



# **Alternative proposal on imbalance prices mitigation**

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Group (EBSG)

# Where are we?



- For TSOs the main motivation for balancing energy mitigation measures is to “keep imbalance cost at an acceptable level”
- The market outcome for balancing energy and the respective imbalance settlement is a result of various design choices
- 15 min product duration, 25 min lead time, 4-sec BEPP for aFRR, free bids without release of unused capacity, mix of marginal-pricing and pay-as-bid settlement of balancing energy (aFRR and mFRR-DA), specific ISHM implementation

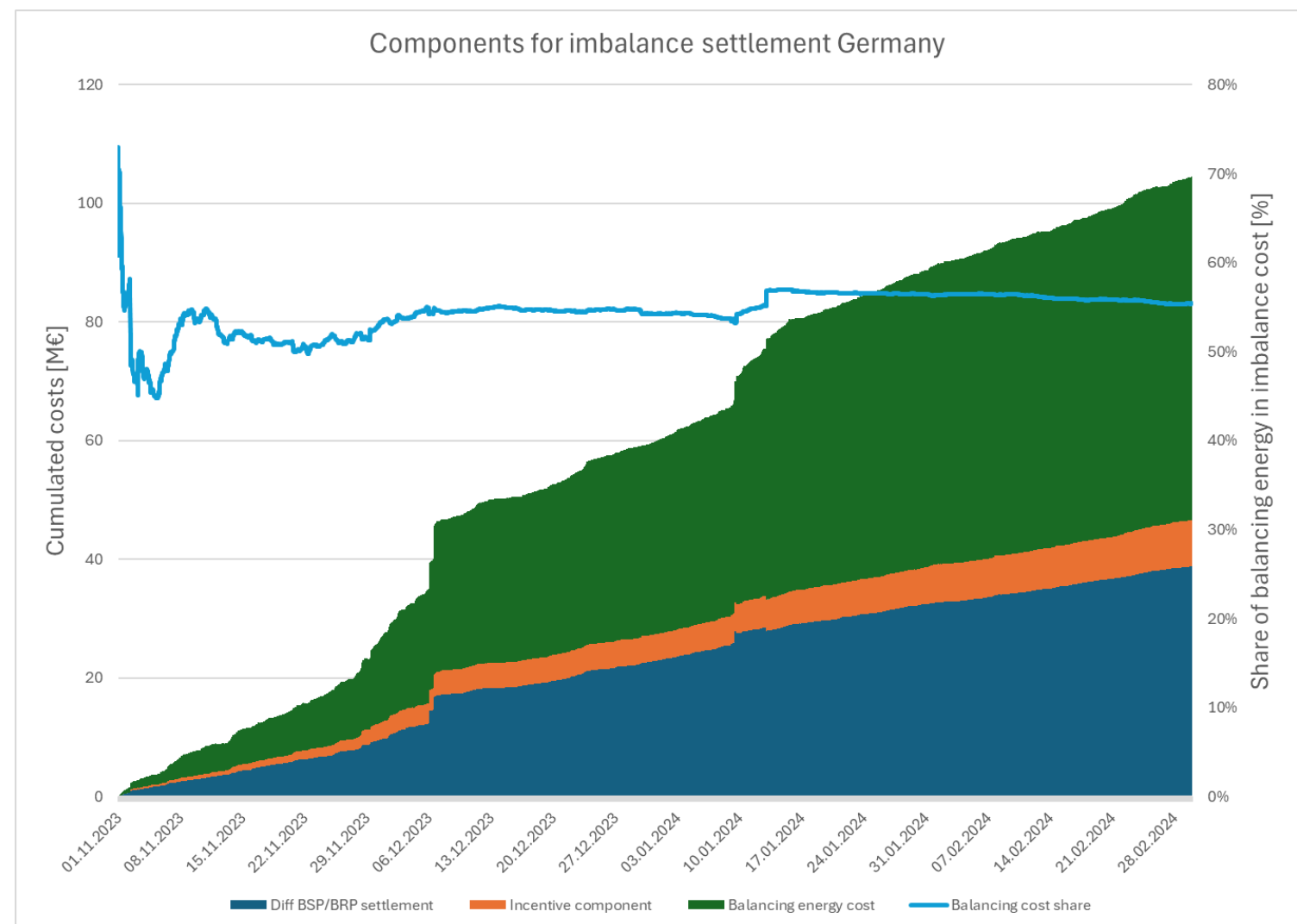
# Where are we?



- The misalignment between balancing energy prices and their translation into the imbalance price is causing imbalance settlement to deviate from the actual cost of balancing
- Depending on the national ISHM implementation, systematic excess TSO revenues are generated (and used to reduce grid tariffs)
- Instead of applying even more amendments to the balancing energy market design – possibly introducing further side-effects, an existing side-effect (extra TSO revenues) can be used to mitigate another adverse side-effect (imbalance price spikes)

# Additional TSOs revenues

- In Germany the total revenues of the imbalance settlement process are roughly 105 Million € for four months
- Of these revenues only about 55% are used for BSP remuneration of balancing energy





# Alternative proposal on imbalance prices mitigation

- To mitigate imbalance prices, systematic excess revenues can be used
- Additionally, the imbalance settlement resembles the cost of balancing more closely and financial neutrality of the TSO can be maintained within the balancing regime

