRP, whose imbalance is within the tolerance zone, is equal to Cp – Article 58 Para 5;</li> <li>- the imbalance price for BRP, whose imbalance is the opposite sign from the imbalance of the control area of Montenegro, is equal to Cp and the tolerance zone is not applied to it - Article 58 Para 6;</li> <li>- the imbalance price for BRP, whose imbalance is the same sign as the imbalance of the control area of Montenegro, is equal to Cp and the tolerance zone is not applied to it, if the imbalance of the control area of Montenegro is within its tolerance zone in relation to its interconnection - Article 58 Para 7;</li> <li>- the part of positive imbalance of BRP and outside the zone of tolerance, and when imbalance of the control area of Montenegro is</li> </ul>	<p>Having in mind the analysis of Article 52 and 53 of the EB GL, provisions of the <b>Market Rules</b> appear to be <b><u>non-compliant</u></b> with requirements for calculation of imbalance prices, as set out in the EB GL. Additionally, it should be noted:</p> <ul style="list-style-type: none"> <li>- the definition of the value of avoided activation of balancing energy from FRR/RR is <b><u>missing</u></b>, nor is there any link between this value and the calculation of the imbalance price as foreseen in Article 55 Para 4 under b) and Para 5 under b);</li> <li>- Article 58 Para 10 and 11 of the <b>Market Rules</b> are <b><u>non-compliant</u></b> with Table 2 of Article 55 of the EB GL, as these provisions <b>imply that there is no negative imbalance price</b> (also having in mind the inverted positive/negative imbalance foreseen in Article 51 Para 1 and 2 of the Market Rules).</li> </ul>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 55 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> besides the proposal suggested for imbalance settlement and imbalance settlement period, <b>the imbalance settlement principles in the Market Rules and basic imbalance price calculation that involves Ek component shall be reviewed</b>, especially regarding meeting the requirements of Para 1, 4 and 5 of Article 55 of the EB GL.</p>

	<p>positive and outside the tolerance zone, the tolerance zone is equal to 1.5 Cp, while for the opposite situation the tolerance zone is equal to 0.5 Cp – Article 58 Para 8 and 9;</p> <ul style="list-style-type: none"> <li>- BRP pays in case of positive imbalance and is being paid in case of negative imbalance - Article 58 Para 10 and 11</li> </ul> <p><b>The Methodology:</b></p> <ul style="list-style-type: none"> <li>- foresees that the imbalance price is determined for imbalances in each direction. If the sum of Es (activated balancing energy for secondary regulation), Et (activated balancing energy for tertiary regulation) and Ek (activated balancing energy for compensation program) is equal to zero the basic imbalance price for that ISP is determined in accordance with the contract concluded by the services provider and TSO in relation to the compensation programs, and cannot be higher than average price for import of electricity or average price of export of electricity (whichever is higher) in the previous year before the conclusion of the contract – Article 30 Para 3 and Article 33 Para 4;</li> <li>- elaborates on calculation of the basic imbalance price (Cp) which is applied for the imbalance settlement and determined in each accounting interval as an average price of procurement/delivery of</li> </ul>		
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	energy for the need of system balancing in this interval - Article 33 Para 3;		
<b>Article 56 – Procurement within scheduling area</b>	See analysis for Article 32	See analysis for Article 32	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 56 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> in addition to solutions proposed for regarding Article 32 of the EB GL, <b>introduce provisions setting out the rules for the settlement of at least FRR and RR in the Market Rules.</b></p>
<b>Article 57 – Procurement outside a scheduling area</b>	See analysis for Article 33	See analysis for Article 33	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 57 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> in addition to solutions proposed regarding Article 33 of the EB GL, <b>introduce provisions setting out the rules for the settlement of procured balancing capacity in the Market Rules.</b></p>



## 7. BOSNIA-HERZEGOVINA

The gap analysis was based on the English version of the Law on Transmission of Electric Power, Regulator and System operator of BiH (hereinafter – Law on Transmission)<sup>44</sup> and its amendments<sup>45 46 47</sup>, Law Establishing an Independent System Operator for the Transmission System in BiH (hereinafter - Law on ISO)<sup>48</sup>, Market Rules<sup>49</sup>, Rules on Daily Balancing Energy Market Operations (hereinafter – Balancing Rules)<sup>50</sup> and Ancillary Services Procedures<sup>51</sup>, published on the state NRA’s (SERC) and TSO’s (NOSBiH) website. The gap analysis also took into account the current version of the Grid Code<sup>52</sup>, albeit its translation into English is not available. Hence, some of the identified discrepancies might not be relevant due to inconsistencies between the Bosnian and English version of the above-mentioned legal acts, as a result of translation.

It should be noted that the legal framework of the entities was not analyzed, given that the electricity transmission and balancing matters are regulated at the state level, and the entity laws regulating electricity transmission and system operators shall be harmonized with the provisions of the Law on Transmission. In case of conflict between the laws of entities and provisions of the Law on Transmission, the latter shall prevail (Article 9.5. of the Law).

Bilateral agreements between NOSBiH and neighboring TSOs were not analyzed in detail but they were taken into account to the extent that these agreements should be aligned with the relevant amendments to legal acts, proposed as transitional solutions.

EB GL/SO GL	National legislation	Level of compliance (compliant, non-compliant, partly compliant, missing)	Proposed changes
<b>Part I - General provisions of SO GL</b>			
<b>Article 3 – Definitions</b>			
<b>(6) “frequency containment reserves” (FCR)</b>	<b>The Grid Code</b> in Article 3.2. “Definitions” defines “Frequency containment reserve (FCR)” as	Even though the “old” and “new” terminology is used and the term “operating reserve” is not defined, the	<b>The adoption of the SO GL under the auspices of the Energy Community will mean that the</b>

<sup>44</sup> <http://www.nosbih.ba/files/dokumenti/Legislativa/Zakoni%20BiH/EN/LawonTransmissionofElectricPower,RegulatorandSystemOperatorofBosniaandHerzegovina.pdf>

<sup>45</sup> <https://www.derk.ba/DocumentsPDFs/ZakonOizmjenamaZakonaOPrenosu13-03%20EN.pdf>

<sup>46</sup> [https://www.derk.ba/DocumentsPDFs/Zakon%20o%20izmjenama%20i%20dopunama%20zakona%20o%20prijenosu,%20regulatoru%20i%20operateru%20sistema%20elektricne%20energije%20-%20en%2076\\_09.pdf](https://www.derk.ba/DocumentsPDFs/Zakon%20o%20izmjenama%20i%20dopunama%20zakona%20o%20prijenosu,%20regulatoru%20i%20operateru%20sistema%20elektricne%20energije%20-%20en%2076_09.pdf)

<sup>47</sup> <https://www.derk.ba/DocumentsPDFs/Zakon-o-izmjenama-zakona-o-prijenosu-regulatoru-i-operateru-sistema-elektricne-energije-u-BiH-1-11-EN.pdf>

<sup>48</sup> <http://www.nosbih.ba/files/dokumenti/Legislativa/Zakoni%20BiH/EN/LawEstablishingAnIndependentSystemOperatorForTheTransmissionSystemOfBosniaAndHerzegovina.pdf>

<sup>49</sup> <http://www.nosbih.ba/files/dokumenti/Legislativa/Trzisna%20pravila/EN/Market%20Rules%202015%20-%20Translated.pdf>

<sup>50</sup> <http://www.nosbih.ba/files/dokumenti/Trziste/Dokumenti/ENG/Rules%20on%20Daily%20Balancing%20Energy%20Market%20Operations.pdf>

<sup>51</sup> <http://www.nosbih.ba/files/dokumenti/Trziste/Dokumenti/ENG/Ancillary%20Services%20Procedures.pdf>

<sup>52</sup> <https://www.derk.ba/DocumentsPDFs/Mrezni-Kodeks-2018-b.pdf>

	<p>“operating reserve for constant prevention of frequency deviations from nominal value with the purpose of continuous maintenance of balancing power of the synchronous area. It is activated automatically for primary regulation needs”.</p> <p><b>The Grid Code</b> also defines “Process of frequency regulation (primary regulation)” as [process that] “maintains balance between generation and consumption in the system, using the regulator of the rotary speed of the turbine. It is an automated decentralized function of the turbine regulator which purpose is to adjust generator’s output as a response to the frequency change in a synchronized zone”</p> <p><b>The Market Rules, Ancillary Services Procedures and Balancing Rules</b> use “primary control”, “primary regulation” and “primary reserves”, without defining these terms</p>	<p><b>Grid Code definition of FCR can be assessed as <u>compliant</u> with the definition of FCR from the SO GL.</b></p>	<p>definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution:</p> <ul style="list-style-type: none"> <li>- introduce a definition of “active power reserves” replicating the definition from Article 3 Para 2 under 16) of the SO GL in the Grid Code;</li> <li>- to ensure coherence, <b>alignment of the terminology used throughout the Grid Code, the Market Rules, Ancillary Services Procedures and Balancing Rules shall be done</b></li> </ul>
<p><b>(7) “frequency restoration reserves” (FRR)</b>  <b>(99) “automatic FRR”</b>  <b>(143) “manual FRR full activation time”</b></p>	<p><b>The Grid Code</b> in Article 3.2. “Definitions” defines “Frequency restoration reserve (FRR)” as operating reserve activated with the purpose to restore frequency to the nominal value and power balance to the scheduled value of the synchronous area which is consisted of more regulation areas.</p>	<p>Even though the “old” and “new” terminology is used and the term “operating reserve” is not defined, the <b>Grid Code definition of FRR can be assessed as <u>compliant</u> with the definition of FCR from the SO GL.</b></p> <p>It should be noted that the <b>Grid Code uses both secondary and tertiary</b></p>	<p><b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p>As a transitional solution:</p> <ul style="list-style-type: none"> <li>- review the usage of FRR, secondary/tertiary regulation when using it in the context of frequency restoration and align these terms</li> </ul>

	<p>It is used for secondary and tertiary regulation needs”</p> <p><b>The Grid Code</b> also defines “Process for frequency restoration (secondary and tertiary regulation)” as “centralized automated (secondary regulation, that is manual (tertiary regulation) function which regulates generation in the control area in order to maintain the control of exchange of electric power through interconnected transmission lines within the set constraints and bring the system frequency back to the set values in case of deviation”</p> <p>In the title of Article 6.2.1.3. the Grid Code uses “Tertiary Regulation (Manual engagement of FRR)”</p> <p><b>The Market Rules, Ancillary Services Procedures and Balancing Rules</b> use “secondary regulation”, “secondary reserve”, “secondary regulation services”, “tertiary regulation”, “tertiary reserve”, “tertiary regulation services”, without defining these terms</p>	<p><b>regulation when referring to frequency restoration process and describing manual engagement of FRR as tertiary regulation.</b> If the parallel usage of old and new terminology is maintained, it may prove to be beneficial to clarify that aFRR relates to secondary regulation, while mFRR - tertiary regulation.</p>	<p><b>accordingly by replicating the definitions of “automatic FRR” and “manual FRR full activation time” from the SO GL in the Grid Code;</b></p> <p>- to ensure coherence, <b>alignment of the terminology used throughout the Grid Code, the Market Rules, Ancillary Services Procedures and Balancing Rules shall be done.</b></p>
<p><b>(8) “replacement reserves” (RR)</b></p>	<p><b>The Grid Code</b> uses “replacement reserve”/”RR” twice in the text – in Article 3.1. “Acronyms and Abbreviations” and Article 6.2.1. Para 1, without defining the term</p> <p><b>The Market Rules, Ancillary Services Procedures and Balancing Rules</b> use “tertiary regulation”,</p>	<p>The definition of “replacement reserves” <b>is missing</b> in the BiH legislation.</p>	<p><b>The adoption of the SO GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: replicate the definition from the SO GL in the Grid Code. This implies aligning the terminology throughout the Grid Code, Market Rules,</b></p>

	“tertiary reserve”, “tertiary regulation services”, without defining these terms		<b>Ancillary Services Procedures and Balancing Rules</b>
<b>Title I - General provisions of EB GL</b>			
<b>Article 2 - Definitions</b>			
<b>(11) “balancing”</b>	<p><b>The Law on Transmission</b> does not define “balancing” but uses the notion of maintaining system balance in Article 5.2 Para 1 under g) as well as in Article 4.2 Para 1 under h) in relation to the responsibility of the NRA to monitor “methods to secure a system balance between demand and supply of electricity”</p> <p><b>The Law on ISO</b> does not define balancing but uses the notion of “maintaining the continuous balance of supply and demand in real-time” in Article 3 Para 1 under 3 and “maintaining and restoring the energy balance in the transmission system” under 21) of the same article</p> <p><b>The Market Rules</b> do not define “balancing” but use the notion of “market principles of balancing” in Article 3 Para 1 first indent, “using balance energy for balancing” in Article 15, and “maintaining the balance” in Article 23 Para 1.</p>	<p>The definition of “balancing” <b>is missing</b> in the BiH legislation.</p> <p>Although the <b>Grid Code</b> does not define nor explicitly use the notion of “balancing”, its provisions can be assessed as <b>partially compliant on substance</b> with the EB GL definition. Namely, Article 3.2 Grid Code defines “regulation of frequency”, “process of frequency restoration” (further elaborated in Article 6.2.1.2 and 6.2.1.3), “process of frequency regulation” (further elaborated in Article 6.2.1.1), “frequency restoration reserve (FRR)” (further elaborated in Article 6.2.1.3), “Frequency containment reserve (FCR)”. Article 6.2. Para 3 under d) and Para 4, read in conjunction with Article 6.2.1., describe the responsibility of the TSO for the regulation of frequency, the manner in which this is performed (dispatching orders, i.e. measures) and states that the TSO shall maintain frequency in accordance with ENTSO-E rules and the Market Rules by using FCR, FRR and RR. However, RR is not elaborated in the Grid Code (thus partial compliance in substance).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Replicate the definition from the EB GL in the Grid Code</b> (*this also implies defining and elaborating RR in line with the SO GL)</p>

	<p><b>The Balancing Rules</b> do not define or use the notion of “balancing”</p> <p><b>The Ancillary Services Procedures</b> do not define “balancing” but mention “ancillary service for the balancing of the electric power system” in the preamble, and use the notion of “balancing” in 3.3.3.1 Para 3 third indent without further elaboration</p> <p><b>The Grid Code</b> does not define nor use the notion “balancing”</p>		
(12) “balancing market”	<p><b>The Law on Transmission</b> does not define “balancing market” but uses the notion in Article 5.2. Para 1 under b) (Functions of the ISO)</p> <p><b>The Law on ISO</b> defines “balancing market” in Article 3 Para 1 under 3) and uses the notion when defining the “Market Rules” under 17) of the same article, Article 2 Para 1, Article 7 Para 1 under 4),8) and 13), and Article 18 Para 1</p> <p><b>The Market Rules</b> do not define “balancing market”, but use the notion of “balancing market” in Article 1 Para 1 indent six, Article 30 Para 9, Article 31 Para 6. Article 32 Para 5 (where reference is made to the Balancing Market Operation Rules – to be read as the Rules on Daily Balancing Energy Market Operations - is made) and the</p>	<p><b>The Law on ISO definition</b> read together with the provisions of the <b>Law on Transmission, the Market Rules, the Balancing Rules, and the Ancillary Services Procedure, are assessed as <u>compliant in substantive terms</u></b> with the definition from the EB GL, the as they set out the institutional, commercial and operational arrangements that establish market-based management of balancing</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>

	<p>notion of “daily balancing energy market” in Article 32, Article 27 Para 3, Article 43 Para 1</p> <p><b>The Balancing Rules</b> do not define “balancing market” but use the notion of notion of “balancing market” in Article 10 Para 8, Article 14 Para 4, and the notion of “daily balancing market” in Article 10 Para 7, Article 14 Para 1</p> <p><b>The Ancillary Services Procedures</b> do not define “daily balancing market” but use the notion of “balancing market for a next day (day ahead)” in Article 3.3.2, 4.3.2. Para 1 and 2, and the notion of “daily balancing market” in Article 4.2 Para 13</p> <p><b>The Grid Code</b> does not define nor use the notion of “balancing market” but foresees that “The Grid Code is linked to and harmonized with the Market Rules and the appropriate regulations which relate to the connection and exploitation of the BiH transmission system.” (Article 2 Para 2 under d))</p>		
<p><b>(3) “balancing services”</b></p>	<p><b>The Law on Transmission</b> does not define “balancing services” but defines the notion of “ancillary services” in Article 2 Para 1 under 1), and uses it in Article 4.2 Para 1 under b) and f), Article 4.8 Para 1</p>	<p>The definition of “balancing services” is <u>missing</u> in the BiH legislation.</p> <p>Article 2 Para 1 under 1) of <b>the Law on Transmission</b> defines Ancillary Services as all services necessary for operation of the transmissions system and further</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Introduce a definition of “balancing services” in the</b></p>

	<p>under 1), Article 5.2 Para 1 under c) and e)</p> <p><b>The Law on ISO</b> does not define “balancing services” but defines the notion of “ancillary services” in Article 3 Para 1 under 1), and uses it in Article 2 Para 1, Article 7 Para 1 under 5). It also defines the notion of “system services” in Article 3 Para 1 under 21) and use it in Article 2 Para 1, Article 3 Para 1 under 3) (when defining “ancillary services”) and under 7) (when defining “balancing market”), and Article 7 Para 1 under 5)</p> <p><b>The Market Rules</b> do not define “balancing services” but define the notion of “ancillary services” in Article 4 Para 1 (and the types of Ancillary Services in Article 28) and uses it in Article 1 Para 1 indent six, Article 2 Para 1 first indent, Article 3 Para 1 first indent, Article 4 Para 1 when defining the Grid Code and Ancillary Service Provider, Article 15, and throughout Chapter VI (Ancillary Services), and Article 40.</p> <p><b>The Balancing Rules</b> do not define “balancing services”, but use the notion of “secondary/tertiary regulation services” in Article 2 when defining Balancing Service Providers, and the notion of “ancillary services” in Article 5 Para</p>	<p>specifies in Article 5.2 Para 1 under c) that they include frequency control, operating reserves, voltage control and black-start services. As such, they imply balancing capacity and balancing energy, but are wider in scope and can be assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL. In this regard, ancillary services cannot be considered as a different denomination of balancing services.</p> <p><b>The Law on ISO</b> defines ancillary services as “all services, excluding the production and transmission of electricity, supplied to the ISO for the provision of system services, including, among other things, frequency control, reserves, reactive power and voltage control and black start capability.” System services are defined as “all services that the ISO provides in order to secure the safe and efficient transportation of electricity over the transmission system, to solve large-scale disruptions in the transportation of electricity and to maintain or restore the energy balance in the transmission system.” Ancillary services, as defined in this law imply balancing capacity and balancing energy, but are wider in scope and can be assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL ancillary services cannot be considered as a different denomination of balancing services.</p>	<p><b>Market Rules, The Balancing Rules, Ancillary Services Procedures and the Grid Code</b> which will replicate the definition from the EB GL.</p>
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2, Article 10 Para 3, Article 13, Article 14 Para 4.

**The Ancillary Services Procedures** do not define “balancing services” but define the notion of “ancillary services” in Article 1.1 Para 1, and use the notion of “ancillary services for the balancing of the electric power system of BiH” and “ancillary services for balancing the energy sector in BiH” in the preamble part defining the scope of this act, and the notion of “ancillary services” in Article 1.1 Para 1 when defining the Grid Code and Balancing Service Provider/Ancillary Service Provider, Article 3.1.1 Para 3, 4 and 5, Article 3.2 Para 3 and 5, Article 4.1.1 Para 4 and 6, throughout Article 8 (8, 8.1.1 Para 1, 8.1.2, 8.1.3 and 8.2).

**The Grid Code** does not define “balancing services” but uses the notion of “ancillary and system services” in Article 2 Para 2 under e) indent ten, defines notion of “ancillary services” in Article 3.2 Para 1 except generation) and uses the notion in the same article when defining Dispatching Order, the Energy Balance of BiH, Article 4.4.2 Para 8, Article 5.5 Para 3 indent 7, Article 6.2 Para 4 indent two, Article 6.2 Para 5, Article 6.2.1.2 Para 2, Article 8, Article 8.1 Para 1 under h), Article 8.7,

**The Market Rules** define ancillary services as “all services which NOSBiH procures from the service providers for purpose of ensuring system services i.e. with purpose of maintaining safe and reliable operations of the power grid in BiH and continuous and qualitative supply of consumers”, while Article 28 thereof specifies that ancillary/system services include regulation of frequency and active power – primary, secondary and tertiary reserves, regulation of voltage and reactive power, black start procedure, coverage of technical losses of electric power in the transmission and system, elimination of BRPs' deviations from a daily schedule. As such, they appear to include both balancing capacity and balancing energy, but are wider in scope and can be assessed as **partially compliant in substance** with the definition from the EB GL - ancillary services cannot be considered as a different denomination of balancing services.

**The Balancing Rules** foresee the notion of “secondary/tertiary regulation services” as services provided by Balancing Service providers, and elaborate bids for reserves (capacity) in Chapter II, and balancing energy bids in Chapter III, which implies that these services include both balancing capacity and energy, and can thus be assessed as **compliant in substance** with the definition from the EB GL.



		<p><b>The Ancillary Services Procedures</b> contain an identical definition of ancillary services as the Market Code. It however uses the term Balancing Service Provider/Ancillary Service Provider simultaneously and without differentiation. In the preamble, the Ancillary Services Procedures use the notion of “ancillary services for the balancing of the electric power system of BiH” when defining the scope of this act, but further on also include Q-V support (Article 7). Taken in their totality, with special observance of Article 3.1.3. (Procurement of Secondary Reserve), Article 3.2 (the cost of Secondary Energy), Article 4.1.3 (Procurement of Tertiary Reserve), and Article 4.3.2 (The Cost of Tertiary Regulation Energy), the provisions of the Ancillary Services Procedures foreseeing ancillary services include both balancing reserves (capacity) and balancing energy, but are wider in scope (like the Market Rules include Q-V support in Article 7) and can be assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL - ancillary services cannot be considered as a different denomination of balancing services.</p> <p><b>The Grid Code</b> defines ancillary services as “all services except generation and transmission of electric power, provided to NOS BiH with the purpose of providing system services”. Articles 6.2 Para 4 indent two, and 6.2.1.2 Para 2 and 3 (which makes a reference to the Ancillary Services Procedure), read in conjunction</p>	
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		<p>with Article 6.2. Para 3 under a) and b), appear to cover both balancing energy and reserves, but taking into account the wide definition of ancillary services can be assessed as <b>partially compliant in substance</b> with the definition from the EB GL – ancillary services cannot be considered as a different denomination of balancing services.</p>	
<p><b>(4) “balancing energy”</b></p>	<p><b>The Law on Transmission, Law on ISO and the Grid Code</b> do not define nor use the notion of “balancing energy”</p> <p><b>The Market Rules</b> do not define “balancing energy” but use the notion of “engaged balancing energy” in Article 4 Para 1 when defining “imbalance”, the notion of “balance energy for balancing” in Article 15, the notion of “balancing energy for tertiary control” in Article 32 Para 2, “tertiary balancing energy” in Article 32 Para 4, “balance energy that is engaged by a service provider” in Article 37 Para 1 and 2, “balancing energy for upward/downward secondary/tertiary control” in Article 40 and “balancing energy engaged in secondary/tertiary control” in Article 42 Para 2 indent two and three</p> <p><b>The Balancing Rules</b> do not define but use the notion extensively in Chapter IV - List Scheduling Bids</p>	<p>The definition of “balancing energy” is <b>missing</b> in the BiH legislation</p> <p>The provisions of the <b>Market Rules</b>, taken in their totality, with a special focus on the provisions of Article 15, read in conjunction with Article 32 Para 2 and Article 37 Para 1 and 2 can be assessed as <b>partially compliant in substance</b> with the definition from the EB GL (as there is a vague link with the BSP (i.e. there is no clear provision but rather the notion of “provider” and there is a vague link to balancing (although not defined in these Rules)</p> <p>Taken in their totality, the <b>Balancing Rules</b> are assessed as <b>partially compliant on substance</b> with the definition from the EB GL, due the fact that although there is a link between balancing energy (as used in this act) and the BSP as a provider, and indirectly to “balancing” as defined in the EB GL (due of to the fact that there is no definition of “ balancing” in these Rules).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Introduce a definition of the “balancing energy” in the Market Rules, Balancing Rules and Ancillary Services Procedures which will replicate the definition from the EB GL, and use the notion consistently throughout the texts of these acts.</b></p>

	<p>Activation and Balancing Energy Prices (Article 11-13), the notion of “engaged energy for upward/downward secondary/tertiary regulation” and “engaged balancing energy for secondary/tertiary regulation” in Article 14, Para 2</p> <p><b>The Ancillary Services Procedures</b> do not define “balancing energy” but use the notion of “engaged balancing energy” in Article 1.1 Para 1 when defining “imbalance”, “activated balancing energy of secondary regulation” in Article 3.3, the notion of “tertiary regulation balancing energy” in Article 4.2 Para 6, the notion of “tertiary balancing energy” in Article 4.3.1.3 Para 2</p>	<p>Taken in their totality, the <b>Ancillary Services Procedures</b> are assessed as <b>partially compliant on substance</b> with the definition from the EB GL with the same reasoning as for the Balancing Rules</p>	
<p><b>(5) “balancing capacity”</b></p>	<p><b>The Law on Transmission, Law on ISO and the Grid Code</b> do not define nor use the notion of “balancing capacity”</p> <p><b>The Market Rules</b> do not define “balancing capacity”, but use the notion of “reserve capacity” in Article 30 Para 1, 4, and 8, Article 31 Para 1, 3, and 4, and in Article 32 Para 2. It also uses the notion of “secondary/tertiary capacity” in Article 5.</p> <p><b>The Balancing Rules</b> do not define “balancing capacity” but use it the notions of upward/downward</p>	<p>The definition of “balancing capacities” is <b>missing</b> in the BiH legislation.</p> <p>Article 30, Para 9 and 10, Article 31 Para 6, and Article 32, Para 2 of the <b>Market Rules</b> can be assessed as <b>partially compliant in substance</b> with the definition of Balancing Capacity in the EB GL due to unclear distinction between BSP and ASP (ancillary service provider), where it appears that ASP is a wider term in scope, and BSP is not defined, but is used alongside ASP in the acronym list in Article 5 without being used anywhere further in the text. The obligations related to holding reserve capacity (or rather the consequences of not being</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p>As a transitional solution introduce a definition of “balancing capacity” in the <b>Market Rules, Balancing Rules, and Ancillary Services Procedures</b> which will replicate the definition from the EB GL and ensure the notion is used consistently throughout the texts.</p>

	<p>secondary/tertiary reserve extensively throughout the text (Article 4, Article 5, Article 6, Article 9, Article 11, Article 13, Article 14)</p> <p><b>The Ancillary Services Procedures</b> do not define “balancing capacity” but extensively use the notions of secondary/tertiary reserves throughout the text (Article 1.2, Article 3.1.1, Article 3.1.1.1, Article 3.1.2, Article 3.1.2.1, Article 3.1.2.2, Article 3.1.3, Article 3.1.3.1, Article 3.1.3.2, Article 3.1.4, Article 3.1.4.1, Article 3.1.4.2, Article 3.1.5, Article 3.1.6, Article 3.1.6.1, Article 3.1.6.2, Article 3.2, Article 3.3, Article 3.3.1, Article 3.3.2.1, Article 3.3.3, Article 4.1, Article 4.1.1, Article 4.1.2, Article 4.1.3, Article 4.1.3.2, Article 4.1.3.3, Article 4.2, Article 4.3, Article 4.3.1, Article 4.3.1.1, Article 4.3.1.2, Article 4.3.1.3, Article 8.1.1, and Article 8.1.2) and the notion of “balancing reserve (merit order list)” in Article 4.2 Para 2</p>	<p>able to provide the contracted capacity) and submitting bids are related to ASPs and not BSP.</p> <p>Article 6 Para 1 and Article 9 - Table 1, (Mandatory bids) of the <b>Balancing Rules</b> can be assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as they explicitly relate only to tertiary regulation, while mandatory bidding for secondary regulation is foreseen implicitly (e.g. Article 4 Para 1 of the Balancing Rules – bids for secondary reserve “are to be delivered”).</p> <p>Article 3.1.3 of the <b>Ancillary Services Procedure</b>, read in conjunction with Article 3.2 Para 5, and Article 4.1.3 read in conjunction with Article 4.1.4 (which makes a reference to Balancing Rules) – can be assessed <b>as compliant in substance</b> with the definition from the EB GL (although it should be pointed out that the usage of the notion of BSP and ASP is inconsistent and the difference between the two notions subject to interpretation).</p>	
<p><b>(6) “balancing service provider”</b></p>	<p><b>The Law on Transmission, Law on ISO and the Grid Code</b> do not define nor use the notion of “balancing service provider”</p> <p><b>The Market Rules</b> do not define but Article 5 Para 1 foresees “ASP/BSP Ancillary Service Provider/Balancing</p>	<p>The definition of “balancing service provider” is <b>missing</b>.</p> <p>Article 30 Para 2 and 7 and Article 31 Para 2 and 5 <b>of the Market Rules</b> can be assessed as <b>compliant in substance</b> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution introduce a definition of “balancing service provider” in the in the Market Rules, Balancing Rules, and</b></p>

	<p>Service Provider”, but only the notion of ASP is used further in the text in Article 27, Article 29, Article 30 Para 1, 2, and 5- 10, Article 31 Para 1, 2, and 5.</p> <p><b>The Balancing Rules</b> do not define but use the notion of BSPs in Article 2, Article 4 Para 2, Article 6 Para 1, Article 9 (Table 1), Article 12 Para 3-6</p> <p><b>The Ancillary Services Procedures</b> do not define BSPs. However, Article 1.2 foresees “BSP /ASP Balancing Service Provider /Ancillary Service Provider”, and uses the notion of BSP in Article 2, Article 3.1, Article 3.1.1 Para 1, 2, 4, 5 and 6, Article 3.1.1.1 Para 4 (in conjunction with Para 3), 6 and 7, Article 3.1.3 Para 4, Article 3.1.3.1 Para 1, 4, and 6 (these seem to be repeated provisions in the English version), Article 3.1.3.2 Para 4, Article 3.1.4, Article 3.1.4.1, Article 3.1.4.2, Article 3.1.5, Article 3.1.6, Article 3.2 Para 2-9, Article 3.3, Article 3.3.1, Article 3.3.2, Article 3.3.2.1, Article 3.3.3, Article 3.3.3.1, Article 4.1.1.1 Para 4, 6, 7, 8, Article 4.1.3, Article 4.1.3.1 Para 4, 4.1.3.2. Para 2 and 6, Article 4.2 Para 5 and 8, Article 4.2.1 Para 1, 2, 4, and 6, Article 4.3.1, Article 4.3.1.1, Article 4.3.1.3 Para 2, 4, Article 4.3.2, Article 4.3.2.1, and throughout Article 8</p>	<p>Article 2 of the <b>Balancing Rules</b> is assessed as <u>compliant in substance</u> with the definition from the EB GL.</p> <p>Article 3.1, 3.1.1 Para 1, 2, and 4, Article 3.1.1.1 Para 4 (read in conjunction with Para 3), Para 6 and 7, Article 3.1.3.1 Para 4, Article 4.1.1.1 Para 4, 6, and 7, Article 4.1.3.1 Para 4, 4.1.3.2. Para 2 and 6, Article 4.2 Para 5 Article 4.3.1.3 Para 4, and Article 4.3.2 of the <b>Ancillary Services Procedures</b> are assessed as <u>compliant in substance</u> with the definition from the EB GL</p>	<p><b>Ancillary Services Procedures which will replicate the definition from the EB GL</b> and ensure the notion is used consistently throughout the texts.</p>
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<p><b>(7) “balance responsible party”</b></p>	<p><b>The Law on Transmission, The Law on ISO, and The Balancing Rules</b> do not define or use “balance responsible party”</p> <p><b>The Market Rules</b> define BRP in Article 4</p> <p><b>The Ancillary Services Procedures</b> define BRP in Article 1.1 Para 1.</p> <p><b>The Grid Code</b> does not define but uses the notion in Article 2 Para 2 under e) indent four, and Article 3.2 Para 1 when defining “Approved Daily Schedule”</p>	<p><b>The Market Rules</b> define BRP in Article 4 (<i>*Note that the English version references to the “Law on Balancing Responsibility” while the original text makes a reference to the “Agreement on Balancing Responsibility” which is correct</i>). Read in conjunction with Article 12 Para 1 indent 2 and Article 22 Para 1 and Article 23 Para 1 the definition can be assessed as <b>compliant</b> with the definition from the EB GL.</p> <p><b>The Ancillary Services Procedures</b> define BRP in Article 1.1 Para 1 (<i>*Note that the English version references to the “Law on Balancing Responsibility” while the original text makes a reference to the “Agreement on Balancing Responsibility” which is correct</i>). This is the same definition as in the Market Rules, but there is no further elaboration on what balancing responsibility means. Hence, if the provisions of the Ancillary Services Procedures were to be read in an isolated manner, they could at best be assessed as partially compliant with the definition from the EB GL. However, the Ancillary Services Procedures are an act envisaged in the Market Rules (<i>*Note: this is rather unconventional legal practice - to foresee other pieces of secondary legislation in what is already secondary legislation</i>), and could under this unconventional legal practice be read in conjunction with the norms of the Market Rules, in which case its provisions could be assessed as</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>
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		<u>compliant</u> with the definition of the EB GL.	
<b>(8) “imbalance”</b>	<p><b>The Law on Transmission and The Law on ISO</b> do not define or use “imbalance”</p> <p><b>The Market Rules</b> define “imbalance” in Article 4 Para 1</p> <p><b>The Balancing Rules</b> do not define imbalance, but use the notion in the context of prices for positive/negative imbalances (Article 13 and Article 14)</p> <p><b>The Ancillary Services Procedures</b> define “imbalance” in Article 1.1 Para 1.</p> <p><b>The Grid Code</b> does not define but uses the notion in Article 8 Para 3, Article 8.1. Para 1 under h), and Article 8.7 Para 1</p>	<p><b>The Market Rules</b> definition of “imbalance” in Article 4 Para 1, read in conjunction with Article 38 thereof, can be assessed as <u>compliant</u> with the definition from the EB GL.</p> <p><b>The Ancillary Services Procedures</b> define “imbalance” in Article 1.1 Para 1 which is identical to that of the Market Rules and can be assessed as <u>compliant</u> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>
<b>(9) “imbalance settlement”</b>	<p><b>The Law on Transmission, The Law on ISO, and The Balancing Rules</b> do not define or use “imbalance settlement”</p> <p><b>The Market Rules</b> do not define but use the notion of “imbalance settlement” in Article 1 Para 1 indent seven, Article 11 Para 3, Article 14 Para 4, and the notion of “imbalance charges” in in Article 1 Para 1 indent seven, Article 41 and Article 42 Para 1</p>	<p>The definition of “imbalance settlement” is <u>missing</u> in the BiH legislation.</p> <p><b>However, Article 11 Para 3, read in conjunction with Article 41 and Article 42 Para 1 of the Market Rules which elaborate the imbalance charge (as a financial settlement mechanism defined in the EB GL), and can thus be assessed as <u>compliant in substance</u> with the definition of the definition of the EB GL.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution introduce a definition of “imbalance settlement” in the Market Rules which will replicate the definition from the EB GL and ensure the notion is used consistently throughout the text.</b></p>

	<p><b>The Ancillary Services Procedures</b> do not define but use the notion of “imbalance settlement” in Article 1.1 Para 1 when defining “settlement period”</p> <p><b>The Grid Code</b> does not define “imbalance settlement” but use the notion of “settlement of imbalance” in Article 8.7 Para 1</p>		
<p><b>(10) “imbalance settlement period”</b></p>	<p><b>The Law on Transmission and The Law on ISO</b> do not define or use “imbalance settlement period”.</p> <p><b>The Market Rules</b> do not define but use the notion of “imbalance settlement period” in Article 41 Para 1. However, the Market Rules define the notion of “settlement period” in Article 4 Para 1</p> <p><b>The Balancing Rules</b> do not define but use the notion of “imbalance settlement period” in Article 13 Para 1, and the notion of “settlement period” further on throughout Article 13</p> <p><b>The Ancillary Services Procedures</b> do not define or use “imbalance settlement period”. However, they define “settlement period” in Article 1.1 Para 1</p> <p><b>The Grid Code</b> does not define or use “imbalance settlement period”,</p>	<p>The definition of “settlement period” as set out in Article 4.1 Para 1 of the <b>Market Rules</b> and Article 1.1. Para 1 of the <b>Ancillary Services Procedures</b> is assessed as <b>compliant</b> with the definition from the EB GL, and can be considered a different denomination of “imbalance settlement period”.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution necessary.</b></p>



	but uses the notion of “settlement period” in Article 8 Para 3 and Article 8.7 Para 1 and 3		
<b>(11) “imbalance area”</b>	<b>The Law on Transmission, The Law on ISO, The Market Rules, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code</b> do not define “imbalance area”	The definition of “imbalance area” is <u>missing</u> in the BiH legislation.  When analysing the provisions of Article 15 of the <b>Market Rules</b> (“Operative Stage”) it can be concluded that the imbalance area is the Control Area of NOSBiH (as defined in Article 4 Para 1) of the Grid Code) or its scheduling area in the sense of Art. 54 of the EB GL, which would render it <b>compliant in substance</b> with the definition from the EB GL.	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: introduce a definition of “imbalance area” in the Market Rules which will replicate the definition from the EB GL.</b>
<b>(12) “imbalance price”</b>	<b>The Law on Transmission, The Law on ISO, The Ancillary Services Procedures, and the Grid Code</b> do not define or use “imbalance price”  <b>The Market Rules</b> define “imbalance price” in Article 4 Para 1  <b>The Balancing Rules</b> do not define but use the notion in Chapter V (Determination of imbalance price)	The definition of the “imbalance price” from Article 4 Para 1 of the <b>Market Rules</b> , read in conjunction with Article 40 and 41 thereof, can be assessed as <b>compliant</b> with the definition from the EB GL.  The usage of the notion of “imbalance price” in Chapter V of the <b>Balancing Rules</b> can be assessed as <b>compliant in substance</b> with the definition from the EB GL.	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  <b>No transitional solution necessary.</b>
<b>(13) “imbalance price area”</b>	<b>The Law on Transmission, The Law on ISO, The Market Rules, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code</b> not define “imbalance price area”	The definition of “imbalance price area” is <u>missing</u> in the BiH legislation.  When analysing the provisions of Article 15 of the <b>Market Rules</b> (“Operative Stage”) it can be concluded that the imbalance price area is the Control Area of NOSBiH (as defined in Article 4 Para 1) of the Grid Code) or its scheduling area in	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: introduce a definition of “imbalance price area” in the Market Rules which will replicate the definition from the EB GL.</b>

		the sense of Art. 54 of the EB GL, which would render it <b>compliant in substance</b> with the definition from the EB GL.	
<b>(14) “imbalance adjustment”</b>	<p><b>The Law on Transmission, The Law on ISO, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code</b> do not define “imbalance adjustment”</p> <p><b>The Market Rules</b> do not define “imbalance adjustment”, but uses the notion of “activation of secondary and tertiary control reserves” in Article 38 Para 5 when describing the calculation of the imbalance of the BRPs</p>	<p>The definition of “imbalance adjustment” is <b>missing</b> in the BiH legislation.</p> <p>However, Article 38 Para 5 of the <b>Market Rules</b> (read in conjunction with the definition of “imbalance” in Article 4 Para 1 which uses the notion of “engaged balancing energy”) uses the notion of “activation of secondary and tertiary control reserves” in Article 38 Para 5 when describing the calculation of the imbalance of the BRPs, and it is an essential element for determining (calculating) the imbalance of the Balance Responsible Party. As such it is assessed as <b>compliant in substance</b> with the definition of “imbalance adjustment” from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Introduce a definition of “imbalance adjustment” in the Market Rules which will replicate the definition from the EB GL and use it accordingly in Article 38 thereof.</b></p>
<b>(15) “allocated volume”</b>	<p><b>The Law on Transmission, The Law on ISO, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code</b> do not define “allocated volume”</p> <p><b>The Market Rules</b> do not define “allocated volume”, but use the notion of “Realised BRP balance” in Article 38 Para 3 and 4</p>	<p>The definition of “allocated volume” is <b>missing</b> in the BiH legislation.</p> <p>However, Article 38 Para 3 and 4 of the <b>Market Rules</b> (read in conjunction with the definition of “imbalance” in Article 4 Para 1 which uses the notion of “measured amount of injected and offtaken electricity”) uses the notion of “Realised BRP balance” as “the difference between total amount of realised production of all generator units and realised consumption of all consumers within the balance group” can</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Introduce a definition of “allocated volume” in the Market Rules which will replicate the definition from the EB GL and use it accordingly in Article 38 thereof.</b></p>

		be assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL.	
<b>(16) “position”</b>	<p><b>The Law on Transmission, The Law on ISO, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code</b> do not define “position”</p> <p><b>The Market Rules</b> do not define “position” foresee the notion of “Planned Balance of BRP” in Article 38 Para 1 and 5</p>	<p>The definition of “position” is <b><u>missing</u></b> in the BiH legislation.</p> <p>Article 38 Para 1 and 5 of the <b>Market Rules</b> (read in conjunction with the definitions of “Imbalance” and “Program” in Article 4 Para 1 and Article 16 Para 2 indent seven) foresee the notion of “Planned Balance of BRP” which is assessed <b><u>as compliant in substance</u></b> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Introduce a definition of “position” in the Market Rules which will replicate the definition from the EB GL and use it accordingly in Article 38 thereof.</b></p>
<b>(17) “self-dispatching model”</b>	<p><b>The Law on Transmission, The Law on ISO, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code</b> do not define “self-dispatching model”</p> <p><b>The Grid Code</b> describes the daily scheduling in Article 6.1.3. and dispatching in Article 6.2.</p>	<p>The definition of “self-dispatching” model is <b><u>missing</u></b> in the BiH legislation.</p> <p>Article 6.1.3. and Article 6.2. of the <b>Grid Code</b> can be assessed as <b><u>compliant in substance</u></b> with the definition of “self-dispatching model” set out in EB GL, as these provisions cover scheduling and dispatching process.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “self-dispatching model” in the Grid Code which will replicate the definition from the EB GL.</b></p>
<b>(21) “TSO-TSO model”</b>	<p><b>The Law on Transmission</b> does not define “TSO-TSO model” but foresees “coordination with neighboring control areas” in Article 5.2.3 Para 1 under f)</p> <p><b>The Law on ISO</b> does not define “TSO-TSO model”</p> <p><b>The Market Rules</b> do not define “TSO-TSO model” but foresees “existing arrangement for the joint</p>	<p><b>The explicit definition of “TSO-TSO model” is <u>missing</u> in the BiH legislation.</b></p> <p>The provisions of Article 5.2.3 Para 1 under f) of the <b>Law on Transmission</b> are vague in the context of the definition from the EB GL, and are assessed <b><u>as non-compliant in substance</u></b> with it.</p> <p>The provisions of Article 31 Para 3 of the <b>Market Rules</b> are assessed as <b><u>partially compliant in substance</u></b> with the</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “TSO-TSO model” in the Market Rules, Balancing Rules, Ancillary Services Procedures and Grid Code which will replicate the definition from the EB GL.</b></p>

	<p>reserve in the SHB control block” in Article 31 Para 3</p> <p><b>The Balancing Rules</b> do not define “TSO-TSO model” but that “all bids from BiH and from other TSOs, in accordance with a signed agreement between the system operators, participate in creating a list for deployment of tertiary reserve” in Article 11 Para 2</p> <p><b>The Ancillary Services Procedures</b> do not define “TSO-TSO model” but foresee “plans for share and exchange of secondary reserve with other Control Areas” in Article 3.1.2 Para 4 and “regional agreements on tertiary regulation allocation and exchange with other system operators” in Article 4.1.2.</p> <p><b>The Grid Code</b> does not define “TSO-TSO model” but foresees that “In case that the required amount of (tertiary) reserve cannot be provided in EES BiH, NOSBiH can provide it from other control areas in accordance with relevant agreements” in Article 6.2.1.3. Para 2</p>	<p>definition from the EB GL, due to the fact that they only refer to joint reserves and only to the SHB control block.</p> <p>The provisions of Article 11 Para 2 of the <b>Balancing Rules</b> are assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as they only relate to bids for deployment of tertiary reserve.</p> <p>The provisions of Article 3.1.2 Para 4 and 4.1.2 of the <b>Ancillary Services Procedure</b> are assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as they only relate to sharing and exchanging secondary reserves and tertiary reserves.</p> <p>The provisions of Article 6.2.1.3 Para 2 of the <b>Grid Code</b> are assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as they only relate to the provision of tertiary reserves.</p> <p><b>All of the abovementioned provisions lack the link to the respective balancing service provider, as foreseen in the EB GL definition.</b></p>	
<p><b>(22) “connecting TSO”</b></p>	<p><b>*Same as for “TSO-TSO” model (see (21) above)</b></p>	<p><b>The explicit definition of “connecting TSO” is missing in the BiH legislation.</b></p> <p>The notion of connecting TSO is implicitly included in the provisions of <b>the Market Rules, Balancing Rules, Ancillary</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p>

		<p><b>Services Procedures and Grid Code</b> (see definition of “TSO-TSO model” above). All of these acts miss the link to the balancing service providers and balance responsible parties, as well as compliance with the terms and conditions related to balancing and are therefore assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL.</p>	<p>As a transitional solution: introduce a definition of “connecting TSO” in the in the <b>Market Rules, Balancing Rules, Ancillary Services Procedures and Grid Code</b> which will replicate the definition from the EB GL.</p>
(23) “exchange of balancing services”	*Same as for “TSO-TSO” model (see (21) above)	<p>The explicit definition of “exchange of balancing services” is <b><u>missing</u></b> in the BiH legislation.</p> <p>*Same as for “TSO-TSO” model (see (21) above)</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “exchange of balancing services” in the <b>Market Rules, Balancing Rules, Ancillary Services Procedures and Grid Code</b> which will replicate the definition from the EB GL.</p>
(24) “exchange of balancing energy”	*Same as for “TSO-TSO” model (see (21) above)	<p>The explicit definition of “exchange of balancing energy” is <b><u>missing</u></b> in the BiH legislation.</p> <p>The provisions of Article 5.2.3 Para 1 under f) of the <b>Law on Transmission</b> are vague in the context of the definition from the EB GL, and are assessed as <b><u>as non-compliant in substance</u></b> with it.</p> <p>The provisions of Article 31 Para 3 of the <b>Market Rules</b> are assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL, due to the fact</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “exchange of balancing energy” in the <b>Market Rules, Balancing Rules, Ancillary Services Procedures and Grid Code</b> which will replicate the definition from the EB GL</p>

		<p>that they only refer to joint reserves and only to the SHB control block.</p> <p>The provisions of Article 11 Para 2 of the <b>Balancing Rules</b> are assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL, as they only relate to bids for deployment of tertiary reserve.</p> <p>The provisions of Article 3.1.2 Para 4 and 4.1.2 of the <b>Ancillary Services Procedure</b> are assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL, as they only relate to sharing and exchanging secondary and tertiary reserves (not energy).</p> <p>The provisions of Article 6.2.1.3 Para 2 of the <b>Grid Code</b> are assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL, as they only related to the provision of tertiary reserves (not energy).</p>	
<p>(25) “exchange of balancing capacity”</p>	<p>*Same as for “TSO-TSO” model (see (21) above)</p>	<p><b>The explicit definition of “exchange of balancing capacity” is missing in the BiH legislation.</b></p> <p>The provisions of Article 5.2.3 Para 1 under f) of the <b>Law on Transmission</b> are vague in the context of the definition from the EB GL, and are assessed <b><u>as non-compliant in substance</u></b> with it.</p> <p>The provisions of Article 11 Para 2 of the <b>Balancing Rules</b> are assessed as <b><u>non-compliant in substance</u></b> with the</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “exchange of balancing capacity” in the Market Rules, Balancing Rules, Ancillary Services Procedures and Grid Code which will replicate the definition from the EB GL.</b></p>

		<p>definition from the EB GL, as they only relate to bids for deployment of tertiary reserve, i.e. tertiary balancing energy (not capacity).</p> <p>The provisions of Article 3.1.2 Para 4 and 4.1.2 of the <b>Ancillary Services Procedure</b> are assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL, as they relate to sharing and exchanging secondary and tertiary reserves (<i>*note: primary reserves not covered</i>).</p> <p>The provisions of Article 6.2.1.3 Para 2 of the <b>Grid Code</b> are assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL, as they only related to the provision of tertiary reserves.</p>	
(26) “transfer of balancing capacity”	The Law on Transmission, The Law on ISO, The Market Rules, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code do not define “transfer of balancing capacity”	The explicit definition of “transfer of balancing capacity” <b><u>is missing</u></b> in the BiH legislation.	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “transfer of balancing capacity” in the Market Rules, Balancing Rules, Ancillary Services Procedures and Grid Code which will replicate the definition from the EB GL.</p>
(27) “balancing energy gate closure time”	The Law on Transmission, The Law on ISO, The Market Rules, The Ancillary Services Procedures, and The Grid Code do not define “balancing energy gate closure”	<p>The explicit definition of “balancing energy gate closure time” <b><u>is missing</u></b> in the BiH legislation</p> <p>The provisions of Article 9 Para 2 and 3 of the <b>Balancing Rules</b> can be assessed <b><u>as</u></b></p>	The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.

	<p>The <b>Balancing Rules</b> do not explicitly define “balancing energy gate closure time”, but foresee the timeframe in which bids for secondary/tertiary regulation can be changed in Article 9 Para 2 and 3</p>	<p><b>partially compliant in substance</b> with the definition of “balancing gate closure time” in the EB GL, as they set out the deadlines for submission and modifications for secondary and tertiary regulation bids, but without any link to the common merit order list.</p>	<p><b>As a transitional solution: introduce a definition of “balancing energy gate closure time” in the Balancing Rules</b> which will replicate the definition from the EB GL, and use the notion accordingly in Article 9 thereof.</p>
<p>(28) “standard product”</p>	<p>The Law on Transmission, The Law on ISO, The Market Rules, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code do not define “standard product”</p>	<p>The definition of “standard product” is <u>missing</u> in the BiH legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “standard product” in the <b>Market Rules</b> which will replicate the definition from the EB GL (for substantive elaboration of what “standard products” would be please refer below to explanation for Article 24 of the EB GL).</p>
<p>(29) “preparation period”</p>	<p>The Law on Transmission, The Law on ISO, The Market Rules, and The Balancing Rules do not define “preparation period”</p> <p>The <b>Ancillary Services Procedures</b> do not define “preparation period” but foresee the notion of “speed of response to the managing signal” in Article 3.1.1.1 Para 3 indent four, “speed of response, i.e. ability to activate upward/downward power regulation within 15 minutes following an order’s issue” in Article 4.1.1.1 Para 3 indent three</p>	<p>The definition of “preparation period” is <u>missing</u> in the BiH legislation.</p> <p>The provisions of the <b>Ancillary Services Procedures</b> and the <b>Grid Code</b> can be assessed as <u>partially compliant in substance</u> with the definition from the EB GL to the extent that they foresee a concept of “speed of response to the managing signal” and “response of active power of the generating unit”.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “preparation period” in the <b>Ancillary Services Procedure and the Grid Code</b> which will replicate the definition from the EB GL, and ensure it is used properly throughout the texts.</p>



	<p><b>The Grid Code</b> does not define “preparation period” but foresees the notion of “response of active power of the generating unit” in Article 5.8.1.1 Para 4 and 6, and the notion of “minute response” (related to secondary regulation) in Article 6.2.1.2 Para 2</p>		
<p><b>(30) “full activation time”</b></p>	<p><b>The Law on Transmission, The Law on ISO, The Market Rules, and The Balancing Rules do not define “full activation time”</b></p> <p><b>The Ancillary Services Procedures</b> do not define “full activation time” but foresee the notion of “speed of response to the managing signal” in Article 3.1.1.1 Para 3 indent four, “speed of response of secondary regulation” in Article 3.2 Para 8 indent six, “speed of response, i.e. ability to activate upward/downward power regulation within 15 minutes following an order’s issue” in Article 4.1.1.1 Para 3 indent three, “speed of response of tertiary regulation” in Article 4.2 Para 11 indent three, and “starting time” in Article 4.2.1. Para 2 under 4.</p> <p><b>The Grid Code</b> does not define “full activation time” but uses the notion of “time of full activation” in Article 5.8.1.1 Para 4 and 7, and appears to deal with this topic in Article 5.8.1.2 and 5.8.1.3</p>	<p><b>The definition of “full activation time” is <u>missing</u> in the BiH legislation.</b></p> <p>The provisions of the <b>Ancillary Services Procedures</b> and the <b>Grid Code</b> can be assessed as <b><u>partially compliant in substance</u></b> with the definition from the EB GL to the extent that they foresee a concept “speed of response to the managing signal” and “response of active power of the generating unit” (in substantive terms can be seen as “preparation period”), and “speed of response of secondary regulation” and “speed of response of tertiary regulation” (expressed in MW/s and in substantive terms can be seen as “ramping period”).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “full activation time” in the Ancillary Services Procedure and the Grid Code</b> which will replicate the definition from the EB GL, and ensure it is used properly throughout the texts.</p>

<p><b>(31) “deactivation period”</b></p>	<p><b>The Law on Transmission, The Law on ISO, The Market Rules, and The Balancing Rules do not define “deactivation period”</b></p> <p><b>The Ancillary Services Procedures</b> do not define “deactivation period” but foresee the notion of “speed of response to the managing signal” in Article 3.1.1.1 Para 3 indent four, “speed of response of secondary regulation” in Article 3.2 Para 8 indent six, “speed of response, i.e. ability to activate upward/downward power regulation within 15 minutes following an order’s issue” in Article 4.1.1.1 Para 3 indent three, “speed of response of tertiary regulation” in Article 4.2 Para 11 indent three, and “end time of activation” in Article 4.2.1. Para 6 under 4</p> <p><b>The Grid Code</b> does not define “deactivation period” but foresees the notion of “response of active power of the generating unit” in Article 5.8.1.1. Para 4 and 6, and the notion of “minute response” (related to secondary regulation) in Article 6.2.1.2. Para 2 and appears to deal with this topic in Article 5.8.1.2. and 5.8.1.3.</p>	<p><b>The definition of “deactivation period” is missing in the BiH legislation.</b></p> <p>The provisions of the <b>Ancillary Services Procedures</b> and the <b>Grid Code</b> can be assessed as <b>non-compliant</b> with the definition from the EB GL, as they do not explicitly contain the necessary elements of the definition of “deactivation period”.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “deactivation period” in the in the Ancillary Services Procedure and the Grid Code</b> which will replicate the definition from the EB GL, and ensure it is used properly throughout the texts.</p>
<p><b>(32) “delivery period”</b></p>	<p><b>The Law on Transmission, The Law on ISO, The Market Rules and the</b></p>	<p><b>The definition of “delivery period” is missing in the BiH legislation.</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the</b></p>

	<p><b>Grid Code do not define “delivery period”</b></p> <p><b>The Balancing Rules</b> do not define “delivery period” but use the notion in Article 8 Para 6 indent 4</p> <p><b>The Ancillary Services Procedures</b> do not define “delivery period” but use the notion in Article 3.1.3.2. Para 6 indent 3 and Article 4.1.3.2. Para 7</p>	<p>The usage of the notion in the Balancing Rules and the Ancillary Services Procedures is not done in the context of the definition from the EB GL and is thus <b><u>non-compliant in substance</u></b> with it.</p> <p>Article 3.2 Para 8, indent 4 of the <b>Ancillary Services Procedures</b> implies that the delivery period can be accounted for when it comes to secondary regulation activation – hence this provision is considered <b><u>partially compliant in substance</u></b> with the definition from the EB GL. However, Article 4.3.1.3 Para 1 and 2 state that “ it is considered that upward i.e. downward tertiary reserve is provided if the reserve is nominated in the Daily Balancing Energy Market” and that since tertiary balancing energy is not measured or calculated but is considered to be delivered, all missing/undelivered quantities shall become deviations of the BRP to which the BSP belongs” and further elaborate how the monitoring of the quality of tertiary regulation is performed in Para 3 and 4 of the same article – hence the provisions of this article are assessed as <b><u>non-compliant</u></b> with the definition from the EB GL.</p> <p>Article 8.2.3 Para 1 of the <b>Grid Code</b> foresees that „each metering point must have a possibility of registration and remote reading of active and reactive power every fifteen (15) minutes, and of peak power’, which implies that the delivery period can be accounted for, and</p>	<p><b>definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce a definition of “delivery period” in the Ancillary Services Procedures and the Grid Code</b> which will replicate the definition from the EB GL, and ensure it is used properly throughout the texts.</p>
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		can thus be assessed as <b>partially compliant in substance</b> with the definition from the EB GL. However, Para 4 of the same article allows for the introduction of an exemption to this rule as agreed with NOSBiH.	
(33) “validity period”	<b>The Law on Transmission, The Law on ISO, The Market Rules, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code do not define “validity period”.</b>	<p><b>The definition of “validity period” is missing in the BiH legislation</b></p> <p><b>The Balancing Rules</b> do not contain a definition of “validity period” and there is nothing foreseen in this context when it comes to secondary regulation. However, when it comes to tertiary regulation Article 5 Para 3 foresees that “any market participant may submit several bids <i>for a specific time period</i>”, while Article 8 Para 6 indent 5 foresees that each bid must contain “<i>time intervals in the period of delivery</i>”, read in conjunction with Article 11 Para 3-6, imply that accepted bids can be activated for the specific time intervals (hours) and are thus assessed as <b>partially compliant in substance</b> with the definition from the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Introduce a definition of “validity period” in the Balancing Rules</b> which will replicate the definition from the EB GL, and ensure it is used properly throughout the texts.</p>
(34) “mode of activation”	<p><b>The Law on Transmission, The Law on ISO, and The Balancing Rules do not define “mode of activation”</b></p> <p><b>The Market Rules</b> do not define “mode of activation” but cover the subject matter in Article 30 Para 8 when it comes to secondary regulation.</p>	<p><b>The definition of “mode of activation” is missing in the BiH legislation</b></p> <p>The provisions of the <b>Market Rules</b> are assessed as <b>partially compliant in substance</b> with the definition from the EB GL, as they only cover secondary regulation (and describe the mode of activation as automatic)</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: Introduce a definition of “mode of activation” in the Ancillary Services Procedure and the Grid Code</b> which will replicate the definition from</p>

	<p><b>The Ancillary Services Procedures</b> do not define “mode of activation” but cover the subject matter in Article 3.2 Para 2 and 7 (for secondary regulation) and Article 4.2.1 (for tertiary regulation)</p> <p><b>The Grid Code</b> does not define “mode of activation” but cover the subject matter Articles 5.8.1.2 and 5.8.1.3, read in conjunction with Articles 6.2.1.2 (which makes a reference to the Ancillary Services Procedures) and 6.2.1.3.</p>	<p>The provisions of the <b>Ancillary Services Procedures</b> are assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL, as they describe secondary regulation as automatic and tertiary as manual (although without explicitly using the term “manual”)</p> <p>The provisions of the <b>Grid Code</b> are assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL, as they describe secondary regulation as automatic and tertiary as manual.</p>	<p>the EB GL and ensure it is used properly throughout the texts.</p>
(36) “specific product”	<p><b>The Law on Transmission, The Law on ISO, The Market Rules, The Balancing Rules, The Ancillary Services Procedures and The Grid Code do not define “specific product”</b></p>	<p><b>The definition of “specific product” is <u>missing</u> in BiH legislation</b></p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: Introduce a definition of “specific product” in the Market Rules, Balancing Rules, and Ancillary Services Procedures</b> which will replicate the definition from the EB GL.</p>
(37) “common merit order list”	<p><b>The Law on Transmission, The Law on ISO, and The Grid Code do not define “common merit order list”</b></p> <p><b>The Market Rules</b> do not define “common merit order list” but use the notion of “merit order list” in Article 32 Para 3 in relation to tertiary regulation.</p>	<p><b>The definition of “common merit order list” is <u>missing</u> in the BiH legislation</b></p> <p>Article 32 Para 3 of the <b>Market Rules</b> are assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL and “merit order list” can be considered a different denomination for “common merit order list”. However, when it comes to secondary regulation, Article 30 Para 8 foresees that “the secondary control</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p><b>As a transitional solution: introduce a definition of “common merit order list” in the Market Rules</b> which will replicate the definition from the EB GL, <b>as well as foresee the obligation for the TSOs in the interim period to establish common merit order list for mFRR/aFRR</b> (also see definitions of</p>

	<p><b>The Balancing Rules</b> do not define nor use the notion of “merit order list”, but use the notion of “schedule” and list of activation of upward/downward tertiary reserve” in Article 11 Para 2-5</p> <p><b>The Ancillary Services Procedures</b> do not define “common merit order list” but use the notion of “merit order list” in Article 4.2 Para 1, 3, and 4 and Article 4.2.1 Para 7 in relation to tertiary regulation.</p>	<p>service is automatic and is activated when SCADA system, located in NOSBiH, sends a signal to ASPs Regulators. The signal of secondary control shall be allocated to ASPs <i>in proportion to their participation</i> in totally available secondary control reserve capacity” which means that there is no merit order list, but that the activation is performed pro rata. Hence, this provision is assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL.</p> <p>Article 11 Para 2-5 of the <b>Balancing Rules</b> foresee that a “schedule” for engaging upward/downward tertiary regulation shall be created and uses the notion of “list of activation of upward/downward tertiary reserve” in Image 1 and 2 thereof, and is therefore assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL. Article 11 Para 1 foresees that “secondary reserve bids are engaged <i>proportionally to their range of offer</i>, on the basis of an algorithm implemented in SCADA/EMS system at NOSBiH, independently of the bids’ prices” and is therefore assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL.</p> <p>Article 4.2 Para 1, 3, and 4 and Article 4.2.1 Para 7 <b>The Ancillary Services Procedures</b> (in relation to tertiary regulation) are assessed as <b><u>compliant in substance</u></b> with the definition from the EB GL. However, Article 3.2 Para 4 (in relation to secondary regulation) states</p>	<p>“frequency restoration reserves” and “replacement reserves”).</p>
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		that “the regulation request shall be shared and sent to the BSP’s managing centres or generation units proportionally to the contracted power of each BSP, that is in line with algorithm implemented in SCADA system in NOSBiH” and is therefore assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL.	
(38) “TSO energy bid submission gate closure time”	The Law on Transmission, The Law on ISO, The Market Rules, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code do not define “TSO energy bid submission gate closure time”	The definition of “TSO energy bid submission gate closure time” <b><u>is missing</u></b> in the BiH legislation	The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.  As a transitional solution: introduce a definition of “TSO Energy bid submission gate closure time” in the Market Rules which will replicate the definition from the EB GL.
(39) “activation optimization function”	The Law on Transmission, The Law on ISO, The Market Rules, and The Grid Code do not define “activation optimization function”  The Balancing Rules do not define nor use ‘activation optimization function’, but use the notion of “algorithm” which is utilized for activation of secondary reserves in Article 11 Para 1  The Ancillary Services Procedures do not define nor use ‘activation optimization function’, but use the notion of “algorithm” which is utilized for activation of secondary reserves in Article 3.2 Para 4	The definition of “activation optimization function” <b><u>is missing</u></b> in the BiH legislation  Article 11 Para 1 of the Balancing Rules and Article 3.2 Para 4 of the Ancillary Services Procedures use the notion of “algorithm” which is used for activation of secondary reserves. However, this is not performed on the basis of bids i.e. “independently of the bid’s prices”, but pro rata. These provisions are assessed as <b><u>non-compliant in substance</u></b> with the definition from the EB GL.	The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.  As a transitional solution: Introduce a definition of “activation optimization function” in the Balancing Rules and Ancillary Services Procedures which will replicate the definition from the EB GL, and ensure it is used properly throughout the texts.

<p><b>(40) “imbalance netting process function”</b></p>	<p>The Law on Transmission, The Law on ISO, The Market Rules, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code do not define “imbalance netting process function”</p>	<p>The definition of “imbalance netting process function” <u>is missing</u> in the BiH legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: introduce a definition of “imbalance netting process function” in the Market Rules which will replicate the definition from the EB GL and develop the substance throughout the texts.</p>
<p><b>(41) “TSO – TSO settlement function”</b></p>	<p>The Law on Transmission, The Law on ISO, The Market Rules, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code do not define do not define “TSO – TSO settlement functions”</p>	<p>The definition of “TSO – TSO settlement functions” <u>is missing</u> in the BiH legislation</p> <p>Article 31 Para 3 of the <b>Market Rules</b>, Article 11 Para 2 of the <b>Balancing Rules</b>, Article 4.1.1 of the <b>Ancillary Services Procedures</b> and Article 6.2.1.3 Para 2 of the <b>Grid Code</b> foresee arrangements/agreements with other TSOs, but do not further elaborate anything regarding the settlement function as defined in the EB GL.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: Introduce a definition of “TSO – TSO settlement functions” in the Market Rules, Balancing Rules, Ancillary Services Procedures and Grid Code which will replicate the definition from the EB GL and integrate it accordingly into Article 31 Para 3 of the Market Rules, Article 11 Para 2 of the Balancing Rules, Article 4.1.1 of the Ancillary Services Procedures and Article 6.2.1.3 Para 2 of the Grid Code.</p>
<p><b>(42) “capacity procurement optimization function”</b></p>	<p>The Law on Transmission, The Law on ISO, The Market Rules, The Balancing Rules, The Ancillary Services Procedures, and The Grid Code do not define “capacity procurement optimization function”</p>	<p>The definition of “capacity procurement optimization function” <u>is missing</u> in the BiH legislation.</p>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: Introduce a definition of “capacity procurement optimization function” in the Market Rules, Balancing Rules, Ancillary Services Procedures and Grid Code which will replicate</p>



			the definition from the EB GL and use it accordingly throughout the texts.
(45) “requesting TSO”	*Same as for “TSO-TSO” model (see (21) above)	The explicit definition of “requesting TSO” is <u>missing</u> in the BiH legislation.	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that the definition will be transposed into the national legislation in its integral text.</p> <p>As a transitional solution: Introduce a definition of “requesting TSO” in the Market Rules, Balancing Rules, Ancillary Services Procedures and Grid Code which will replicate the definition from the EB GL and use it accordingly throughout the texts.</p>
<p><b>Article 4 – Terms and conditions or methodologies of TSOs</b></p> <p><b>Article 5 – Approval of terms and conditions or methodologies of TSOs</b></p>	<p>The Law on Transmission provides a general basis for:</p> <ul style="list-style-type: none"> <li>- SERC responsibility to revise and approve the Market Rules and Grid Code, prepared by ISO - Article 4.2. under c);</li> <li>- ISO’s responsibility to maintain balancing market, provide ancillary services (frequency control, operating reserves, voltage control and black-start services), develop mechanisms to coordinate with neighboring control areas, coordinate load management practices – Article 5.2. under b), c), f) and g);</li> <li>- ISO’s obligation to adopt a grid code, commercial code and other system operating rules and procedures that are subject to SERC review and approval – Article 5.3.</li> </ul>	<p>Currently there is no legal obligation for the TSO to develop the exact terms and conditions or methodologies required by the EB GL, at national or regional level, and for the NRA to approve them.</p> <p>However, the current legal basis set out in the Law on Transmission, Law on ISO, Ancillary Services Procedures and Grid Code can be assessed as <b>compliant in substance</b> with the EB GL, as it provides:</p> <ul style="list-style-type: none"> <li>- general rules for ISO’s obligation to elaborate a grid code, market rules (the scope of which can be taken from Article 7 of the Law on ISO) and other system operating rules, as well as develop mechanisms for cooperation with neighboring TSOs;</li> <li>- SERC competence to approve market rules which corresponds to the NRA’s approval of the terms and conditions for the provision of balancing services,</li> </ul>	<p>The adoption of the EB GL under the auspices of the Energy Community will mean that <b>Articles 4 and 5 will be transposed into the national legislation in their integral text.</b></p> <p>Given that the Law on Transmission, Law on ISO, Ancillary Services Procedures and Grid Code are assessed as compliant in substance, there will be no legal obstacle for the creation, proposal, and approval of the terms and conditions or methodologies envisaged in Articles 4 and 5 of the EB GL. Hence, <b>no transitional solution is proposed.</b></p>

	<p><b>The Law on ISO</b> supplements the Law on Transmission by setting out ISO's obligation to administer the balancing market, procure ancillary services and provide system services, prepare, modify and administer the market rules and grid code, issue invoices for transactions in the balancing market – Article 7 Para 4, 5, 6 and 8.</p> <p><b>The Market Rules</b> foresee their amendments following the adoption of ENTSO-E Codes and changes of rules on ENTSO-E level which have influence on the established processes – Article 47</p> <p><b>The Ancillary Services Procedures</b> contain the notion of plans for sharing/exchanging of “secondary reserve with other control areas (ENTSO-E grid codes)” (Article 3.1.2. Para 4) and “regional agreements on tertiary regulation allocation and exchange with other system operators” (Article 4.1.2.), without further elaborating on these concepts</p> <p><b>The Grid Code</b> mentions cross-border exchange of energy in Article 6.2.1.2. Para 1 first indent and Article 6.2.1.3. Para 2</p>	<p>as foreseen in Article 37 Para 6 of Directive 2009/72/EC and further elaborated by Article 3 and 4 of the EB GL,</p> <p>which, taken in their totality, can be used as a starting point for developing regional balancing market in the interim period (till the adoption of the EB GL under the auspices of the Energy Community). Besides, Article 47 of the Market Rules provides enough leverage to align the national market rules with the Guidelines.</p>	
<p><b>Article 6 – Amendments to terms and conditions or methodologies of TSOs</b></p>	<p><b>Law on Transmission</b> sets out SERC competence to revise and approve the Market Rules, Grid Code and</p>	<p>SERC competence can be assessed as <b>compliant</b> with the EB GL, as the Law on Transmission foresees its competence to</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that</b></p>

	<p>other system operating rules and procedures, as well as monitor the activities of the ISO, including the efficiency of mechanisms and methods to secure a system balance between demand and supply of electricity – Article 4.2. under c) and h), and Article 5.3.</p> <p>Both the <b>Law on Transmission and Law on ISO</b> requires the ISO to carry out prior consultation with the market participants on adoption of/amendments to the Market Rules/Grid Code – Article 5.3. Para 1 and Article 19 respectively</p>	<p>revise the Market Rules/Grid Code which can be read as revision during the approval of the proposal for the above-mentioned documents, as well as after the approval is granted, i.e., request amendments thereof.</p> <p>Even though there is no explicit provision on how the TSO can request amendments to the Market Rules/Grid Code, the corresponding right stems from the fact that the TSO elaborates and modifies these rules (Article 7 Para 1 under 6 of the Law on ISO), hence it can initiate the relevant amendments which are subject to prior consultation with the market participants.</p>	<p><b>Article 6 will be transposed into the national legislation in its integral text.</b></p> <p><b>No transitional solution is necessary.</b></p>
<p><b>Article 8 - Recovery of costs</b></p>	<p><b>The Law on Transmission</b> confers on SERC competence to approve, monitor and enforce tariffs, as well as set tariff methodologies for transmission, ancillary services and ISO, ensuring that prices are just, reasonable, non-discriminatory, based on objective criteria, and determined in a transparent manner, encouraging load balancing rates, including consideration of the development and dispatch of RES, as well as ensuring that tariffs, terms and conditions for the ISO services reflect prevailing international practice - Article 4.2. under b) and Article 4.8. Para 1</p>	<p>Currently there is no legal obligation for the TSO to undertake the obligations imposed by the EB GL, nor bear the costs related to the fulfilment of such obligations.</p> <p>However, Article 4.2. under b) and Article 4.8. Para 1 of the <b>Law on Transmission</b> and Article 6 of the <b>Law on ISO</b> can be assessed as <b>compliant in substance</b> with the EB GL. These provisions set out SERC competence which corresponds to the scope of general duties and powers set out in Article 37 Para 8 of Directive 2009/72/EC and further elaborated by Article 8 of the EB GL, i.e. NRA's obligation, when fixing or approving the tariffs or methodologies and the balancing services, ensure that TSOs are granted appropriate long and short-term</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 8 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: in order to ensure the possibility for the TSO to recover all reasonable, efficient and proportionate costs related to the setting up the regional balancing market in the interim period, it may prove to be useful to amend the Market Rules by introducing an explicit provision that follows the same logic as Article 8 Para 2 of the EB GL with a reference to the Law on Transmission (Article 4.2. under b) and Article 4.8. Para 1 thereof) and the Law on ISO (Article 6).</b></p>

	<p><b>The Law on ISO</b> states that the activities of ISO shall be carried on without the purpose of gain and the revenues of the ISO shall be used solely for the purpose of carrying out its objectives. SERC shall, from time to time, adjust the provisions of the ISO's cost-based system operation tariff to avoid the persistent over or under collection of revenues by the ISO - Article 6</p>	<p>incentive to increase efficiencies, foster market integration and security of supply and support the related research activities.</p> <p>Even though there is no explicit provision envisaging the TSO's right to recover reasonable, efficient and proportionate costs related to the setting up the regional balancing market in line with the requirements of the EB GL, such a right can be derived from Article 5.2. under b), c), f) and g) of the Law on Transmission, and Article 6 and Article 7 Para 1 under 4) and 5 of the Law on ISO. The assessment of such costs would be done by SERC in accordance with Article 4.2. Para 1 under b) and Article 4.8. Para 1 of the Law on Transmission and Article 6 of the Law on ISO.</p>	
<b>Title II – Electricity balancing market</b>			
<b>Article 14 – Role of the TSOs</b>	<p><b>The Law on Transmission</b> confers on ISO's responsibility to <b>maintain balancing market and provide ancillary services</b> (frequency control, operating reserves, voltage control and black-start services) – Article 5.2. Para 1 under b) and c)</p> <p><b>The Law on ISO</b> sets out that ISO:  - <b>administers the balancing market, procures ancillary services and provides system services</b> – Article 7 Para 1 under 4) and 5);  - issues dispatch instructions to generators and importers, and</p>	<p>Due to the fact that <b><u>the definition of “balancing services” is missing</u></b> in the BiH legislation (see definition of “balancing services” and the identified shortcomings regarding the usage of “ancillary services”), the provisions on TSO's role, as defined in the Law on Transmission, Law on ISO and Market Rules, can be assessed as <b><u>partially compliant</u></b> with Article 14 Para 1 of the EB GL.</p> <p>Article 7 Para 1 under 2) and 3) of <b>the Law on ISO</b> and Article 6.1.3. and Article 6.2. of <b>the Grid Code</b> implies the usage of dispatching arrangement that <b><u>complies</u></b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 14 will be transposed into the national legislation in its integral text.</b></p> <p><b>No separate transitional solution is needed (see the proposed solution for “balancing services”)</b></p>

	<p>operates central control center facilities and equipment any remote control equipment – Article 7 Para 1 under 2) and 3)</p> <p><b>The Market Rules</b> further elaborate on TSO's role in procurement of ancillary services, namely:</p> <ul style="list-style-type: none"> <li>- <b>TSO procures secondary control reserve capacity via annual/monthly public procurement procedures, based on submitted capacity bids</b>, or for missing volume via re-allocation per ancillary service provider (ASP) procedure. <b>The activation of secondary control energy</b> is done automatically by TSO proportionally to ASPs participation (compared to the total available secondary control reserve capacity) – Article 30 Para 1, 4, 5 and 8;</li> <li>- <b>TSO procures upward/downward tertiary reserve capacity via annual/monthly public procurement procedures, based on submitted capacity bids</b>. <b>The activation of balancing energy for tertiary regulation</b> is done daily based on the bids for balancing energy – Article 31 Para 1 and 4 and Article 32 Para 3</li> </ul> <p><b>The Balancing Rules</b> further elaborate on submission and verification of balancing energy bids per each type, as well as on</p>	<p><b><u>with the self-dispatching model set out in EB GL.</u></b></p>	
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	<p>activation of the balancing energy – Article 4 - 11</p> <p><b>The Grid Code</b> describes the daily scheduling in Article 6.1.3. and dispatching in Article 6.2.</p>		
<b>Article 15 – Cooperation with DSOs</b>	<p><b>The Law on Transmission</b> foresees ISO's right to request from DSO data and information necessary to implement this Law – Article 9.1 Para 1</p> <p>Article 17 Para 3 and Article 20 Para 3 of <b>Market Rules</b> mention procedures for data exchange between NOSBiH and DSO<sup>53</sup>.</p> <p>The provisions on TSO - DSOs cooperation in the Market Rules and in the above-mentioned procedures concern the exchange of information necessary for calculation of imbalance for BRPs and allocation of costs related to the balancing</p>	<p>Article 9.1 Para 1 of the Law on Transmission and the provisions on TSO - DSOs cooperation in the Market Rules and in the procedures for data exchange between NOSBiH and DSO can be assessed as <b>partially compliant</b>, as they foresee a general obligation for the TSO and DSO to cooperate and exchange of information necessary for imbalance settlement.</p> <p>The provisions defining the possibility to elaborate cost allocation methodology related to the <b>cooperation of the TSO and DSO concerning the reserve providing groups/units connected to the DSO grid</b> (Article 15 Para 3 of the EB GL Title 10 of SO GL) are <b>missing</b> in the BiH legislation.</p>	<p><b>The adoption of the EB GL, as well as the SO GL (Article 182 in particular) under the auspices of the Energy Community will mean that Article 15 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce amendments in the Market Rules covering the cooperation between the TSO and DSO concerning the reserve providing groups/units connected to the DSO grid, following the rationale of Article 182 of the SO GL.</b></p>
<b>Article 16 – Role of BSPs</b>	<p><b>The Market Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- the <b>right to participate in procurement of secondary/tertiary regulation</b> belongs to <b>ASPs (BSPs)</b> whose structures <b>satisfy the technical preconditions for providing secondary/tertiary</b></li> </ul>	<p><b>Provisions of the Market Rules and Procedures for Ancillary Services mentioning BSP qualification process</b> can be assessed only as <b>partially compliant</b>, since they do not provide clear technical requirements that a BSP shall comply with, as foreseen in Article</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 16 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p>

<sup>53</sup> [http://www.nosbih.ba/files/dokumenti/Trziste/Dokumenti/Procedure%20za%20razmjenu%20podataka%20NOS\\_ODS\\_v1\\_0.pdf](http://www.nosbih.ba/files/dokumenti/Trziste/Dokumenti/Procedure%20za%20razmjenu%20podataka%20NOS_ODS_v1_0.pdf)

	<p><b>regulation service</b> and that are <b>registered at the Registry of secondary/tertiary regulation service providers</b> – Article 30 Para 2 and 31 Para 2;</p> <ul style="list-style-type: none"> <li>- BSPs participate in the procurement of balancing capacity by <b>submitting bids for secondary/tertiary reserve capacity</b> - Article 30 Para 1 and 31 Para 1;</li> <li>- after the procurement procedure is finished NOSBiH and BSPs conclude an <b>Agreement on providing the service of secondary/tertiary control reserves</b> which shall, among other issues, define details on payment – Article 30 Para 7 and Article 31 Para 5;</li> <li>- <b>activation of secondary control energy is done automatically by TSO proportionally to BSPs participation</b> (compared to the total available secondary control reserve capacity) – Article 30 Para 8;</li> <li>- the <b>activated energy of secondary/tertiary control shall be compensated based on the balancing energy bids for both directions</b> which are submitted by BSPs in the Balancing Market for the next day – Article 30 Para 9 and Article 31 Para 6;</li> <li>- <b>a BSP with contracted capacity is obliged to submit “bids for balancing energy for tertiary control”</b>, while other <b>BSPs may</b></li> </ul>	<p>16 of EB GL and Article 158, 159, 161 and 162 of SO GL.</p> <p>As per the EB GL, after successful qualification (Article 16 Para 1) BSPs participating in the procurement process shall submit and have the right to update balancing capacity bids prior to a gate closure time of procurement process (Article 16 Para 3). Those BSPs who have been selected in the procurement of balancing capacity (i.e. with whom TSO concludes a contract for balancing capacity) are then obliged to submit the balancing energy bids (Article 16 Para 4). At the same time, the EB GL foresees that any BSP can submit the balancing energy bids, regardless whether or not they have been contracted for balancing capacity, i.e. have concluded a contract for balancing capacity (Article 16 Para 5), and there should be no discrimination between the bids submitted by the two types of BSPs mentioned above (Article 16 Para 7).</p> <p>Having this in mind, the provisions of the <b>Market Rules, Procedures for Ancillary Services and Balancing Rules</b> setting out BSPs right to participate in the procurement process, submit balancing capacity bids or balancing energy bids can be assessed <b>partially compliant</b> with Article 16 Para 1, 3, 4, 5 and 7 of the EB GL due to the following identified shortcomings/discrepancies:</p> <ul style="list-style-type: none"> <li>- last Para of Article 4.2. of the Procedures for Ancillary Services, read in</li> </ul>	<ul style="list-style-type: none"> <li>- <b>introduce clear pre-qualification requirements for the BSPs, as foreseen in Article 16 of EB GL and Article 159 and 162 of SO GL, as well as ensure that the successful completion of the pre-qualification process shall be considered enough to become a BSP.</b> This implies further review of necessity to conclude a framework contract as a prerequisite for participation in the procurement process;</li> <li>- <b>introduce in the Market Rules and Ancillary Services Procedures right of a BSPs to update balancing capacity bids prior to a gate closure time of procurement process.</b> This might require additional review of the procurement process itself;</li> <li>- <b>amend the Ancillary Services Procedures and the Balancing Rules, so as to ensure that there is no discrimination among the BSPs to submit bids for balancing energy for secondary and tertiary regulation;</b></li> <li>- <b>clarify provisions of the Market Rules and Balancing Rules to ensure a clear distinction between the bids for balancing capacity and bids for balancing energy;</b></li> <li>- <b>introduce a transitional definition of a standard product in the Market Rules, as proposed in the Final Report Task 4, and based on that clarify the right of BSPs without contracted capacity to submit energy bids from these products and equal treatment of such bids thereof;</b></li> <li>- <b>introduce an explicit provision in the Market Rules (supplementing Article 30 Para 7 and Article 31 Para 5) forbidding to predetermine the prices for balancing energy bids from these products in a contract for balancing capacity.</b> This also</li> </ul>
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	<p>submit their <b>bids</b> in daily balancing market <b>notwithstanding the lack of contracted capacities</b> – Article 32 Para 2;</p> <p>- <b>activation of balancing energy for tertiary regulation is done daily on the basis of merit order list which is created based on the submitted bids for balancing energy</b> – Article 32 Para 3;</p> <p><b>The Ancillary Services Procedures</b> mention:</p> <p>- <b>two-tier process to qualify as an a BSP</b> for providing ancillary service of secondary/tertiary regulation - Article 3.1. and 4.1.;</p> <p>- the technical inspection of the reserve providing unit, including testing speed of response - Article 3.1.1.1. and 4.1.1.1.;</p> <p>- <b>framework agreement</b> signed among the TSO and BSPs “for providing secondary regulation service”/ “on providing upward and downward tertiary regulation” – Article 3.1.3.1. and Article 4.1.3.1.;</p> <p>- when setting the cost of secondary reserve for a BSP it shall be taken into account that at a daily market first the agreements with lower prices of reserves are nominated and operationally delivered – Article 3.3.1. Para 1;</p> <p>- nomination, activation and calculation of voluntary bids (“<b>bids without contracted reserve</b>”) in the daily balancing market shall be</p>	<p>conjunction with Article 2 Para 2 and Article 7 of the Balancing Rules, foresees an option for a BSP without contracted balancing capacity submit only voluntary bids for upward/downward balancing energy for tertiary regulation. This might stem from the fact that the activation of energy for secondary regulation is done automatically by the TSO based on pro-rata principle and the bids for balancing energy are submitted in the daily balancing market only to set the price for the activated energy. This can be seen as discrimination among the BSPs, i.e. any BSP can submit bids for balancing energy for tertiary regulation but not for secondary regulation;</p> <p>- the Balancing Rules and Market Rules lack clear distinction between the bids for balancing capacity and balancing energy, which is largely due to inconsistent usage of terminology. (<i>*Note: in English version of the Balancing Rules Article 4 mentions <b>bids for secondary reserve</b> which would allow to assume that Article 4 relates to bids for balancing capacity. Yet, at the same time the provision elaborates on what is already set out in Article 30 Para 9 of the Market Rules on the offered price for activated <b>energy of secondary control</b>. Given that this discrepancy does not exist in the original (Bosnian) version, the translation of the Balancing Rules into English could be improved, so as to ensure consistency of the terms used and avoid interpretation.</i>)</p>	<p>entails <b>clarification of the currently used “agreement on providing the service of secondary/tertiary control reserves” in line with the concept of “a contract for balancing capacity” used in the EB GL.</b></p>
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	<p>described in the Balancing Rules – last Para of Article 4.2.</p> <p><b>The Balancing Rules:</b></p> <ul style="list-style-type: none"> <li>- differentiate BSPs whose (a) providing units are registered for providing secondary regulation services, in accordance with the Ancillary Services Procedures and the <b>Contract on Reserve</b>, and (b) providing units are registered for providing upward/downward tertiary regulation services, in accordance with the Balancing Services Providers, <b>with or without the Contract on Reserve</b> - Article 2;</li> <li>- set out bids for “secondary reserve” and bids for upward/downward “tertiary reserve”, as well as elaborate on mandatory and voluntary bids for “tertiary reserve” - Article 4 - 7 respectively;</li> <li>- elaborate on activation of balancing energy bids for secondary regulation, i.e., done proportionally and independently of the bids’ prices – Article 11;</li> </ul> <p><b>None of the legal acts above determine any specific requirements related to balancing products</b> as such</p>	<ul style="list-style-type: none"> <li>- the right of BSPs to update balancing capacity bids prior to a gate closure time of procurement process is missing, mainly due to the public procurement process set out in the Market Rules and Procedures for Ancillary Services;</li> <li>- Article 3.1.1., 3.1.3.1., 3.1.3.2., 4.1.1., 4.1.3.1 and 4.1.3.2. of the Procedures for Ancillary Services, when read together, suggest that <b>a framework contract shall be concluded for a BSP to be able to participate in the procurement procedure (i.e. submit bids), regardless of the successful qualification procedure (i.e. registration of BSP’s providing units for providing secondary/tertiary regulation)</b> . After the bids for balancing capacity are submitted an agreement on providing the service of secondary/tertiary control reserves shall be concluded (assumed as corresponding to a “contract for balancing capacity”, mentioned in Article 16 of the EB GL).</li> </ul> <p>The definition and requirements for standard and specific balancing products <b>are missing</b>.</p> <p>Even though there is no explicit legal provision forbidding to predetermine the <b>prices for balancing energy bids from these products</b> in a contract for balancing capacity, <b>Article 30 Para 7 and 9 and Article 31 Para 5 and 6 of the Market Rules</b> can be assessed as <b>compliant in substance</b> with Article 16 Para 6, since the details on payment mentioned in the agreement on providing the service of</p>	
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		secondary/tertiary control reserves refer to the manner and deadlines for payment, not the price setting for balancing energy bids, and the balancing energy is compensated according to the offered prices in the bids for balancing energy.	
<b>Article 17 – Role of BRPs</b>	<p><b>The primary legislation acts do not define balance responsibility, nor a BRP</b></p> <p><b>The Market Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- a <b>definition of BRP</b> and elaborate on its role, including the <b>financial responsibility to settle imbalance</b> - Article 4, 11 and 22;</li> <li>- the status of a BRP is acquired via registration as a BRP and signing a <b>balance responsibility agreement</b> – Article 12;</li> <li>- obligation for a BRP to submit daily schedules that are balanced – Article 14 Para 2;</li> <li>- nominations and re-nominations of daily schedules shall be done within the deadlines and in a way as defined in the <b>Instructions for daily schedules nominations</b>; these instructions, approved by NOSBiH, <b>are binding and shall be used for imbalance settlement</b> – Article 14 Para 3 and 4</li> </ul>	<p>The provisions of the <b>Market Rules</b> stipulate BRP’s obligation to undertake financial responsibility for its imbalances and, therefore, can be assessed as <b>partially compliant</b> with Article 17 Para 1 and 2.</p> <p>Yet, an explicit provision putting an <b>obligation on a BRP to strive to be balanced in real time</b> is <b>missing</b> (Article 14 of the Market Rules only mentions daily schedules for each trading interval that need to ensure balance between generated/purchased/received and consumed/sold/delivered electricity). This can be addressed in the relevant amendments to the Market Rules (see Article 18 – Terms and conditions related to balancing)</p> <p>Article 14 Para 3 of the <b>Market Rules</b> sets out a <b>possibility to re-nominate daily schedules</b> referring to the Instructions for Daily Schedules Nominations<sup>54</sup>. Article 4.2 of the Instructions covers intraday gate closure time, including for cross-border transactions in Article 4.2.1., and sets out that the schedules</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 17 will be transposed into the national legislation in its integral text.</b></p> <p><b>No separate transitional solution is needed</b></p>

<sup>54</sup> <http://www.nosbih.ba/files/dokumenti/Trziste/Dokumenti/Bos/UPUTSTVO%20ZA%20DOSTAVLJANJE%20DR%2027032017%20BOS.pdf>

	<p><b>The Grid Code</b> mentions that <b>entry and change of daily schedules are possible every day in accordance with the Instructions for daily schedules nominations</b> – Article 6.1.3. Para 2</p>	<p>can be changed 60 minutes before hour H. The cross-zonal gate closure time is further elaborated in the agreements concluded among NOSBiH and the neighboring TSOs on allocation of intraday cross-border capacity<sup>55</sup>, setting out that intraday cross-zonal gate closure time for all borders is 90 minutes before hour H. Hence, the current legal framework can be assessed <b>compliant</b> with the requirements of the EB GL, as it <b>allows the BRP to change its schedule within intraday timeframe.</b></p> <p>It should also be noted that in the context of Article 17 Para 3 of the EB GL which refers to “intraday cross-zonal gate closure time”, there is no regional intraday market, nor joint TSOs proposal on intraday cross-zonal gate opening and closure time in the WB6 region as part of single intraday market coupling process.</p>	
<p><b>Article 18 – Terms and conditions related to balancing</b></p>	<p><b>The Law on Transmission</b> sets out general ISO’s obligation to adopt a grid code, commercial code and other system operating rules– Article 5.3</p> <p><b>The primary legislation acts do not explicitly define the scope of the Market Rules</b> (nor the scope of other rules for that matter), but it can be partially derived from Article 7 of the Law on ISO</p>	<p><b>The terms and conditions for the BSPs</b> set out in the <b>Market Rules, Balancing Rules and Ancillary Services Procedure</b> are <b>partially compliant</b>, as they do not cover fully all aspects foreseen in Article 18 of the EB GL (e.g. related to the pre-qualification process, possibility for BSPs without contracted capacity to submit only voluntary bids for tertiary regulation; see also Article 16 – Role of BSPs).</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 18 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: expand the scope of the Market Rules by replicating the scope of terms and conditions for the BSPs and the BRPs, as set out in Article 18 of the EB GL, as well as introduce clear and detailed provisions on requirements concerning BRPs obligation to strive to be balanced in real time</b></p>

<sup>55</sup> <http://www.nosbih.ba/bh/partneri/pravila/57>

	<p>The <b>Market Rules</b> cover <b>general terms and conditions for BSPs</b> (called “ancillary services providers”) <b>and BRPs</b>, as well as foresee amendments to the Market Rules following the adoption of ENTSO-E Codes and changes of rules on ENTSO-E level which have influence on the established processes</p> <p>The terms and conditions for BSPs are <b>further elaborated in the Balancing Rules and Ancillary Services Procedures</b></p>	<p>The same applies to the <b>terms and conditions for the BRPs</b>, as the scope of the Market Rules is <b>partially compliant</b> with the scope of the terms and obligations for the BRPs foreseen in Article 18 of the EB GL (also see Article 17 – Role of BRPs).</p>	<p>(following the rationale of Article 17 Para 1 of the EB GL). <b>This would require amendments to the Market Rules, Balancing Rules and Ancillary Services Procedure, along with the associated amendments on the qualification requirements for the BSPs, defining standard products in the interim period, etc.</b></p>
<p><b>Article 24 – Balancing energy gate closure time</b></p>	<p>As per the <b>Balancing Rules</b>:</p> <ul style="list-style-type: none"> <li>- the <b>gate closure time for submission of energy bids for upward/downward tertiary regulation in the daily balancing energy market</b> for a day of delivery or D day is until the market’s closure in D-1 by 14:30; if a problem occurs in the work of the system for reception and processing of the bids in the daily balancing energy market, NOSBiH has the right to accept a bid upon expiry of this deadline – Article 8 Para 1 and 4;</li> <li>- the <b>deadlines for delivering/changing bids for balancing energy in the daily balancing energy market</b> are: (a) from 18:00 in D-1 for a day of delivery D; (b) bids for secondary regulation may be changed until H-</li> </ul>	<p>(See also definition of “balancing energy gate closure time” and “standard product”)</p> <p>As per EB GL, the balancing energy gate closure time shall be defined for each standard product, at least for RR, mFRR and aFRR. As identified above, <b>the standard balancing products are not defined in the BiH legislation</b>. Hence, in this regard the current regulation is <b>non-compliant</b> with Article 24 of the EB GL.</p> <p>Having in mind that the intraday cross-zonal gate closure time is foreseen 90 minutes before hour H (see Article 17 of the EB GL – Role of BRPs), Article 8 Para 1 and 4 and Article 9 of the <b>Balancing Rules</b> can be assessed as:</p> <ul style="list-style-type: none"> <li>- <b>compliant in substance</b> with Article 24 of the EB GL, in terms of gate closure time</li> </ul>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 24 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>along with introducing the transitional definition of “standard product”,</b> as proposed in the Final Report, Task 4, <b>in the Market Rules, as well as the definition of the term “common merit order list” and “balancing energy gate closure time per standard product should be set out in the Market Rules in line with criteria envisaged in Article 24 Para 2 of the EB GL.</b> This implies the corresponding changes to the Balancing Rules and Ancillary Services Procedures;</li> <li>- <b>amend Article 9 of the Balancing Rules, so as to eliminate the discriminatory provisions for</b></li> </ul>

	<p>1 for hour H in day D, without the possibility to change the price; (c) mandatory bids of tertiary regulation can be changed by hour H-2 for hour H at the latest without changing the amount of power and price, already engaged bid may not be changed; (d) voluntary bids of upward/downward tertiary regulation may be changed in all parameters i.e. they may be corrected or new ones may be delivered in intraday activities - Article 9</p>	<p>for balancing energy bids for secondary regulation;  - <b>non-compliant</b> with Article 24 of the EB GL, in terms of gate closure time for balancing energy bids for tertiary regulation, as the GCT for these bids is set before (i.e. H-2 on day D) the intraday GCT (i.e. H-1 on day D).  Additionally, it should be noted that Article 9 of the <b>Balancing Rules</b> can be considered as a discriminatory norm, since it allows to change prices for voluntary bids for tertiary regulation, while it forbids to change the price for bids for secondary regulation/mandatory tertiary regulation, as well as to change already activated bid. The latter should be viewed together with Article 29 Para 2 of the EB GL (the TSO shall not activate balancing energy bids before the corresponding balancing energy gate closure time).</p>	<p><b>submitting or updating balancing energy bids for RR/mFRR/aFRR.</b></p>
<p><b>Article 25 – Requirements for standard products</b></p>	<p><b>The Market Rules, Balancing Rules and Ancillary Services Procedures</b> do not define standard products</p> <p><b>The Balancing Rules</b> in Article 9 (Table 1) mention:</p> <ul style="list-style-type: none"> <li>- mandatory bids for tertiary regulation cannot be divisible and combined;</li> <li>- voluntary bids for tertiary regulation can be divisible, indivisible and combined;</li> <li>- minimum duration of tertiary regulation engagement - 1 hour for</li> </ul>	<p>(See also definition of “standard product”)</p> <p>As identified above, the standard products for balancing energy and balancing capacity are not defined in the BiH legislation, i.e. <b>missing</b>. However, the provisions of the <b>Balancing Rules</b> and <b>Ancillary Services Procedures</b> can be assessed as <b>partially compliant in substance</b> with Article 25 of the EB GL to the extent that these provisions mention some of the minimum and variable characteristics of a standard product bid,</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 25 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce transitional definition of a standard product in the Market Rules</b>, as proposed in the Final Report, Task 4. This implies the corresponding <b>changes to the Balancing Rules and Ancillary Services Procedures.</b></p>

	<p>mandatory bids and 30 minutes for voluntary bids;</p> <ul style="list-style-type: none"> <li>- maximum duration of tertiary regulation engagement for mandatory bids 8 hours;</li> <li>- the time period between engagement of mandatory bids 2 hours</li> </ul> <p><b>The Ancillary Services Procedures</b> in Article 4.1.1.1. Para 3 indent three mention the speed of response of 15 minutes for tertiary regulation</p>	as foreseen Article 25 Para 4 and 5 of the EB GL.	
<b>Article 26 – Requirements for specific products</b>	<b>The Market Rules</b> do not define, nor set out requirements for specific products	<p>(See also definition of “specific product”)</p> <p>Specific products for balancing energy and balancing capacity, applicable for the local market, are not defined in the BiH legislation, i.e. <u>missing</u>.</p> <p>Hence, it is not feasible to assess the compliance of minimum characteristics of the specific products, set out in Article 26 of the EB GL.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 26 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: if the TSO identifies the necessity for specific products, the requirements for specific products, as well as the regular review thereof should be foreseen in the Market Rules, following the rationale of Article 26 of the EB GL.</b> This implies the corresponding changes to the Balancing Rules and Ancillary Services Procedures.</p>
<b>Title III – Procurement of balancing services</b>			
<b>Article 29 – activation of balancing energy bids from common merit order list</b>	<b>The Market Rules</b> set out: <ul style="list-style-type: none"> <li>- activation of secondary control energy is done automatically by TSO proportionally to BSPs participation and shall be compensated based on the balancing energy bids submitted daily by BSPs; the price</li> </ul>	<p>(See also definition of “exchange of balancing energy”)</p> <p>The provisions of <b>Market Rules, Balancing Rules, Ancillary Services Procedures and Grid Code</b> provide a basic mechanism for the cross-border</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 29 - 31 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p>
<b>Article 30 – Pricing for balancing energy and cross-zonal capacity used for</b>			

<p><b>exchange of balancing energy or for operating the imbalance netting process</b></p>	<p>difference of the activated energy of secondary control in both directions is limited by the value of S which is determined by SERC – Article 30 Para 8 and 9;</p>	<p>exchange of balancing energy for tertiary regulation, leaving it up to the “agreement between the system operators”/“regional agreements on tertiary regulation allocation and exchange with other system operators” to further elaborate this exchange.</p>	<p>- Article 3.3.2.2. and 4.3.2.2. of the <b>Ancillary Services Procedures</b> and Article 12 Para 1 of the <b>Balancing Rules</b> should be amended to explicitly set out that the price of activated balancing energy is equal to marginal price of last activated MWh (pay-as-cleared pricing);</p>
<p><b>Article 31 – Activation optimisation function</b></p>	<p>- activation of balancing energy for tertiary regulation is done on the basis of merit order list which is created based on the submitted bids for balancing energy – Article 32 Para 3;</p> <p>- the activated energy of tertiary control shall be compensated according to offered prices for the energy (for both directions) in the Daily Balancing Market; the price of activated energy for upward tertiary control shall be limited with the price cap set by SERC – Article 31 Para 6</p> <p><b>The Balancing Rules</b> set out:</p> <p>- activation of balancing energy for secondary regulation (i.e. “proportionally to the range of offer, on the basis of an algorithm implemented in SCADA/EMS system at NOSBiH, independently of the bids’ prices”) – Article 11 Para 1;</p> <p>- <b>all bids from BiH and from other TSOs, in accordance with a signed agreement between the system operators</b>, participate in creating a list for engagement of tertiary reserve – Article 11 Para 2;</p> <p>- the price of engaged balancing energy is based on “pay-as-bid”</p>	<p>Given that only the TSOs obliged to implement the relevant platforms (Article 19 – 21 of the EB GL) are required to comply with the requirements of Article 29 – 31 of the EB GL, the current framework regarding the cross-border exchange of balancing energy can be assumed to be <b>partly compliant</b> with Article 29 - 31 of the EB GL to the extent that it foresees a general possibility for the TSO to receive balancing services from other TSOs, including taking into account bids from other TSOs when creating schedule for activating upward and downward tertiary reserve (“national” merit order).</p> <p>Notwithstanding the above-mentioned, Article 3.3.2.2. and 4.3.2.2. of the <b>Ancillary Services Procedures</b> and Article 12 Para 1 of the <b>Balancing Rules</b> currently foresee “pay-as-bid” pricing for activation of all balancing energy bids for secondary and tertiary regulation which is <b>non-compliant</b> with “pay-as-cleared” pricing set out in Article 30 of the EB GL.</p> <p>Additionally, Article 30 Para 9 of the <b>Market Rules</b> sets out that the price difference of the activated energy for</p>	<p>- <b>amend Article 30 Para 9 of the Market Rules, so as to ensure that the price cap for difference of the activated energy for secondary regulation in both directions is eliminated;</b></p> <p>- <b>while the transitional solution is linked with the process of the TSOs of the WB6 region joining MARI and TERRE (optional) projects, i.e. projects for establishment of the European mFRR and RR platforms, in the interim period it shall be ensured that the agreements concluded among NOSBiH and the Serbian and Montenegrin TSOs on cross-border procurement/exchange of balancing energy are based on/aligned with the requirements of the EB GL (i.e. common merit order list, common definition of standard products, common pricing and settlement rules, etc.);</b></p> <p>- the ambiguity of <b>Article 11 Para 1 of the Balancing Rules and Article 3.3.1 Para 1 of the Ancillary Services Procedures</b> should be clarified.</p>

	<p>principle and is equal to the price of the accepted bid – Article 12 Para 1</p> <p><b>The Ancillary Services Procedures:</b></p> <ul style="list-style-type: none"> <li>- contain the notion of plans for sharing/exchanging of “secondary reserve with other control areas (ENTSO-E grid codes)” and “regional agreements on tertiary regulation allocation and exchange with other system operators”, without further elaborating on these concepts - Article 3.1.2. Para 4 and Article 4.1.2.;</li> <li>- foresee separate merit order lists for activating bids for tertiary control energy upwards/downwards - Article 4.2.;</li> <li>- mentions that at a daily market first the agreements with lower prices of secondary regulation reserves are nominated and operationally delivered – Article 3.3.1. Para 1;</li> <li>- set out that the price for upward/downward activated secondary/ tertiary regulation energy is based on “pay-as-bid” principle – Article 3.3.2.2. and 4.3.2.2.</li> </ul> <p><b>The Grid Code</b> mentions cross-border exchange of energy in Article 6.2.1.2. Para 1 first indent, without further elaborating on such exchange</p>	<p>secondary regulation in both directions is limited by the value of S which is determined by SERC and, therefore, appears to be <b>non-compliant</b> with the pricing principles set out in Article 30 Para 1 and 2 of the EB GL.</p> <p>It is noteworthy that Article 11 Para 1 of the Balancing Rules foresee that the activation of balancing energy for secondary regulation is done pro-rata. Yet, Article 3.3.1. Para 1 of the Ancillary Services Procedures adds confusion to the above-mentioned default rule by stating that at the daily market first the agreements with lower prices of secondary regulation reserves are nominated and operationally delivered.</p> <p>It should also be noted that the agreement, foreseen in Article 31 Para 3 of the Market Rules, concluded among NOSBiH and the TSOs of Slovenia and Croatia on joint regulation of reserves SHB control block (<i>SPORAZUM O ZAJEDNIČKOJ REGULACIONOJ REZERVU U KONTROLNOM BLOKU SHB</i>) covers the following aspects:</p> <ul style="list-style-type: none"> <li>- activation of reserve for mFRR, i.e. each TSO first activates its own resources and then joint reserve, based on a priority list – Article 5 and Appendix 1;</li> <li>- while respecting standards for safe and reliable system operation, only available intraday cross-zonal capacity can be used for exchange of balancing energy – Article 7;</li> </ul>	
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<p><b>Article 32 – Procurement rules (balancing capacity)</b></p>	<p><b>The Market Rules, Ancillary Services Procedure and Grid Code</b> do not define “reserve capacity”</p> <p><b>Market Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- how the scope of required “tertiary reserve capacity” is determined, including by taking into consideration the existing arrangements for the joint reserve in the SHB (<i>Slovenia, Croatia, BiH</i>) control block and other arrangements at the ENTSO-E level – Article 31 Para 3;</li> <li>- procurement procedure for “secondary control reserve capacity” and “tertiary control reserve capacity” which is carried out on annual/monthly basis – Article 30 and 31;</li> <li>- “pay-as-bid” pricing for the selected bids for secondary/tertiary control reserve capacity; the price of secondary/tertiary control reserve capacity shall be limited by the price cap that shall be determined by SERC – Article 30 Para 1 and Article 31 Para 1</li> </ul> <p><b>The Ancillary Services Procedures</b> elaborate:</p> <ul style="list-style-type: none"> <li>- required secondary reserve is determined, among others, by</li> </ul>	<p>The <b>definition of “reserve capacity”</b>, as foreseen in Article 3 Para 2 under 95) of the SO GL (“the amount of FCR, FRR or RR that needs to be available to the TSO”), <b>is missing</b> in the BiH legislation.</p> <p>Definition of “process for frequency restoration (secondary and tertiary regulation)” and “frequency restoration reserve (FRR)” is provided in Article 3.2. of the <b>Grid Code</b>, while replacement reserve (RR) is used twice in the text – in Article 3.1. “Acronyms and Abbreviations” and Article 6.2.1. Para 1. Therefore, the above-mentioned provisions of the Grid Code, read in conjunction with Article 31 Para 3 of the <b>Market Rules</b>, and Article 3.1.2. and 4.1.2. of the <b>Ancillary Services Procedures</b>, to a certain extent corresponds to “reserve capacity” and can, <b>in substantive terms, be assumed as partially compliant with the EB GL.</b> Additionally, the agreement concluded among NOSBiH and the TSOs of Slovenia and Croatia on joint regulation of reserves SHB control block foresees the common dimensioning of reserve for FRR at the SHB control block level (Article 2 of the agreement).</p> <p>Article 30 and 31 of the <b>Market Rules</b> and Article 3.1.3 and 4.1.3. of the <b>Ancillary</b></p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 32 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce a definition of “reserve capacity”</b> which will replicate the definition from the SO GL; this implies changing the terminology throughout the legislation (first of all in the Market Rules and Grid Code) in terms of replacing primary, secondary and tertiary with FCR, FRR and RR;</li> <li>- <b>review the Market Rules and Ancillary Services Procedures, so as to ensure that the rules for the procurement of balancing capacity, including its pricing, follow the principles set out in the EB GL</b> (market-based, short-term to extent possible and where economically efficient). If the procurement for upward and downward secondary reserve capacity remains part of one procedure (and not separately for upward and downward reserve capacity), an explicit provision should be introduced in the Market Rules outlining the possibility/procedure for NOSBiH to submit a proposal to SERC requesting exemption from the requirement to carry out procurement for upward and downward secondary reserve capacity separately.</li> </ul>

taking into consideration the obligations arising from ENTSO-E Operation Handbook, actual needs of BiH Control Area (integration of renewable energy sources, intermittent consumption and similar) **and plans for share and exchange of secondary reserve with other Control Areas (ENTSO-E Grid Codes)** – Article 3.1.2.;

- required tertiary reserve is determined, among others, by taking into consideration **regional agreements on tertiary regulation allocation and exchange with other system operators** – Article 4.1.2.;
- procurement of balancing capacity for secondary regulation, including the selection of the most favourable bids to the level of the required quantity of secondary reserve – Article 3.1.3.;
- procurement of balancing capacity for tertiary regulation – Article 4.1.3.

**The Grid Code:**

- defines “process for frequency restoration (secondary and tertiary regulation)” and “frequency restoration reserve (FRR)” – Article 3.2. “Definitions”;
- refers to the Ancillary Service Procedures for calculating the required amount of FRR – Article 6.2.1.;
- mentions that one of the objectives of frequency restoration

**Services Procedures in substantive terms are compliant** with the principles based on which the rules for the procurement of balancing capacity should be defined, as foreseen in Article 32 Para 2 of the EB GL. (*\*Note: however, the scattered and to a large extent overlapping provisions both in the Market Rules and Ancillary Services Procedures, as well as in the Balancing Rules regarding the reserves, giving cross-references to each other significantly diminishes the comprehensibility of the legal framework.*)

**Article 30 Para 1 and Article 31 Para 1 of the Market Rules enable the explicit regulated price cap for secondary/tertiary control reserve capacity** and therefore might not reflect the full cost of ensuring the availability of the capacity. While the balancing capacity procurement process itself is market-based, the regulated price cap for balancing capacity is not. Hence, the above-mentioned provisions of the Market Rules can be assessed **non-compliant** with Article 32 Para 2 under a) of the EB GL which foresees that at least FRR and RR should be procured on a market-basis.

It should also be noted that Article 31 Para 1 of the **Market Rules** mentions that the TSO shall carry out procurement for upward and downward tertiary reserve capacity. However, Article 30 of the **Market Rules** does not foresee separate

	<p>is “<b>realization of the planned program of power exchange between BiH and neighboring systems</b>” – Article 6.2.1.2. Para 1 first indent;</p> <p>- foresees that in case the required amount of reserve of tertiary regulation (abbreviated as mFRR) cannot be provided in BiH system, <b>NOSBiH can provide it from other control areas in accordance with relevant agreements</b> - Article 6.2.1.3. Para 2</p>	<p>procurement of upward and downward balancing capacity for secondary regulation. Hence, Article 30 Para 1 of the <b>Market Rules</b> can be assessed as <b>non-compliant</b> with Article 32 Para 3 of the EB GL. As per the EB GL, each TSO may submit a proposal to the relevant NRA requesting exemption from the requirement set out in Article 32 Para 3 of the EB GL.</p> <p>Additionally, the provisions on rules for the procurement of balancing capacity, as set out in the <b>Market Rules and Ancillary Services Procedures</b>, may be considered <b>partially compliant</b> with the requirements of Article 32 Para 2 under b) of the EB GL, as the balancing capacity is procured on <b>annual basis</b> and only <b>missing amount capacity is procured on monthly basis</b> (and within a monthly procedure for the current month – for tertiary reserves/ immediately after the completion of a monthly procedure by allocating missing quantities per certain BSPs – for secondary reserves).</p>	
<p><b>Article 33 – Exchange of balancing capacity</b></p>	<p><b>The Law on Transmission</b> sets out ISO’s responsibility to develop mechanisms to coordinate with neighboring control areas – Article 5.2. under f);</p> <p><b>The Market Rules, Ancillary Services Procedures, Balancing Rules and Grid Code</b> do not</p>	<p>(See also definition of “exchange of balancing capacity”)</p> <p>The current legal framework foresees the possibility to exchange balancing capacity among the TSO, but it does not contain any explicit requirements related to such exchange, nor necessity to coordinate these requirements with the NRA. Therefore, it can be assessed that</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 33 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b>  - <b>amendments to the Market Rules, Ancillary Services Procedures and Grid Code that would introduce explicit possibility for</b></p>

	<p>elaborate on requirements for exchange of balancing capacity</p> <p><b>The Ancillary Services Procedures</b> merely mention “plans for share and exchange of secondary reserve with other Control Areas” and “regional agreements on tertiary regulation allocation and exchange with other system operators” - Article 3.1.2. and 4.1.2.</p> <p><b>The Grid Code</b> mentions the possibility to obtain certain amount of reserve of tertiary regulation (abbreviated as mFRR) from other control areas in accordance with relevant agreements - Article 6.2.1.2. Para 1 first indent and Article 6.2.1.3. Para 2, but it does not elaborate on preconditions/processes for the exchange of balancing capacity</p>	<p>the <b>explicit provisions on rules and processes for the exchange of balancing capacity</b> are <u>missing</u> in the BiH legislation.</p> <p>These matters are left to be regulated in the “plans for share and exchange of secondary reserve with other Control Areas” and “regional agreements on tertiary regulation allocation and exchange with other system operators”.</p>	<p>exchange of balancing capacity pursuant to the provisions of the EB GL;</p> <p>- in case common and harmonized rules and processes for the exchange of balancing capacity are/will be included in the plans/regional agreements, ensure their compliance with the above-mentioned requirements.</p>
<p><b>Article 34 – Transfer of balancing capacity</b></p>	<p><b>There are no provisions</b> allowing the BSPs to transfer their obligations to provide balancing capacity, within the geographical area in which the procurement of balancing capacity has taken place</p> <p>Similarly, there is <b>no provision defining the conditions under which the cross-border transfer of balancing capacity can take place</b>, e.g. by taking into account the available cross-zonal capacity</p>	<p>As per the EB GL, there are two options – either the TSOs allow the BSPs to transfer their balancing capacity obligations, or the TSOs develop a proposal for requesting an exemption.</p> <p><b>The possibility for the BSPs to transfer their balancing capacity obligations is missing</b> in the BiH legislation.</p> <p>The option of requesting an exemption, if that would be the case, can be carried out by submitting amendments to the Market Rules to SERC for approval under</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 34 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Market Rules a possibility for the BSPs to transfer their balancing capacity obligations within the geographical area in which the procurement of balancing capacity has taken place.</b></p>

		Article 4.2. and 5.3. of the Law on Transmission.	
<b>Title IV Cross-zonal capacity for balancing services</b>			
<b>Article 37 – Cross-zonal capacity calculation (Exchange of balancing energy or imbalance netting process)</b>	<b>There are no provisions</b> specifying the timeframe for updating of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting	While there are agreements in force, concluded among NOSBiH and the neighboring TSOs on allocation of cross border capacity <sup>56</sup> , the explicit provisions setting out the update/recalculation of the available cross-zonal capacity for the exchange of balancing energy or for operating the imbalance netting <b>are missing</b> in the legal acts.	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 37 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: TSO should use the cross-zonal capacity remaining after the intraday cross-zonal gate closure time as proposed (in Task 4). Introduce this provision in the Market Rules and the Grid Code (and/or respective national rules and/or contracts governing the allocation of cross-border capacities/exchange of balancing energy, if necessary).</b>
<b>Article 38 – General requirements (Exchange of balancing capacity or sharing of reserves)</b>	<b>The Ancillary Services Procedures</b> mention “plans for share and exchange of secondary reserve with other Control Areas” and “regional agreements on tertiary regulation allocation and exchange with other system operators” - Article 3.1.2. and 4.1.2.  <b>The Grid Code</b> foresees the possibility for the TSO to obtain certain amount of reserve of tertiary regulation (abbreviated as mFRR) from other control areas in	(See the definition of “exchange of balancing capacity”)  While the exchange of balancing capacity as such is mentioned in the Ancillary Services Procedures and Grid Code, provisions regulating how the exchange of balancing capacity and sharing reserves shall take place, including one of three methodologies (foreseen in Article 38 and Article 40 – 42 of the EB GL respectively) for allocating cross-zonal capacity, <b>are missing</b> .	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 38 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: introduce in the Market Rules and the Grid Code (and/or respective national rules and/or contracts governing the allocation of cross-border capacities if necessary) provisions defining how the TSO calculates and allocates the available cross-zonal capacity for the exchange of balancing capacity or sharing of reserves, pursuant to the general requirements set out in the EB GL.</b>

<sup>56</sup> <https://www.derk.ba/en/dokumenta-koja-odobrava-derk>

	<p>accordance with relevant agreements - Article 6.2.1.3. Para 2. <b>The Grid Code sets</b> out that NOSBiH will calculate total transmission capacity (TTC) and coordinate it with the neighboring system operators, by respecting safety criteria – Article 6.1.5.</p>	<p>It should be noted that the EB GL allows the TSOs to allocate cross-zonal capacity for the exchange of balancing capacity and sharing reserves only if cross-zonal capacity is calculated in accordance with the capacity calculation methodologies developed pursuant to Regulation 2015/1222 (CACM GL) and 2016/1719 (FCA GL).</p> <p>Currently these two guidelines are not explicitly mentioned in the agreement on allocation of cross-border intraday capacities, concluded by NOSBiH and Croatian TSO (HOPS), but there is general reference to necessity to ensure compliance with the applicable regulations set out by EU law<sup>57</sup>.</p> <p>At the same time, it shall be taken into account that the explicit allocation of available capacity on Croatia – BiH and BiH – Montenegro borders are done by SEE CAO via long-term and day-ahead auctions. The <b>Rules for explicit Daily Capacity Allocation on Bidding Zone borders serviced by SEE CAO</b><sup>58</sup> set out:</p> <ul style="list-style-type: none"> <li>- in case the Daily Transmission Rights holder reserves its Physical Transmission Rights for the balancing services, such Cross Zonal Capacity shall be excluded from the application of the Use It Or Lose It principle - Article 35 Para 3</li> </ul>	
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<sup>57</sup> <https://www.hops.hr/wps/wcm/connect/11831f51-19dd-4346-a9bb-13c8bb037896/Rules+for+ID+allocation+HOPS+NOS+BiH.pdf?MOD=AJPERES>

<sup>58</sup> [http://www.seecao.com/sites/default/files/documents/document/2\\_SEECAO\\_Daily%20Allocation%20Rules\\_final\\_0\\_0.pdf](http://www.seecao.com/sites/default/files/documents/document/2_SEECAO_Daily%20Allocation%20Rules_final_0_0.pdf)

		- in accordance with applicable national legislation, a TSO may be required to provide balancing services, in which case it may notify the Allocation Platform of its rules on balancing. If and to the extent that the TSO shall provide balancing services in accordance with applicable national legislation, such rules on balancing shall become and form part of the Allocation Rules, applicable to the relevant Bidding Zone border – Article 38	
<b>Article 39 – Calculation of market value of cross-zonal capacity</b>	<b>The Market Rules, Ancillary Services Procedures and Grid Code</b> do not contain provisions setting out how the market value of cross-zonal capacity is calculated	Given that there is no methodology for allocating cross-zonal capacity, corresponding provisions setting out <b>how the market value of cross-zonal capacity is calculated</b> for the exchange of balancing capacity and sharing reserves are <u>missing</u> as well.	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 39 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution: introduce in the Market Rules provisions defining how the market value of cross-zonal capacity is calculated.</b>
<b>Title V - Settlement</b>			
<b>Article 44 – General principles</b>	<b>The Law on ISO</b> mentions ISO’s obligation to administer the balancing market and issue invoices for transactions in the balancing market – Article 7 Para 1 under 4) and 8)  <b>The Market Rules</b> set out: - a <b>general provision for calculation of ancillary services (including balancing energy) for the settlement with BSPs</b> – Article 37; - <b>the imbalance settlement with BRPs</b> , in particular:	The provisions of the <b>Market Rules, Ancillary Services Procedures and Balancing Rules, in broad terms</b> , can be assessed as <u>partly compliant</u> with the general objectives of imbalance settlement set out in the EB GL.  However, it should be noted that Article 40 Para 2 and 3 of the <b>Market Rules</b> and Article 13 of the <b>Balancing Rules</b> , by foreseeing a price coefficient set by SERC as one of the elements for imbalance price formation, can be assessed <u>non-compliant</u> with Article 44 Para 1 under b	<b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 44 will be transposed into the national legislation in its integral text.</b>  <b>As a transitional solution</b> in addition to the solutions proposed for the following articles: - <b>amendments to Article 12 Para 7 of the Balancing Rules in line with rationale of Article 30 Para 2 of the EB GL</b> (implying the necessity of price limits are needed for efficient functioning of the market); - <b>introduce in the Market Rules a provision clarifying the financial neutrality of the TSO</b>

	<p>(a) imbalance calculation for each ISP – Article 38;</p> <p>(b) positive/negative imbalance price calculation which, among others, include a price coefficient determined by SERC – Article 40 Para 2 and 3;</p> <p>(c) calculation of imbalance charge for BRPs per each ISP, based on calculation of positive/negative for a BRP and respective imbalance price – Article 41;</p> <p>(d) financial settlement per ISP which is 1 hour – Article 42</p> <p><b>The Balancing Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- balancing energy prices and restrictions, including that the price of energy for upward tertiary regulation is limited by NRA’s decision, while the price of energy for downward tertiary regulation is not restricted - Article 12;</li> <li>- calculation of the price of positive and negative imbalance (reiterates Article 40 Para 2 and 3 of the Market Rules) – Article 13</li> </ul> <p><b>The Ancillary Services Procedures</b> elaborate on settlement rules with BSPs:</p> <ul style="list-style-type: none"> <li>- the cost of provided service of secondary regulation shall consist of the payment for reserves and of the payment for activated balancing energy of secondary regulation, which shall be settled</li> </ul>	<p>of the EB GL – imbalances shall be settled at price that reflects the real time value of energy.</p> <p>Article 12 Para 7 of the <b>Balancing Rules</b>, enabling a regulated price cap for energy for upward tertiary regulation, can be assessed <b>partially compliant</b> with Article 30 Para 2 of the EB GL, yet it needs to be clarified/further elaborated in line with the EB GL.</p> <p>Even though the current legal framework does not fully/clearly reflect the NRA’s obligation to ensure that the settlement process is <b>financially neutral</b> for the TSO, as required in Article 44 Para 2 of the EB GL, Article 6 of the <b>Law on ISO</b> can be assessed <b>partially compliant</b> with this requirement. In BiH case it can be assumed that the TSO’s financial neutrality is ensured via adjusting transmission system tariffs by NRA <i>post factum</i>, but this mechanism covers only costs associated to the financial outcome as a result of settlement of balancing capacity (passed to users via transmission system tariffs). However, it may be presumed that the financial neutrality for TSO related to the financial settlement of balancing energy can be ensured via application of Article 4.2. under b) and Article 4.8. Para 1 of the <b>Law on Transmission</b>. These provisions confers on SERC general competence to approve, monitor and enforce tariffs, as well as set tariff methodologies for transmission, ancillary services and ISO,</p>	<p><b>with regard to the financial outcome of the settlement with BSPs and BRPs</b></p>
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	<p>and paid on a monthly basis – Article 3.3.;</p> <ul style="list-style-type: none"> <li>- the cost of secondary reserve of the BSP in one hour shall equal to total amount of costs in that hour per individual agreements of secondary regulation of the BSP – 3.3.1.;</li> <li>- calculation of the activated secondary regulation energy – Article 3.3.2.1.;</li> <li>- the price for upward/downward activated secondary regulation energy is set “pay-as-bid” – Article 3.3.2.2.</li> <li>- the cost of provided service of upward and downward tertiary regulation shall consist of the payment for tertiary reserve and of the payment for activated energy of tertiary regulation – Article 4.3.;</li> <li>- the cost of reserve in one hour shall be equal to the “nominated reserve and contracted unit price of reserve (KM/MW/h) under individual agreements” – Article 4.3.1. Para 2;</li> <li>- calculation of the activated tertiary regulation energy – Article 4.3.2.1.;</li> <li>- the price for upward/downward activated tertiary regulation energy is set “pay-as-bid” – Article 4.3.2.2.</li> </ul> <p>Article 6 of the <b>Law on ISO</b> states that the activities of ISO shall be</p>	<p>ensuring that prices are just, reasonable, non-discriminatory, based on objective criteria, and determined in a transparent manner, encouraging load balancing rates, including consideration of the development and dispatch of RES, as well as ensuring that tariffs, terms and conditions for the ISO services reflect prevailing international practice.</p> <p>Having said that, it should also be taken into account that the <b>Balancing Rules</b> imply application of <b>dual pricing</b> for imbalances per ISP (see analysis of Article 52 of the EB GL – Imbalance settlement) and the imbalance price calculation for positive/negative imbalance might have impact on the TSO’s financial neutrality as a result of settlement with BRPs (see also analysis of Article 55 of the EB GL – Imbalance price, in particular regarding calculating the price for positive/negative imbalance based on the lowest/highest bid for secondary regulation, regardless of the direction of activation).</p>	
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	<p>carried on without the purpose of gain and the revenues of the ISO shall be used solely for the purpose of carrying out its objectives. SERC shall, from time to time, adjust the provisions of the ISO’s cost-based system operation tariff to avoid the persistent over or under collection of revenues by the ISO. This, however, shall not prevent ISO from over or under collecting revenues between periods when the cost-based system operation tariff is adjusted</p> <p>Additionally, Article 4.8. Para 1 of the <b>Law on Transmission</b> lists the main principles based on which regulated tariffs/prices shall be set</p>		
<p><b>Article 45 – Balancing energy calculation</b></p>	<p><b>The Ancillary Services Procedures</b> set out:</p> <ul style="list-style-type: none"> <li>- the calculation of the activated balancing energy for the secondary and tertiary regulation per each ISP (1 hour) and for each direction (positive/negative) – Article 3.3.2.1. and 4.3.2.1.;</li> <li>- “tertiary balancing energy is not measured or calculated but is considered to be delivered...”- Article 4.3.1.3.;</li> <li>- Article 8 sets out the content and deadlines for delivering daily and monthly reports on ancillary services, as well foresees the possibility for a BSP to verify the accuracy of the calculation and of data in the monthly report and send</li> </ul>	<p>Having in mind that the <b>Market Rules</b> and <b>Ancillary Services Procedures</b> use the “old” terminology (primary, secondary, tertiary regulation), while the <b>Grid Code</b> uses FRR within the meaning of “secondary and tertiary regulation” and does not elaborate on RR (see definitions of FRR and RR), Article 3.3.2.1. and 4.3.2.1. of the Ancillary Services Procedure, read in conjunction with Article 4 Para 1 and Article 15 of the Market Rules (see also definition of “imbalance area”) can be assumed to be <b>compliant in substance</b> with the EB GL.</p> <p>Article 8 and Article 8.1.2. Para 3 of the <b>Ancillary Services Procedures</b> can be assessed as <b>compliant in substance</b> with the EB GL requirement for the TSO to</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 45 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce in the Market Rules and/or Ancillary Services Procedures explicit provisions on procedure for claiming the recalculation of the activated volume of balancing energy for FRR/RR.</b> This will require amendments to Article 8 of the Ancillary Services Procedures;</li> <li>- <b>the terminology used in the Market Rules and Ancillary Services Procedures should be aligned with the terminology used in the Guidelines (e.g. FCR/FRR/RR).</b> This would require similar review of the Grid Code,</li> </ul>

	<p>to NOSBiH its positive or negative review of the report. If the review is negative, NOSBiH and the BSP shall harmonize their positions, after which NOSBiH shall send a new report, which is final and binding, for the invoicing process - Article 8.1.2. Para 3</p> <p><b>The Market Rules</b> mention that detailed information relating to a form and contents of the reports, a way of delivery daily and monthly reports on ancillary services and a complaint procedure shall be defined by the Procedures for Ancillary Services – Article 37 Para 4.</p>	<p>establish a procedure for claiming the recalculation of the activated volume of balancing energy. However, it might prove to be beneficial to specify the procedure for claiming the recalculation of the activated volume of balancing energy for FRR/RR.</p>	<p>regardless that it already uses some of the “new” terms;  - <b>clarify the ambiguity between the provision of Article 4.3.1.3 and Article 4.3.2.1 of the Ancillary Service Procedure.</b></p>
<p><b>Article 47 – Balancing energy for frequency restoration process</b></p> <p><b>&amp;</b></p> <p><b>Article 48 – Balancing energy for reserve replacement process</b></p>	<p><b>The Ancillary Services Procedures</b> set out:</p> <ul style="list-style-type: none"> <li>-the calculation of the activated balancing energy for the secondary and tertiary regulation per each ISP (1 hour) and for each direction (positive/negative) – Article 3.3.2.1. and 4.3.2.1.;</li> <li>- “tertiary balancing energy is not measured or calculated but is considered to be delivered...” - Article 4.3.1.3;</li> <li>- the price for upward/downward activated secondary regulation energy based on “pay-as-bid” principle – Article 3.3.2.2.;</li> <li>- the price for upward/downward activated tertiary regulation energy based on “pay-as-bid” principle – Article 4.3.2.2.</li> </ul>	<p>Notwithstanding the above-mentioned discrepancies between the “old” (secondary/tertiary regulation) and “new” (FRR/RR) terminology used throughout the <b>Market Rules, Ancillary Services Procedures, Balancing Rules and Grid Code</b>, Article 3.3.2.1. and 4.3.2.1. of the <b>Ancillary Services Procedures</b> and Article 12 of the <b>Balancing Rules</b>, in substantive terms, can be assumed to be <b>compliant</b> with the EB GL requirements for the calculation and settlement of the activated volume of balancing energy for FRR and RR.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 47 and 48 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: terminology used in the Balancing Rules should be aligned with the terminology used in the Guidelines (e.g. FRR/RR). This would require similar review of the Grid Code</b>, regardless that it already uses some of the “new” terms.</p>

	<p>Article 12 of the <b>Balancing Rules</b>:</p> <ul style="list-style-type: none"> <li>- clarifies that the price of balancing energy is expressed in KM/MWh and can be zero, positive or negative;</li> <li>- defines the price for each direction, be it zero, positive or negative and the payments thereof;</li> <li>- sets out that the price of energy for upward tertiary regulation is limited by the NRA's decision and the price of energy for downward tertiary regulation is not restricted</li> </ul>		
<p><b>Article 49 – Imbalance adjustment to the balance responsible party</b></p>	<p><b>The Market Rules</b> do not define “imbalance adjustment”, but uses the notion of “activation of secondary and tertiary control reserves” in Article 38 Para 5</p>	<p><b>Explicit provision</b> regulating the imbalance adjustment to be applied to the concerned BRP is <u>missing</u> in the BiH legislation.</p> <p>Article 38 Para 5 of the <b>Market Rules</b> mentions “activation of secondary and tertiary control reserves” when describing the calculation of the imbalance of the BRPs. Yet, alone the possibility to take into consideration “activation of secondary and tertiary control reserves” as an essential element for determining (calculating) the imbalance of the BRP, can be assessed only as <u>partially compliant in substance</u>. As per the EB GL, the imbalance adjustment shall be applied to the concerned BRP for each activated balancing energy bid, calculated by the TSO as the netted volume of (a) all balancing energy volumes from all activated bids for that ISP that assign this</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 49 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>-introduce a definition of “imbalance adjustment” in the <b>Market Rules</b> which will replicate the definition from the EB GL;</li> <li>- introduce clear provisions in the <b>Market Rules</b> that would replicate the requirements for imbalance adjustment to the BRPs pursuant to <b>Article 49 the EB GL</b>, including the clear provisions on how the volumes activated by the TSO for purposes other than balancing are determined and assigned to the concerned BRP for the purpose of imbalance calculation.</li> </ul>

		balancing energy to the concerned BRP and (b) all volumes activated by the TSO for purposes other than balancing, that are assigned to the concerned BRP. Explicit provisions following the same rationale as in Article 49 of the EB GL are <b>missing</b> in the BiH legislation.	
<b>Article 50 – Intended exchanges of energy</b>	<p><b>The Law on Transmission/ISO, the Market Rules, Ancillary Services Procedures and Grid Code</b> do not contain explicit provisions TSO-TSO settlement rules for the intended exchanges of energy</p> <p><b>The Ancillary Services Procedures</b> merely mention and “regional agreements on tertiary regulation allocation and exchange with other system operators” - Article 4.1.2.</p>	<p>Explicit provisions regulating TSO-TSO settlement rules for the intended exchanges of energy from aFRR/mFRR/RR are <b>missing</b> in the BiH legislation.</p> <p>Having in mind the discrepancies between the “old” (secondary/tertiary regulation) and “new” (FRR/RR) terminology used in the <b>Ancillary Services Procedures and Grid Code</b>, Article 4.1.2. of the <b>Ancillary Services Procedures</b> can be assessed as <b>partially compliant</b> with the rationale of EB GL for the intended exchanges of energy, as it only foresees exchange of tertiary regulation (energy) which according to Article 6.2.1.3. of the Grid Code relates to mFRR, missing aFRR and RR.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 50 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b></p> <ul style="list-style-type: none"> <li>- <b>introduce explicit provisions in the Market Rules and Ancillary Services Procedures that would clarify the intended exchanges of energy from aFRR/mFRR/RR with other TSOs, pricing for such exchanges, as well as whether imbalance netting can be applied for these exchanges;</b></li> <li>- <b>ensure that the agreements concluded among NOSBiH and other TSOs on cross-border procurement/exchange of balancing energy are based on/aligned with the requirements of the EB GL (i.e. common merit order list, common rules for exchange of balancing energy, common pricing and settlement rules, etc.)</b></li> </ul>
<b>Article 52 – Imbalance settlement</b>	<p><b>The Market Rules</b> in Chapter VII set out:</p> <ul style="list-style-type: none"> <li>- imbalance calculation for each ISP – Article 38;</li> <li>- calculation of positive and negative imbalance price – Article 40 Para 2 and 3;</li> </ul>	<p>Chapter VII of the <b>Market Rules</b>, in broad terms, can be assessed as <b>partly compliant in substance</b> with the requirements for imbalance settlement set out in the EB GL to the extent that the provisions of Chapter VII provide basis for the settlement with each BRP for each ISP for the calculated imbalances.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 52 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution: introduce in the Market Rules provisions on conditions and methodology for applying dual imbalance</b></p>

	<ul style="list-style-type: none"> <li>- calculation of imbalance charge for BRPs per each ISP, based on calculation of positive/negative for a BRP and respective imbalance price – Article 41;</li> <li>- financial settlement per ISP (1 hour) – Article 42</li> </ul> <p><b>The Market Rules</b> do not explicitly mention “imbalance adjustment”, but uses the notion of “activation of secondary and tertiary control reserves” in Article 38 Para 5</p> <p><b>The Balancing Rules</b> reiterate the calculation of positive and negative imbalance price (same as in Article 40 Para 2 and 3 of the Market Rules) – Article 13</p>	<p>However, as identified above, the current framework is <b>missing clear provisions on imbalance adjustment</b>. Additionally, the <b>imbalance price calculation involves a regulated component</b> (price coefficient determined by SERC) which can be assessed <b>non-complaint</b> with Article 44 Para 1 under b of the EB GL, namely, imbalances shall be settled at price that reflects the real time value of energy. Therefore, Article 40 Para 2 and 3 of the <b>Market Rules</b> and Article 13 of the <b>Balancing Rules</b> in the part where they set out regulated imbalance coefficient appear to be <b>non-compliant</b>, since they might not ensure the main aim of the imbalance settlement – to ensure that BRPs support the system balance in an efficient way and to incentivise market participants in keeping and/or helping to restore the system balance.</p> <p>Article 40 Para 2 and 3 of the <b>Market Rules</b> and Article 13 of the <b>Balancing Rules</b> imply application of <b>dual pricing</b> for imbalances per ISP, as the price for negative imbalance is not equal to the price for positive imbalance (in sign and/or size).</p> <p>According to the EB GL, all TSOs shall implement the single imbalance pricing, while dual imbalance pricing is foreseen as an exception, the usage of which the TSO shall propose and justify to its relevant NRA, along with the methodology for applying dual pricing. Due to the fact that <b>currently the ISP is</b></p>	<p><b>pricing, including conditions on when the TSO may propose to its NRA the application of dual pricing and which justification shall be provided.</b></p>
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		<p><b>non-compliant with the requirements of the EB GL</b> (see next Article 53 “Imbalance settlement period”) <b>and having in mind the interim solution for imbalance settlement period</b> (Final report, Task 4), <b>the imbalance pricing model set out in the Market Rules and Balancing Rules per se is not contrary to the EB GL.</b> However, if the dual pricing shall remain applicable in BiH, e.g. to ensure operation security, NOSBiH needs to propose to SERC the application and methodology for dual pricing.</p>	
<p><b>Article 53 – Imbalance settlement period</b></p>	<p><b>The Market Rules</b> define “settlement period” in Article 4 Para 1, use the notion of “imbalance settlement period” in Article 41 Para 1, and in Article 42 Para 2 and 3 mentions “financial liability of BRP for imbalance within one hour”, “hourly imbalance” and “imbalance for each hour of that day”</p>	<p>While term “settlement period” used in the <b>Market Rules</b> appear to be used within the same meaning as “imbalance settlement period” in the EB GL, the period of time defined as settlement period is <b>non-compliant with the EB GL</b>, as the EB GL target model foresees the imbalance settlement period of 15 minutes.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 53 will be transposed into the national legislation in its integral text.</b></p> <p><b>Having in mind the interim solution for imbalance settlement period</b> (Final report, Task 4), <b>no separate transitional solution is necessary.</b></p>
<p><b>Article 54 – Imbalance calculation</b></p>	<p><b>The Market Rules</b> in Article 38 set out the imbalance calculation for each ISP determined “as the difference between realized and planned balance of BRPs”</p> <p><b>The Market Rules</b> do not explicitly state that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals In the definition of “balance group” the <b>Market Rules</b> mention that “for</p>	<p>Having in mind the analysis of Article 49 and Article 53, Article 38 of the <b>Market Rules</b> appears to be <b>partly compliant</b> with imbalance calculation principles set out in the EB GL, as it foresees calculation of imbalance based on “realized” (the term assessed as compliant in substance with “allocated volume”) and “planned” (the term assessed as compliant in substance with “position”) for each BRP, for each ISP, in the imbalance area.</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 54 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> see proposed solutions for Article 49 – Imbalance adjustment for the BRPs; Article 53 – Imbalance settlement period. <b>Additionally, introduce a provision in the Market Rules explicitly stating that allocated volume shall not be calculated for a BRP which does not cover injections or withdrawals.</b></p>

	<p>a purpose of daily schedules delivery it is possible to establish Balance Groups without injection and offtake points in BiH regulation area, so called Market Balance Groups”, without further elaborating this provision in the text</p>		
<p><b>Article 55 – Imbalance price</b></p>	<p><b>The Market Rules</b> set out:</p> <ul style="list-style-type: none"> <li>- the calculation of positive and negative imbalance price (Article 40 Para 2 and 3), and the calculation of imbalance charge for BRPs per each ISP, based on calculation of positive/negative for a BRP and respective imbalance price (Article 41);</li> <li>- positive imbalance price is calculated as the lowest value between lowest bid price of balancing energy for downward secondary control in a settlement period regardless to whether the energy is activated for upward or downward secondary control/lowest bid price of balancing energy for downward tertiary control that is activated in a given ISP, multiplied by price coefficient determined by SERC – Article 40 Para 2;</li> <li>- negative imbalance price is calculated as highest value between highest bid price of balancing energy for upward secondary control in ISP regardless to whether the energy is activated for upward or downward secondary control/</li> </ul>	<p>Having in mind the analysis of Article 52 and 53 of the EB GL, provisions of the <b>Market Rules</b> appear to be <b>partly compliant</b> with requirements for calculation of imbalance prices, as set out in the EB GL. The partial compliance stems from the following observations:</p> <ul style="list-style-type: none"> <li>- the <b>imbalance price calculation involves a regulated component</b> (price coefficient determined by SERC);</li> <li>- Article 40 Para 2 and Article 40 Para 3 of the <b>Market Rules</b> link positive/negative imbalance price calculation to the lowest/highest bid price for secondary regulation, <b>regardless of the direction of activation</b>. In this regard, Article 40 Para 2 and Article 40 Para 3 of the <b>Market Rules</b> is deemed to be <b>non-compliant</b> with Article 55 Para3 under c) of the EB GL.</li> </ul> <p>Article 13 of the <b>Balancing Rules</b> foresees that in the event of no activation of balancing energy the negative imbalance price is equal to the reference price (i.e. (the price of energy for covering transmission losses and compensation of unwanted deviations of BiH Control Area), while the price of positive imbalance equals zero (instead of</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 55 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> besides the proposal suggested for imbalance settlement as such and ISP, the imbalance settlement principles in the <b>Market Rules shall be reviewed as whole to meet the requirements of Article 55 of the EB GL</b>. This also implies amendments to Article 40 Para 2 and Article 40 Para 3 of the Market Rules.</p>



	<p>highest bid price of balancing energy for upward tertiary control that is activated in a given ISP, including the bids outside BiH control area, multiplied by price coefficient determined by SERC – Article 40 Para 3; - imbalance charge and payments thereof – Article 41</p> <p>Article 13 of the <b>Balancing Rules</b> contains the same positive/negative imbalance price calculation as Article 40 Para 2 and 3 of the Market Rules, as well as adds that in case that in a specific ISP there are no bids realized for secondary reserve (realized capacity equals zero) and that tertiary reserve has not been activated, the negative imbalance price is equal to the reference price (the price of energy for covering transmission losses and compensation of unwanted deviations of BiH Control Area), while the price of positive imbalance equals zero.</p>	<p>determining the imbalance price based on the value of avoided activation of balancing energy). In this regard, Article 13 of the <b>Balancing Rules</b> can be considered as <b>non-compliant</b> with Article 55 Para 4 and 5 under b) of the EB GL.</p>	
<p><b>Article 56 – Procurement within scheduling area</b></p>	<p>See analysis for Article 32</p>	<p>See analysis for Article 32</p>	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 56 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> in addition to solutions proposed regarding Article 32 of the EB GL, <b>introduce provisions setting out the</b></p>

			<b>rules for the settlement of at least FRR and RR in the Market Rules.</b>
<b>Article 57 – Procurement outside a scheduling area</b>	See analysis for Article 33	See analysis for Article 33	<p><b>The adoption of the EB GL under the auspices of the Energy Community will mean that Article 57 will be transposed into the national legislation in its integral text.</b></p> <p><b>As a transitional solution:</b> in addition to solutions proposed for regarding Article 33 of the EB GL, <b>introduce provisions setting out the rules for the settlement of procured balancing capacity in the Market Code.</b></p>

