

Statkraft comments on the draft Electricity Balancing NC

Introduction

Statkraft is active as generator (mainly of renewable electricity) and wholesale trader across Europe and is active on several balancing markets (like the Nordic, UK and German markets). Statkraft operates hydro power plants with large seasonal reservoirs in Norway, but is also the market leader in direct marketing of renewable generation (mainly wind) in Germany. Statkraft therefore takes great interest in well-designed balancing markets with cross-border trading, as this should lead in a proper valuation of flexibility and utilization of flexibility across borders.

With this contribution Statkraft would like to raise a few important points and does not strive to provide detailed comments on all articles of the draft NC.

Main principles

Statkraft considers the balancing market as the market in which TSOs perform the real-time balancing of the system. The basic principle is that market participants should have maximum possibilities to balance demand and supply as this will allow for most efficient results and will limit the need for residual balancing by TSOs. Market participants do so in the forward markets, then in the day-ahead market and finally in the intraday market. While getting closer to actual delivery the granularity of the balancing is increasing. The Gate Closure of the intraday market should be placed as close as possible to the delivery period. The balancing market must be strictly delineated and limited. Balancing actions by TSOs should be done for a limited period of time and TSOs should anticipate that market participants are able to balance their positions for the period thereafter. TSOs should not be allowed to start balancing the system, while intraday markets are still open. As such overlap will lead to opposite actions between TSOs and market participants and thus to inefficient results. Likewise, TSOs should not activate system balancing actions for time periods ahead of real time, if market participants are able to rebalance their positions in these time frames in the intraday market

The balancing market itself must be designed as market-based as possible. This means that market participants must be able to offer balancing capacity (or reserve capacity) and balancing energy to the TSOs without unnecessary restrictions in order to allow for maximum competition. TSO activities must be performed with maximum transparency for the market.

Settlement of imbalances must be done in such way that market participants have the correct incentive to actively manage their position in the intraday time frame. For that purpose, a single price for settlement of all imbalances must be used and should be set at the marginal price of activated energy bids in the balancing market.

Statkraft supports the aim for more efficient cross-border trade of balancing products and hopes that it can be achieved well within the quite generous time limits as proposed in the code.

Comments

Article 10

This article should better reflect that the balancing market is a residual market that is as restricted as possible and that maximum possibilities must be given to market participants to balance demand and supply.

Article 25.3

The role of Balance Responsible Parties is not correctly described. Instead of “Each Balance Responsible Party shall be balanced ...” it must be written that “Each Balance Responsible Party shall strive to be balanced ...”

Complete balancing of individual positions of each BRP is neither possible nor should it be a goal in itself. The current wording would allow for unduly high penalties on individual imbalances

Article 32.5

It must be ensured that TSOs are never allowed to perform balancing actions while the intraday markets are open.

Article 34.2

- Market-based procurement of Balancing Capacity is fully supported. It must however be made explicitly clear in the code that a method which is based on mandatory provision of Balancing Capacity to the TSO in combination with secondary trading of such obligation, cannot be classified as a market-based method.
- Procurement of FCR should also preferably be done with a market based method.

Article 34.5

- Procurement of upward and downward FCR should also be done separately.
- This article must be aligned with article 36.9.

Article 43

Statkraft supports the idea that cross-border capacity can be used or allocated for balancing purposes. In the current market design, the aim is normally to allocate as much as possible cross-border capacity in the forward markets up-to the day-ahead market and after that use it or lose it or use it or sell it arrangements apply. This set up does not allow to exchange balancing services across borders even if such exchange generates more socio-economic welfare than usage in the day ahead time frame.

Article 52.1

These principles need to be reviewed thoroughly. The key principle should be that energy imbalances are settled at a price that best reflect that real time value of that energy. In this way, Balance Responsible Parties will have the correct and proper incentive to actively manage their position and to strive to avoid imbalances. This also means that principles (b) and (c) must be deleted. (See also comments on Article 25.3.)

Article 61

The principle must be added that individual imbalances, so both surpluses and shortages, must be settled at the same price (no dual pricing). This means that a single price must be used irrespective of the direction of the individual imbalance and irrespective of the type of portfolio (generation or demand).