

EWEA response to ACER call for comments on the revised Network Code on Electricity Balancing

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EWEA welcomes the opportunity provided by ACER to submit comments to the revised Network Code on Electricity Balancing (NC EB). In EWEA's view, the re-submitted NC EB draft following the ACER reasoned opinion has been improved on numerous points. However, it still presents both a general lack of ambition in terms of timelines and level of prescription of balancing market rules. These should be tackled accordingly:

- **Balancing responsibility for RES generators, in particular wind power, should be distinguished according to market maturities of the given power system in question.**

RES generators can bear balancing responsibility in mature intraday markets with a high level of liquidity, and with sophisticated forecast routines in place. However, the situation across Member States remains very fragmented with RES producers already considered BRP's in some countries even where legislation does not allow RES producers to provide remunerated reserves and balancing energy. An according caveat should, therefore, be included in the provisions on the role of BSP's and BRP's (Art. 24 and 25).

With the final goal of creating a level-playing field with regards to financial obligations, non-discriminatory market access for wind generators is only possible by ensuring that technical requirements and operational rules take into account the intrinsic characteristics of wind energy generation and, according to system needs, remunerate for their capabilities. Balancing should be a fully market based solution and the NC EB should not prescribe any mandatory participation in balancing markets.

- **A clear and ambitious implementation timeline is long overdue.**

Speed and scope of balancing market harmonisation rules appears to remain at the full discretion of TSOs rather than setting firm milestones in the NC EB. ENTSO-E's ambition seems to rely solely on the outcome of regional pilot projects on balancing market integration which would only happen in a step-wise manner via regional intermediate targets. Thus the integration process remains *de facto* voluntary.

The first regional steps should be made more ambitious and require more integration by requiring that at least two co-ordinated balancing areas (CoBa's) be included in the regional step. Additionally, the NC EB should prescribe when the models should be running, not only when the proposal should be presented. The current lack of implementation guidance entails a risk of very lengthy processes and stagnation in the European balancing market development.



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- **Lack of definition for standard and specific balancing products at EU level.**

The NC EB does not provide any requirements on detailed characteristics of the standard and specific products that the BRP have to provide to the Balancing Market (see Art. 29). However, in order to facilitate the participation of wind power generators to the Balancing Market and the qualification of these units as BRPs, it is necessary first to anticipate the definition by all the TSOs of a harmonised list of standard and specific products - thus detailing the minimum technical capabilities for generators to participate in the Balancing Market.

With regards to terms and conditions related to balancing (Art. 27), we suggest including a period of exemption from imbalance payments (at least 6 months), to guarantee a transitional period to fine-tune forecast procedures for any new wind power plant connected to the grid.

- **Further prescriptions on imbalance settlement are needed.**

For settlement of imbalances, the single price settlement principle on imbalances should be applied as it facilitates decentralised balance responsibility of variable energy sources. The single price should correspond to the established price of balancing energy. Imbalances for resources that are offered in the market for balancing energy could be settled differently, if the TSO can provide the socioeconomic rationale for doing so. 15 minutes should be the focal point for harmonisation of the imbalance settlement period (Art. 21 and 60). Moreover, the criteria and methodology for Cost-Benefit Analysis for the imbalance settlement remain undefined (Art. 21).

Furthermore, the imbalance calculation for wind power generation should consider the uncertainty related to the forecast of this specific technology (Art.60). For each Variable-RES technology it should define a percentage of forecast error for which the imbalances should not be penalised (Tolerance Bands).

- **Reservation of interconnector capacity for exchange of balance capacity might distort the Day-ahead and Intraday markets.**

EWEA shares ACER's concern that all forms of reservation of cross border capacity for balancing purposes should be subject to strict regulatory supervision. All available cross border capacity should be allocated at all time frames. Reservation of cross-zonal capacity for balancing should be avoided as it would reduce the integration of day-ahead and intra-day markets, unless justified by a CBA.

- **TSOs should not be allowed to offer balancing services.**

In general TSOs should not be granted a right in the NC EB (Art.22, 4) to offer balancing services, as this is, in practice, not possible without owning and operating generation assets, which conflicts with the unbundling rules outlined in the 3rd Energy Package. The central role of the market in providing balancing services should remain intact.

- **The possibilities for TSOs to apply unshared bids need reconsideration (Art. 41).**

It implies that the balancing volumes and reserves could be withheld from the regional and European market. Thus, it leaves discretionary power to the national TSO and thereby may counteract the purpose of integrating balancing markets. In the worst case it could mean that a TSO rewards all power generation resources a capacity payment and in the second stage reserves all resources locally leading to cost inefficient balancing.

- **A number of crucial aspects remain undefined in the NC EB**
 - the criteria and methodology for Cost-Benefit Analysis¹;
 - the modifications of the European integration models²;
 - the main features for Imbalance calculation and Imbalance pricing to be harmonised³;
 - the modifications of the Imbalance Settlement Period⁴;
 - the criteria and methodology for Cost-Benefit Analysis⁵;
 - the common pricing method for Standard Products for Balancing Energy⁶;
 - the methodology for a co-optimised Capacity Allocation⁷;
 - the methodology for a market-based reservation of Cross Zonal Capacity⁸; and
 - the principles for the definition of algorithms to be applied⁹.

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The European Wind Energy Association (EWEA) is the voice of the wind industry, actively promoting the utilisation of wind power in Europe and worldwide. Over 650 members from nearly 60 countries, including manufacturers, developers, research institutes, associations, electricity providers, finance organisations and consultants, make EWEA the world's largest wind energy network.

¹ Article 14(3), Article 16(4), Article 18(4) and Article 20(3)

² Article 14(3), Article 16(4), Article 18(4) and Article 20(3)

³ Article 21(1)

⁴ Article 21(2)

⁵ Article 38

⁶ Article 39

⁷ Article 45(1)

⁸ Article 46(1)

⁹ Article 66