

# **EURELECTRIC's comments on NC Balancing**

**ACER Workshop on Electricity Balancing**

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# EURELECTRIC's views on NC Balancing

## Key criteria to take into account to ensure harmonisation/convergence of balancing market in Europe:

- **TSOs and balancing services:** TSOs should not be granted a right to offer balancing & system services as this would imply owning and operating generation/storage assets, which **conflicts with the unbundling rules** of the 3rd Energy Package. **Balancing services procurement** (from FCR to RR) **should be a market based solution**, and more specifically : a call for tender or auction. **Requirement for mandatory participation in balancing markets would be pointless.** (*article 21.3*).
- **Balancing responsibility:** When a BSP is independent of a BRP, operational and commercial agreements between them need to be in place to avoid unmanageable risks for the system and the BRP :
  - BRP acting against system balancing activity;
  - Keeping BRP financially neutral to the BSP actions.
- **The NC should ensure that the COBAs and the pilot projects lead to a converging process towards the target. The involvement of stakeholders as key contributors to balancing markets integration should be effectively translated, all the more within the design phase.**

## Two evolutions in the draft worth notifying

- **Positive evolution: Maintaining the exemption to TSO-TSO model in the form of a TSO-BSP model (article 37)**

The possibility offered to derogate to the standard TSO-TSO model for the Exchange of Balancing Capacity and the Exchange of Balancing Energy is welcome since it is an efficient way to take advantage of cross-zonal synergies, thereby promoting a competitive procurement of Balancing Services.

The NC seems to indicate that the TSO-BSP model would apply to contracted reserve (Balancing Capacity) and to the call-off of contracted reserve (as Balancing Energy). It should be clarified that this model will also apply to the activation of balancing energy that has not been previously contracted.

- **Negative evolution: No more deadline (nor even target) merit order activation for FRRa at national level (deletion of former art 14.6.a)**

The former version of the code foresaw that within 5 years each TSO should implement merit order activation of FRRa. The new draft does not anymore which is a real step-back since some "markets" could therefore remain without any competition for the activation of energy from FRRa reserves.

# EURELECTRIC's additional points (1/3)

- **Necessary information to BRPs:** In order to allow BRP to balance themselves or help the system, **TSOs should have to provide BRPs with appropriate and real-time metering information** regarding total system imbalance as well as estimates of individual BRP imbalances **as close to real-time as possible** (*Art. 7*)
- **Measuring BSP services and ensuring BRP neutrality:**
  - a BRP should not be subject to any imbalance due to the activation of balancing energy services provided by a BSP. **A simple mitigation of costs and risks for both parties is not sufficient** (*Art. 9.1.b*)
  - **a BSP should act in concert with the BRP on whose perimeter it is active.** If the BRP is not informed of BSP actions within its perimeter, the BRP may take justified, but counterproductive, measures to compensate for the imbalance it sees in its portfolio. (*Art. 9.1.f*)
  - **the settlement of Balancing Energy with BSP shall be based exclusively on metered activation and corresponding to a request from the TSO.** The control of balancing energy activations should be ensured by a neutral party (to be different from the involved BSP and BRP) and be based on the data used by TSOs for the imbalance calculation. (*Art. 51*)
- **Implementing imbalance netting should be mandatory:** The netting of power imbalances occurring in different control zones allows a collective optimisation to reduce the demand for control power of each TSO and appears as a reliable source of benefits for the overall system. Therefore, **the regional model as well as the European model for imbalance netting should apply to all TSOs.** (*Art. 18 & 19*)

## EURELECTRIC's additional points (2/3)

- Balancing markets must only cover the residual after DA and ID markets are closed, with ID gate closure time as close to real-time as possible:
  - Market parties, as BRPs, should be given maximal opportunity to balance their own portfolio through self-dispatch. Especially in light of the growing share of RES and the obligation of RES to become balance responsible, the ability to self-dispatch as close as possible to real-time should be safeguarded. *(Art. 31.3 and 31.4.c)*
  - As a general rule, the ID market and Balancing market activation should be kept separate and not overlap. TSO intervention during ID should be strictly limited to unusual situations and for system security purpose only.
- Central Dispatch: It should not be possible to revert to Central Dispatch System. As such, TSOs should not be able to apply to their NRA to be acknowledged as a TSO operating a Central Dispatch System. Central Dispatch Systems should be limited to the TSOs that currently operate them and preferably be phased-out. TSO should not be able to change the offers of BSPs. TSOs should be free to make their own offers. *(Art. 27.1)*

## EURELECTRIC's additional points (3/3)

- **Network codes should be self-sufficient and not rely on non-binding supporting documents for interpretation:** Stakeholders face significant legal uncertainty due to some vague or ambiguous provisions present in the code (e.g. explanations on the pricing of imbalances are missing in the code while detailed on the supporting document). We are not advocating for including every single detail in the codes but this room for interpretation left in the code will require an active involvement from stakeholders to ensure proper implementation. EURELECTRIC is ready to contribute actively.
- **The NC should ensure proper stakeholders' involvement in the integration of Balancing markets:**
  - Public stakeholder consultation should be no less than 8 weeks (not 4 weeks)
  - The code does not provide for any Stakeholder Group (like in NC CACM or NC RfG) to ensure that stakeholders are informed and associated to further evolutions of the code.
  - Unless a dedicated group is created, we believe there is a role here for the AESAG to play in order:
    - to ensure that stakeholders are informed and associated to further evolutions of the code;
    - to ensure that the design of the various pilot projects will enable convergence in the long run.