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Mr. ██████████, [NC-Electricity-Balancing@acer.europa.eu](mailto:NC-Electricity-Balancing@acer.europa.eu)  
Agency for the cooperation of energy regulators

## Network Code on Balancing

The Finnish Energy Industries is a trade organisation for producers, suppliers, transmission, distributors and sales of electricity, for district heating and district cooling, and for design, implementation, operation, maintenance and construction of networks and power plants.

Energiateollisuus ry / Finnish Energy Industries (EC Register ID number 68861821910-84)  
Address: PL 100, 00101 Helsinki, Finland  
Contact person: ██████████ (email: ██████████ phone: ██████████)

### Finnish Energy Industries' comments on Network Code on Balancing

Our comments concern 2 a) and 2 c) of Article 21 TARGETS FOR IMBALANCE SETTLEMENT. In the Article it is stated that:

2. No later than two years after the entry into force of the Network Code, all TSOs shall submit for approval a proposal to all NRAs based on a Cost-Benefit Analysis on the harmonisation of the Imbalance Settlement Period within and between Synchronous Areas, taking at least into account:
  - a) the requirement that the **Imbalance Settlement Period shall not exceed 30 minutes**; and
  - b) the effects on Frequency Quality Target Parameters pursuant to *[Article 19 Frequency Quality Target Parameters]* of the Network Code on Load-Frequency Control and Reserves; and
  - c) **all boundaries of Market Time Periods** shall coincide with boundaries of Imbalance Settlement Periods.

In **2 a)** it is still required that in the harmonisation proposal the Imbalance Settlement Period shall not exceed 30 minutes. This would mean f. ex. that in the Nordic synchronous area, harmonisation to 60 minutes would not be possible. We don't support this. It is not suitable to shorten the imbalance settlement period in Finland, at least before the natural end of the life cycle of the current Smart Metering infrastructure (roll-out finished 1.1.2014). This would cost tremendous amount of money (new Smart Meter roll-out and new IT-infrastructure for all market participants) for the customers without bringing actual benefits. It is very important to us that it is possible to continue with 60 minutes settlement interval.

We find that requiring harmonised settlement period to be at maximum 30 minute severely damages the possibilities for demand to participate the market. The settlement period doesn't only affect the generators but the whole supply chain to end-users. The current system based on exact hourly metering enables end-users to follow electricity consumption and react to its costs. This way the end-users can work for to promote system balance, and hence for to minimise the needs for separate balancing actions. It should be subject to a proper Cost Benefit Analysis to decide to which settlement period the possible European solution should be based on.

The biggest problem we see with current formulation is not the 30 minutes (since it requires a CBA), but the idea that harmonisation is tied to the 30 minutes. Thus the code would make it impossible to harmonise for example Nordic markets to 60 minutes. We believe that the main goal should be harmonisation within reasonable areas, not the 30 minutes. We also think that in the first phase Europe wide harmonisation is not realistic. Thus harmonising smaller areas should be the main goal. The strict 30 minute requirement for harmonisation doesn't fulfil this goal.

Further, we believe that the harmonisation of imbalance settlement period is not a precondition for regulating power market integration and that the costs and market distortions caused by the above mentioned requirement greatly exceed any foreseen benefits for having a European harmonised imbalance settlement period.

Our suggestion of new text:

#### Article 21 TARGETS FOR IMBALANCE SETTLEMENT

2. No later than two years after the entry into force of the Network Code, all TSOs shall submit for approval a proposal to all NRAs based on a Cost-Benefit Analysis on the harmonisation of the Imbalance Settlement Period within and between Synchronous Areas, taking at least into account:
  - a) the requirement that the Imbalance Settlement Period shall not exceed 30 minutes, **unless a longer period is found preferable in the Cost-Benefit Analysis** ; and

In **2 c)** it is says 'all boundaries of Market Time Periods' shall coincide with boundaries of Imbalance Settlement Periods. It needs to be clarified what is meant with 'all boundaries of Market Time Periods'.

Yours sincerely,

  
Finnish Energy Industries