

Explanation of the main changes to the Rules on the Operation of the Electricity Market

Borzen has published new Rules on the Operation of the Electricity Market (Official Gazette of the Republic of Slovenia, No. [74/18](#)), which supplemented and in parts amended the Rules on the Operation of Electricity Market (Official Gazette of the Republic of Slovenia, No. [105/15](#)), which apply until the end of 2018. The Rules are prepared based on two public consultations ([first public consultation - December 2017](#), [second public consultation – April 2018](#)), as well as the proposals and comments received in the course of a public consultations. Furthermore, the Rules also implement the requirements of the [Regulation Establishing a Guideline on Electricity Balancing \(EU\) 2017/2195](#).

In Ljubljana, December 2018

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Reasoning

[The Energy Act \(the EA-1\)](#) (Official Gazette of the Republic of Slovenia, Nos. 17/14 and 81/15) in the fourth paragraph of Article 97 imposes on the Market Operator to issue Rules on the Operation of the Electricity Market pursuant to a public authorization. The Market Operator needs to obtain the consent of the Energy Agency prior to their publication in the Official Gazette of the Republic of Slovenia. The applicable Rules on the Operation of the Electricity Market (hereinafter: the Rules) were published in the Official Gazette of the RS no. [105/15](#).

In addition to some terminological corrections, the Rules on the Operation of the Electricity Market bring changes in particular in the following areas:

1. The definition of the term "Invoice" is added, which is understood as the invoice or credit note in the financial settlement of the imbalance settlement. (Article 2)
2. In the future, the introduction of a Market Operator's web portal is envisaged, through which the Market Operator shall publish key information on the electricity market that shall be publicly available. Furthermore, the Market Operator shall also publish information related to membership in the Balance Scheme which shall be accessible to each member of the Balance Scheme. Moreover, the Market Operator shall carry out certain activities related to membership via the portal, such as ordering electronic certificates, submitting imbalance settlement reports, and similar. Under Article 8 of the Rules, a new paragraph is added which sets forth that for all communications where these Rules entail e-mail, only communication by the authorised person of a member of the Balance Scheme is deemed valid. The Market Operator may set forth that for all or some of the communication with the members of the Balance Scheme where the Rules entail e-mail, the Market Operator's information system shall be used instead of e-mail. About the latter, the Market Operator informs the members of the Balance Scheme by e-mail at least 30 days prior to the entry into force. (Article 8)
3. Since the Transmission System Operator may reduce the base power and increase the base power in the implementation of the measure of base power modification, Article 9 is amended, so that the penultimate indent is corrected and now stipulates that the Electricity System Operators provide information on the performed load restrictions and the change in the base power. Prior to the said change, only a reduction in base power was indicated. The same applies to the last paragraph of Article 48. (Articles 9 and 48)
4. A very important amendment is the change in the duration of the accounting interval, which is shortened from the current length of 1 hour to 15 minutes, yet this change shall only enter into force in 2020. The transitional provisions stipulate that the first paragraph of Article 12 shall commence to apply with 1 January 2020, until then, the accounting interval is 1 hour long. (Article 12)
5. A provision on the obligation of membership in the Balance Scheme has been added, which applies to anyone who would like to be a balancing service provider. In addition, the members of the Balance Scheme, acting as aggregators, are bound to inform the supplier of the Delivery point about any activation on the Delivery points.

This enables the supplier to make timely adjustments so that it can avoid unnecessary imbalances and costs associated therewith. (Article 13)

6. Three indents were excluded which envisaged the occurrence of emergency supply for the Delivery points, which, due to the missing foundation of affiliation, i.e. electricity supply contract cannot be connected to the network. This is governed by other regulations. Only the possibility of emergency supply in the event of the supplier's cessation on the electricity market without the consumer or producer acquiring a new supplier is maintained. (Article 27)
7. Any involvement of consumers or producers in the activities of providing system services results in a change in realisation with regard to the planned values. In order for the suppliers to be able to adapt respectively at these Delivery points, it is necessary to ensure that the suppliers are adequately informed. To this end, a new sixth paragraph was added to Article 31 that requires the holders of Delivery points to inform suppliers about the provision of system services through the members of the Balance Scheme with no balancing affiliation and that they promptly inform them about the provided services. (Article 31)
8. For better clarity, the last paragraph of Article 36 shall be supplemented so that it sets forth that, in the event of a temporary technical prevention from operating on the electricity market, closed contracts concluded with a member as a party to the contract are removed from the records, namely by the effect of measure of the temporary technical prevention from operating on the electricity market. All members of the Balance Scheme, which were listed as partners in the removed closed contracts, are notified electronically. (Article 36)
9. The addition of the third paragraph of Article 38 provides a clearer clause that the Balance Responsible Party may terminate the balancing agreement if it has fulfilled and settled all outstanding obligations towards the Market Operator on the day of its exit from the Balance Scheme. So not at the moment when the Balance Responsible Party gives notice on termination of a balancing agreement, but on the day of exit if it has settled all its obligations on that date. Only in this case may the termination take effect, otherwise it does not apply. By changing the third paragraph of Article 38, the practice is changed in such a way that the Balance Responsible Party may terminate the balancing agreement prior to the fulfilment of all the terms and conditions; however, the termination shall enter into force only upon the fulfilment of the required terms and conditions. (Article 38)
10. The time limit within which the Market Operator returns the submitted financial guarantees is shortened from five to three working days, namely from the fulfilment of all liabilities arising from the imbalance settlement, rather than from the submission of the statement, as was the case prior to the change. The provision applies to the case of a transition from the Balance Group to a Balance Subgroup if the legal entity in transition has submitted a statement of the Balance Responsible Party for the purpose of covering financial liabilities arising from the annual recalculation, which indicates that the financial guarantees of the Balance Responsible Party may also be used to cover the liabilities arising from annual recalculation of the Balance Subgroup Responsible Party. By amending paragraph seven of Article 38, it is also possible to return the existing financial guarantees of a

member of the Balance Scheme only after the conclusion of the imbalance settlements for the preceding periods. (Article 38)

11. The enforcement day for the extension of the compensation agreement shall be equalized with other enforcement days, such as the transition between Balance Groups or Balance Subgroups. The extension or transition shall become effective upon the registration into the Record of Balance Scheme membership agreement, which shall be effected on the first day of the month, occurring at least one month after all the terms and conditions for entry in the Record have been fulfilled or the first day of the month agreed between the Market Operator and the Balance Scheme member, if that day occurs later. (Article 41)
12. The method of dispute settlement between two members of the market in the event of a dispute concerning a report of a closed contract is amended. So far the rule was that if contracting parties could not agree on the quantities in the reported contract, the one reported by the buyer was taken into account. After the adoption of the new Rules, the report of such a contract is rejected. Article 51 stipulates that if the contracting parties fail to reach an agreement on the report of a closed contract, the Market Operator shall not accept the report of such a contract or the report is not taken into account and an amount equal to zero is taken into account. (Article 51)
13. An essential terminological amendment is brought by the [Regulation Establishing a Guideline on Electricity Balancing \(EU\) 2017/2195](#). The latter invokes new definitions for the types of balancing energy. Instead of the term secondary regulation, the term automatic FRR (frequency restoration reserve) is used, and instead of tertiary regulation, the phrase manual FRR is used. (for example, Article 92)
14. The Rules are supplemented by a provision requiring prior notification of changes to the deadlines for reporting closed contracts. The notification must be carried out at least one month prior to the change in deadlines. (Article 61)
15. The method of carrying out the imbalance settlement in the light of the implementation steps is changed. If prior to the change to the Rules the imbalance settlement was performed on a monthly basis in two steps, i.e. with the implementation of an informative imbalance settlement and then a final imbalance settlement (in the month following the accounting month for which the imbalance settlement (M + 1) is carried out); after the change to the Rules the imbalance settlement shall be carried out once a month in two consecutive months. For the first time, the imbalance settlement together with the financial settlement shall be carried out in the month following the accounting month for which the imbalance settlement (M + 1) is carried out. Balance Groups will still be able to comment on the first imbalance settlement, yet this shall not delay the financial settlement. If necessary, in accordance with Article 104 of the Rules, a second-instance imbalance settlement is performed in the second month following the accounting month for which the imbalance settlement (M + 2) is carried out at the latest. After the second imbalance settlement, a financial difference between the first and second imbalance settlements is made. Deadlines for data submission by Electricity System Operators are also shortened. The Market Operator may publish the dates of receipt of the data on its website. (Chapter V)

16. Since several occasions have occurred in the past when suppliers had a negative total of consumers' quotients, the Rules are amended so that in the event when the sum of the quotients of all the consumers of a particular supplier is negative, any residual difference after setting the quotient to zero (so it would not be negative) is recalculated in the annual imbalance settlement recalculation. Negative quantities transferred to annual recalculation are exempted from the total quantities of non-measured consumption. Consequently, the losses of the distribution network in the imbalance settlement are lower. Therefore, the quantities transferred are reallocated in the annual imbalance settlement recalculation from the supplier to the losses of the distribution network. The Electricity System Operator informs the Market Operator and the supplier of these quantities. This prevents occasional occurrence of the negative values of the quotients aggregated as per suppliers, which reduce the total realization of non-measured consumers by suppliers and consequently also increase the likelihood and quantity of their imbalances. (Article 73)
17. The additional paragraph of Article 75 makes it possible for distribution networks (including closed distribution network systems) to calculate in each accounting interval the actual losses incurred in the operation of the network, namely from the difference between all accepted and delivered electricity, which was received or delivered by the transmission network on contact points with other networks, on production Delivery points and on consumption Delivery points. This way, if the technology allows this, the estimate that is using a quotient, which is based on historical data, may be replaced with the actual data on losses. (Article 75)
18. In Article 75, a paragraph is added, which sets forth that the Market Operator shall publish the quotients of losses in the distribution network on its website or the Market Operator's information system. (Article 75)
19. The deadlines for the submission of data for the purposes of the imbalance settlement by the Electricity System Operators are reduced from 15 working days to 12 working days after the end of the accounting period. (Article 77)
20. The deadline for submission of data for the purposes of the annual imbalance settlement recalculation is also reduced, from 30 to 15 calendar days after the completion of the imbalance settlement for the last month of the year which the data relate to. (Article 77)
21. The essential amendment is brought by the [Regulation Establishing a Guideline on Electricity Balancing \(EU\) 2017/2195](#) in the field of calculation of the imbalance settlement. In the sixth paragraph of Article 54, the Regulation sets forth that for the imbalance of the Balance Group a negative sign indicates a Balance Group's shortage, while a positive sign indicates a Balance Group's surplus. These provisions have required the Rules to be aligned with the Regulation and to change the understanding of the direction of imbalance of Balance Groups. In the future, so as to avoid any false use of data when the data on imbalance prices are used, the definition of the price indices for the imbalances changes, namely from C_+ to C_{neg} and C_- to C_{poz} . The formulas for calculating the quantities of imbalances of Balance Scheme members are also amended. In doing so, it should be noted that the sign of regulation energy does not change. The aforementioned changes are exclusively attributable to the need to comply with this Regulation. (for example, Article 84)

22. The Regulation Establishing a Guideline on Electricity Balancing (EU) 2017/2195 in Article 55 sets forth the method of calculating the imbalance price. The required method is used to calculate the price for the imbalances of the weighted average price of positive and negative activated balancing energy. Consequently, the formulas for calculating the imbalance prices in Article 89 of the Rules are also amended. A weighted average price for a positive activated balancing energy and a weighted average price for negative activated balancing energy are introduced into the formulas. (Article 89)
23. Within the framework of cooperation of the Transmission System Operators in imbalance netting cooperation, the restriction that the price of balancing energy arising from the provision of this service could not be more favourable than the hourly index of the electricity price *SIPXurni* was applied prior to the amendment of the Rules. Otherwise, a more favourable price could change the ratio between the imbalance price for positive regulation and the imbalance price for negative regulation. Such cases occurred in the past before the introduction of the said restriction. By amending the Rules, the implementation of the restriction of the price of balancing energy from the cooperation of the Transmission System Operators in the imbalance netting cooperation of the control areas also changes. The price caps of balancing energy for all accounting intervals of a particular month are introduced only in the event of an increase in the total net imbalances of Balance Groups, namely as follows: when the total net imbalances of Balance Groups at the accounting interval level exceed 60 MW in positive or negative direction in more than 25 % of accounting intervals of the month, or when the total net imbalances of Balance Groups at the accounting interval level exceed 120 MW in positive or negative direction in more than 4 % of the accounting intervals of the month. Instead of *SIPXurni*, a new general term *SIPXobr* is applied (which shall also be apposite when switching to the 15min accounting interval). (Article 87)
24. The methodology for the price correction for imbalances is laid down in Article 91 of the Rules. The amendment of this Article changes the methodology of the price correction in such a way that the prices for imbalances shall not change only at the selected accounting intervals, where the maximum deficit or maximum surplus is recorded, but all the prices in the accounting month shall change pursuant to the procedure set out in the annex to the new Rules. The methodology is robust to changes in input parameters, relatively simple and not time-consuming to calculate, and at the same time reduces the frequency of the appearance of high prices for imbalances. Price changes within the correction are distributed over the entire month in question, taking into account the quantities of imbalances in individual accounting interval in order to correct the prices where it makes the most sense (i.e., where the actual imbalances of Balance Groups occur). (Article 91)

25. By amending the Rules, the list of publicly available data on the Market Operator's website is expanded. The said list includes calculated values of the basic prices Cneg, Cpoz, the calculated values of the derived prices C'neg and C'poz, the total imbalances of Balance Groups, the total quantities and costs of balancing the automatic reserve for the recovery of frequency recorded separately according to the direction of balancing, the total quantities and costs of the manual reserve for the recovery of frequency recorded separately according to the direction of balancing, the total quantities and costs of balancing reserve for substitution recorded separately according to the direction of balancing, the remaining diagram of the consumption recording separately as per distribution areas, the loss quotients of distribution areas, the method of calculating losses in distribution areas, other publicly available data on total electricity production and consumption at the level of distribution areas, number of measuring points and other, obtained by Electricity System Operators. (Article 92)
26. The amendment of the Rules also introduces a deadline for the submission of the proof of failure, which the Balance Responsible Party submits to the Market Operator no later than the 12th working day of the month following the month for which the imbalance settlement is carried out. (Article 95)
27. By supplementing Article 115, the issue of invoices separately for positive and negative imbalances, or depending on whether the price of the imbalances is positive or negative, is clarified. (Article 115)
28. Article 119 is appropriately corrected and amended in such a way that the financial settlement of the imbalance settlement is carried out both after the first and the second imbalance settlement. In the second imbalance settlement, a recalculation of difference is made between the first and the second imbalance settlement. (Article 119)
29. By supplementing Article 125, monitoring of the compliance of the reporting of closed contracts and operational forecasts is introduced for the purpose of adjusting the required financial guarantees of Balance Groups with Delivery points. After the last deadline for the reporting or change to the already reported closed contracts and operational forecasts, the Market Operator monitors the difference between the overall market plan and the operational forecast of the Balance Group with the Delivery points, on the basis of which the exposure of the participant in the financial settlement is calculated. In the event that a difference has been reported between the market plan and the operational forecast, the Market Operator shall verify using the methodology referred to in Article 125 that the financial guarantees provided are sufficient. If the value of the required variable financial guarantees exceeds the already provided variable and basic financial guarantees, the financial settlement participant must submit additional variable financial guarantees in the amount of the difference between the already provided financial guarantees and the required variable financial guarantees immediately or within two working days after the receipt of a written request from the Market Operator at the latest. (Article 125)

30. With the entry into force of the new Rules, the Rules on the Operation of Electricity Market (Official Gazette of the Republic of Slovenia, No. 105/15) shall cease to apply; however, these shall apply until 31 December 2018 or for the implementation of imbalance settlement and the recalculation until the final implementation of the imbalance settlements for the accounting months up to and including the month of December 2018 and for the annual imbalance settlement recalculation for 2018.

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