

ENTSO-E Stakeholders Advisory Group for the Network Code on Electricity Balancing (EBSAG)

First meeting

11 October 2012

10:00 – 16:00

Sheraton Brussels Airport Hotel

Minutes

List of Participants

1	Sebastian Pielken	ACER
2	Francesco Cariello	ACER
3	Martin Pouh	ACER
4	Candice Richaud	CECED
5	Luigi Meli	CECED
6	Paul de Wit	CEDEC
7	Emmanuel Watrinet	CRE
8	Jean Claude Schwartz	EC/DGener
9	Didier Halkin	EDSO4SG
10	Oliver Chatillno	EDSO4SG
11	Florian Chapalain	EDSO4SG
12	Stefan Janson	EFET
13	Susanne Dornick	EFET
14	Bernt Hoff	ENTSO-E
15	Christina Blassmann	ENTSO-E
16	Emeline Spire	ENTSO-E
17	Jimmy Bourdrel	ENTSO-E
18	Kjell Barmsnes	ENTSO-E

19	Paula Junco	ENTSO-E
20	Peter Campbell	ENTSO-E
21	Antonio Lopez-Nicolas	ENTSO-E
22	Mark Copley	ENTSO-E
23	Timon Dubbeling	ENTSO-E
24	Christian Todem	ENTSO-E
25	Koen Noyens	Eurelectric
26	Olga Uikhailova	Eurelectric
27	Nigel Hawkins	Eurelectric
28	Ruud Otter	Eurelectric
29	Jorge Tello Guijarro	Eurelectric - DSOs
30	Pavla Erhartova	Europex
31	Matthys Nypelse	Europex
32	Andras Savli	Europex
33	William Chan	IFIEC
34	Gorn Strbac	Imperial College London
35	Ali Haider	SEDC

Opening

The meeting is opened at 10:10 h by Antonio Lopez-Nicolas. An introduction round is held.

Overview of the process to develop NC EB – Emeline Spire

The slides will be distributed to EBSAG members.

Emeline Spire gives an overview of the Network Code (NC) drafting process, the division of tasks between different institutions and within ENTSO-E. She explains the place of the Network Code on Electricity Balancing (NC EB) within the context of other NCs.

Main questions:

- CECEd: What is the relation to the Lisbon treaty and the role of Parliament? How will consistency with other network codes be ensured?
 - Mark Copley: gives overview of stage of development different codes and outlines some strong linkages between network codes. He stresses the importance of realizing that each Network code (NC) is a part of a puzzle, and that therefore it is important to monitor and anticipate development in other NCs. He notes that if needed, a NC may be amended to minimize the number of constraints on other NCs. He confirms that there is no hierarchy between the respective NCs.
 - CECEd: not very satisfied with the process. The scope for the DCC code, for instance, does not incorporate economic considerations.

Presentation of Framework Guidelines – Francesco Cariello

The slides will be distributed to EBSAG members.

Francesco Cariello presents the motives behind the Framework Guidelines (FG), and its main stipulations. He describes the framework guidelines as “an ambitious text which sets a consistent regulatory framework to tackle current and future issues in balancing markets”. ACER chose to propose binding regulation with strong harmonization. The high level of ambitions was embraced by the majority of the 48 contributions ACER received as a feedback to its draft version of the FG, although some parties voiced their concerns. Other divergences appeared over the pricing method and the degree of coordination of imbalance settlement. After the public consultation on the FG, ACER allowed for more flexibility on these latter two issues.

Main comments:

- Emeline Spire clarifies that ENTSO-E supports ambitious goals provided there is sufficient demonstration of the net benefits and the feasibility. ENTSoE acknowledges that the final Framework Guidelines recognize this concern to some extent.

Issues & Expectations – IFIEC (William Chan)

Main points:

IFIEC has some doubts about the preference for marginal pricing, given that the exact impact on the market is unknown. It also believes demand participation should be further encouraged, by lowering the threshold to participate. Moreover, BRPs should be encouraged to be in balanced position at all times and balancing should be a residual market.

Issues & Expectations – EFET (Stefan Janson)

The slides will be distributed to EBSAG members.

EFET supports non-discriminatory access to the market for all parties. There should be no regulation on participation by market parties (e.g. no compulsory AS participation). There should be no ex-ante reservation of cross-border capacity. A level playing field for all market participants should be ensured in order to attract wider participation.

Concerning the drafting process, EFET urges ENTSO-E to be innovative, willing to change; every country will have to change. Despite the fact that much design work needs to be done, ENTSO-E should make sure it comes up with models and proposed solutions as early as possible.

Main comments:

- Ruud Otter: what do you mean by ‘gradual’? Is it cost-based or a matter of keeping confidence in markets?
 - It means keeping confidence in markets throughout the process.
- William Chan: what do you mean ‘consistency with DA and ID market’? National systems converge widely on DA and ID at this point. Do you believe the balancing market is a substitute for the ID market?
 - Consistency in terms of participants across the different timeframes; EFET expects the large majority of trading to take place before the balancing timeframe.

Issues & Expectations – Eurelectric (Ruud Otter)

The slides will be distributed to EBSAG members.

Market players should contribute and guarantee system security. In order to do so, market prices should reflect the scarcity in AS markets in real time. There should be a maximum participation of flexible resources into the market, and BSPs should be able to offer their services across borders. Renewables should be in the market i.e. exposed to balancing responsibility.

The target model should be implemented by all TSOs, in full and transparent coordination with other stakeholders.

Main comments:

- ACER: would you support multiple CMOs in the interim model?
 - In the interim model you have a mixed situation; there should be accurate price signals for specific products.

Issues & Expectations – Europex (Mathijs Nijpels)

The slides will be distributed to EBSAG members.

The balancing markets are *not* necessarily a TSO responsibility. Therefore the NC should define roles but not designate the actors to fill these roles.

Europex expects the NC to establish clear trading rules. Use best examples – “if it’s not broken, don’t try to fix it”. The NC should leave room to allow for different balancing services in different countries, even if this freedom of choice implies incomplete harmonisation. BRPs should be recognized and defined in the NC; some “TSO responsibilities” might be better off handled by other parties.

Europex is concerned that Balancing market will reduce liquidity of DA and ID market. Balancing and ID markets should be designed in such a way so as to enhance each other. There should be a seamless transition from ID trading the trading in the balancing market.

Concerning cross-border arrangements, the NC should support effective and non-discriminatory competition between countries, but it should keep issues such as differing pricing schemes and imbalance settlement periods in mind; each MS should have the freedom to choose its own imbalance settlement method. The NC should enhance existing markets, not unnecessarily replace them.

Main comments:

- Ruud Otter: how minimum should it be? Should we do nothing at all?
 - Matthijs Nijpels: we believe we should respect national arrangements.
 - Ruud Otter: but isn’t the idea of the Third Package that we should integrate national markets?
 - Matthijs Nijpels: We’re not saying ‘do nothing’, but ‘respect existing arrangements’

Issues & Expectations – CECED (Luigi Meli)

There are different types of consumers – industrial and residential. This element should be taken in mind i.e. different parties have a different impact on the load.

CECED approves the principles of the Third Package, especially the emphasis on energy efficiency. However, this aspect is insufficiently addressed in the NCs.

CECED is concerned about potential conflicts of interest in giving the ENTSO-E the pen to write the NC.

Element of clarification: a ‘product’ needs to be well defined, as well as the question which product aspects can be regulated. CECED is concerned about possible interference with the market of energy-consuming goods and devices.

CECED sees a conflict in timing. It is crucial to prevent distortions between NCs.

Main comments:

- Emeline Spire: could you elaborate on the links with the Energy efficiency directive?
 - NCs should respect existing EU stipulations on energy efficiency.

Issues & Expectations – DSO Associations (Jorge Tello Guijarro)

The slides will be distributed to EBSAG members.

The speaker start with an overview of the DSO role in grid operations with increasing shares of RES: most of the incremental RES capacity will be connected to distribution networks. The NC should take the varying needs and technical capabilities of local networks across Europe into consideration. Requirements for distribution network users on voltage control, network management and outage management should be coordinated between TSOs and DSOs. New system services should be established at DSO level.

Concerning the NC EB, DSO associations would like to know ENTSO-E's view on possible DSO involvement in real time system management. They also ask for some clarification on the relationship between the terms 'reserve provider' used in the NC LFC&R and 'Balance Service Provider' used in the NC EB.

Main comments:

- Susanne Dornick: What do you mean by 'we are developing markets on distribution level'?
 - Jorge: need to rephrase; we are not building markets on distribution level, DSOs need access to system services markets to manage the constraints at distribution networks.

LUNCH BREAK: 12:40 – 13:30

Issues & Expectations – Academia (Goran Strbac)

To create value in the longer-term, it is essential to foresee arrangements for cross-border exchange of reserves.

Challenges & Issues to be tackled during the development of EBNC (Christian Todem)

The speaker first discusses the timeline for the EBNC. He then addresses the main challenges from ENTSO-E's point of view, including pricing, the interaction between the Balancing market and other timeframes, imbalance settlement and reciprocity issues.

Main comments:

- Ruud Otter: how would you want us to provide input? In the form of proposals? We have position papers, should we send them again?

- Mark Copley: We welcome clear, concrete input. If we provide text then we need to understand exactly what your concerns are.
- Martin POVH: it should be stressed that some issues will be developed after the entry into force of the NC. On the other hand, the NC should be specific where the FG prescribe them to be specific.
- Ruud Otter: do you have a table of content that you can share with us
 - We have started working on it, but before sending it out we will need to fill some gaps. Might take 3-4 weeks.

Discussion of issues, challenges and approach – Workshop participants

Peter Campbell composed a slide giving an overview of the key comments received during the morning session, used as the basis for further discussion.

Overlap with the Intra-Day market

Ruud Otter: the principle should be to make the Intra-Day market last as long as possible, allowing the market to solve as many things as possible before TSOs step in in the balancing timeframe.

This comment is supported by Matthijs Nijpels (Europex). He asks the question whether by reserving capacity for balancing purposes, you do not restrain market parties to be balanced in the ID market. He adds the suggestion of using “post-transportation” nominations. MN notes that sometimes it is cheaper to buy balancing services than to ensure a balanced position in the Intra-Day market; this needs to be corrected. Kjell (ENTSO-E) asks whether MN implies that we should run different markets in parallel, with overlapping gate closure times.

Susanne Dornick (EFET) notes that such market timeframe overlap already exists and that it is not the main issue; what matters is that imbalance prices incentivize balancing responsible parties to actively balance itself in the intraday market.

Pricing and imbalance settlement

Emeline Spire asks the participants what they view as “accurate incentives”, and what –in their view- an accurate imbalance price should be.

Susanne Dornick (EFET) states to give BRP the possibility to balance themselves imbalance prices and the status of the control area must be published real-time. Ideally BRP would need the information about the status of the own balance group, however this will be hardly achievable. Nowadays even imbalance prices are published with several weeks or month delay in some countries.

Jorge Tello Guijarro (DSO) states that DSO currently do not have such important real time information.

Nigel Hawkins (Eurelectric) urges for general transparency by TSOs on their decision-making in order to provide clear information to market participants.

Stefan Janson (EFET) says that there has to be a clear link between the imbalance prices and the price TSOs are paying to BRPs. Christian Todem (ENTSO-E) notes that in most cases prices published after real-time are at best indicative.

Harmonisation

Peter Campbell shows the presentation on AS standards across EU countries, and concludes that there are vastly different starting positions on basically all subjects of integration.

William Chan (IFIEC) asks why, if we have so much confidence in the market, we do not let the market come up with the ideal outcome? The market will in time create products that are viable.

Ruud Otter (Eurelectric) claims that it is not necessarily a matter of technical standards, but can be quite a simple economic system where the TSOs imposes an imbalance on BRPs and forces them to respond.

Emeline Spire (ENTSO-E) notes that the FG also allow for a gradual harmonisation of products, allowing for learning effects.

Demand-side participation

Emeline Spire asks what stakeholders see as possible ways to incentivize demand-side participation.

William Chan (IFIEC) proposes that the threshold to participate in ancillary services (such as load shedding) should be lowered. A second way to let local parties participate is to allow the aggregation of loads and productions from different BRP portfolio into balancing bids.

Jorge Tello Guijarro (DSOs) asks ENTSO-E to take in mind that some decisions at TSO level have strong and diverse impacts on distribution grids, forcing DSOs to act.

Susanne Dornick (EFET) concerning products: the same product should apply to all market participants.

LFC&R NC and cross-border capacity reservation

Ruud Otter (Eurelectric) states that TSOs should not reserve cross-border capacity without exposing themselves to the related market costs. William Chan (IFIEC) responds that this amounts to exposing consumers, who pay those costs via grid tariffs. Bernt Anders Hoff (ENTSO-E) responds that the reservation of XB capacity would serve to lower costs for consumers. Ruud (Eurelectric) notes that by reserving the capacity, TSOs act as a market actor, and therefore should carry market risks.

Other issues

Ruud Otter (Eurelectric) urges ENTSO-E to distribute the table of content of the NC as soon as possible, so as to allow stakeholders to prepare their input.

Jorge Tello Guijarra (DSO associations) urges ENTSO-E to consider involvement of DSOs through the aggregation of small units connected at DSO level.

Paul de Wit (Alliander) adds that the impact on the operations on a distributional level should be taken into account.

Nigel Hawkins (Eurelectric) asks what guarantees exist for a BSP that his bids are shared between TSOs (i.e. placed on the CMO) and not reserves by individual TSOs; he urges ENTSO-E to be transparent on its treatment of bids.

Stefan Janson (EFET) asks whether ENTSO-E can elaborate upon their criteria for cost-benefit analyses. Christian Todem (ENTSO-E) responds that this issue is relatively immature and that no more details can be provided in the short term.

Discussion on Draft Terms of Reference

Peter briefly goes through the ToR.

Ruud Otter (Eurelectric) states that ideas by stakeholders that extend beyond the scope of the balancing NC should also be allowed for discussion.

Emeline Spire (ENTSO-E) proposes to have some deadlines for comments on the ToR in order for it to be approved as soon as possible.

Outstanding questions, logistics and next steps

Emeline Spire asks what stakeholders regard as sufficiently substantial material for discussion at the next EBSAG, and at what point Christian Todem could deliver this. Susanne Dornick (EFET) says that not all content has to be ready. Christian says the earliest moment to deliver input is end of November or early December. After a period of two weeks there can then be a meeting. Stakeholders urge ENTSO-E to deliver as much as possible by late November.

Closure

The meeting is closed at 16:05.