europex
association of european energy exchanges

Response to ACER public consultation

on

Draft Framework Guidelines on Electricity Balancing

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1. Introduction

- EUROPEX welcomes the Draft Framework Guidelines on Electricity Balancing, aiming to set clear rules for trading related to technical and operational provision of system balancing and the balancing rules including network-related power reserve rules.

- As already mentioned in our previous contributions in the ERGEG public consultations and discussions within the Project Coordination Group - PCG:

    1. On the one hand, it is worth recognizing that differences exist between individual needs of each Transmission System Operator in Europe mostly connected to individual energy policy in each Member States and specific architecture of transmission network and market model. To facilitate these needs, there are different types of balancing services and balancing markets across Europe. On the other hand, it is important to note that the European spot and longer term markets are quite well interconnected and are becoming more and more developed and integrated. This has as consequences that traders are seeking for best trading opportunities over a larger geographic area and over all possible timeframes. Consequently, the network code for electricity balancing shall aim for a subtle mix between subsidiarity possibilities (to allow for local variations linked to national specificities) and harmonization (to improve the European market efficiency;

    2. Indeed, specific rules, structures and models have been developed over the last years in order to support energy policies in respective Member States. It could therefore be risky to change these principles (and also harmonize all principles e.g. pricing scheme, imbalance settlement period, market time unit (1 hour or 15 min)) at European scale before assessing the repercussion to the market from the change of the market model and transmission network security. Therefore Europex supports both promoting effective and non-discriminatory competition and the principle of subsidiarity. Europex therefore argues that the Balancing network code sets the minimum level of harmonization required for efficient and integrated cross-border balancing, while leaving as much as possible room for local variations where deemed necessary;

3. It is also necessary to note that different structure of electricity production, including different RES support schemes and different models of imbalance settlement (including different parties responsible for the imbalance settlement calculation) are currently in place in Europe. This in turn provides Europex an opportunity to remind its previous positions regarding the RES integration in the market, and to restate that balance responsibility should also apply to RES productions as for any other producer, in order to avoid market distortions having potentially large effects on overall market efficiency (e.g. negative price, cross-border capacity reductions, …);

4. There are many market models related to settlement of imbalances across Europe. Models in which different entities not being TSOs calculate the imbalances are used in many Member States namely in Austria (APCS), Czech Republic (OTE), Slovakia (OKTE), Slovenia (Borzen), Italy (GME), Romania (OPCOM), Greek (LAMIE), Ireland (SEMO) and England. This is a fact that should be taken into account if the target model is defined and responsibilities of operators of the electricity balancing markets are defined. Entities as Imbalance Settlement Responsible Parties for transactions and price formation for balancing energy and imbalance prices should be considered in the Framework Guidelines on Electricity Balancing and further in the forthcoming Network Code on Balancing;

5. Our understanding is that Draft Framework Guidelines on Electricity Balancing should define a set of compatible options for balancing services, balancing products, structures of balancing market, cross-border balancing and possible models of imbalance settlement in a fair and transparent way. Consequently, it should be the decision of each Member State on which of these options should be implemented in their electricity grid to fulfil the specific needs of the respective Member State, while the Balancing Code act as safeguards to ensure that there exist no flaw in the various market designs;

6. Similarly, Draft Framework Guidelines on Electricity Balancing should also define how TSOs should set rules for recognizing an entity as a balancing service provider. In the Draft Framework Guidelines on Electricity Balancing it is repeatedly stated that "*TSOs are responsible to organise balancing markets…*" and although in some part such as in the Article 2.4 it is recognized that "*…or*

where applicable operators of balancing markets", the overall idea in the document is wrongly in the direction that the TSOs are the responsible entity for organizing electricity Balancing markets. In the current different national market models, TSOs are not the only parties responsible to organise the electricity Balancing Market. We would therefore suggest considering the terms "operators of the electricity balancing markets" instead of "TSOs";

7. Europex would also like to take the opportunity of this consultation to suggest using a common Capacity Management Model (CMM) as developed in the Intraday context, to support the development of a inter-TSO common merit order reserve procurement mechanism;

8. Chapter 4 (*Reservation and use of cross-border capacity for balancing*, specifically the subchapter 4.3 – *Reservation of cross-border capacity for balancing*) indicates that the reservation of cross-border capacity for balancing is possible, under certain circumstances. Since reservation of cross border capacity will hinder the energy markets, it is materially impossible to evaluate the welfare gain due to this kind of reservations and Europex propose simply forbidding them. Available cross-border capacity after the cross-border intraday gate closure time shall be used for balancing;

9. In Chapter 5, *Balance responsibility and imbalance settlement* implies the existence of BRP (Balance Responsible parties) on all Electricity balancing arrangements. This is not the case and since the Framework Guideline and the corresponding network code should deal mainly with cross-border balancing, there is no need to impose the existence of the concept of Balancing responsible party, especially mixing Generation and load in the balance. The framework guideline requires that (*The Electricity Balancing Network Code(s) shall define imbalance settlement and ensure that imbalance settlement is made on a non-discriminatory, fair, objective and transparent basis…*) and the only way of achieving this is not through the mandatory creation of BRPs.

2. Answers for the specific questions:

As it was mentioned above, some questions are related directly to TSOs business; therefore we only focus on Q1 and Q4 which are more important as they influence market models which differ in different member states.

Q1: Do you consider that harmonization of the pricing method is a prerequisite to establish a TSO-TSO model with common merit order list for balancing energy? Do you support the use of the pay-as-cleared principle?

As we already indicated, the participation of each TSO in the TSO-TSO model with common merit-order list should be "voluntary". The pricing method shall be consistent with the pricing method in each country. Therefore only minimal level of harmonization between pricing methods is necessary.

Q5: Do you consider regional implementation objectives as relevant milestones which should be aimed at in these framework guidelines on electricity balancing and the Electricity Balancing Network Code(s)?

Yes

Q6: Do you consider important to harmonize imbalance settlement? Do you think these Framework Guidelines on Electricity Balancing should be more specific on how to do it?

Framework Guidelines shall set requirements for imbalance settlement model (i.e. it should be transparent, support effective competition within and across member states, get appropriate motivation to reduce imbalance and respect implemented market models, including implemented Balancing Market Models, in each Member State). Differences between individual needs of each Member State in Europe mostly connected to individual energy policy and specific architecture of transmission network and use of market models including the decision on the existence or not of Imbalance Settlement Responsible Party mentioned above should be well recognized and hence considered in the Draft Framework Guidelines on Electricity Balancing. Each Member State should thus have the possibility to decide the imbalance settlement model to fit with its specific needs and fulfils respective requirements, while respecting a minimum level of harmonization so as to allow efficient competition within and across member states.