Comments for EB NC

- Balancing « markets » in the context of a European Unique Market
- Standardisation of Balancing products
- Common Merit Order criteria
- Activation Optimization Function
- Coordinated Balancing areas

Context of Balancing within Third Energy Package

- « Normal » Markets with different time frame deliveries (forward, day-ahead and intraday) to be used for deterministic adequacy of power supplies to the different demands
- Balancing markets as a last resort to ensure security of supply facing contingencies/forecast deviations.
- Main responsibility of Suppliers and appointed BRP's to manage the uncertainty and adequacy of both their power sourcing and their specific customer portfolio profile.
- windfall profits on balancing to be avoided for historical actors who bring most of the balancing solutions

- Marginal market pricing model to go along with the principle 'the causer the payer » (3.2)
- Because of their cost effectiveness, demand-side initiatives shall be encouraged (14.5.b, 19.4.b) and barriers shall be removed so that they can take part in the security of supply
- incentivization of intermittent renewables to System Balancing to be reinforced

  (distortion because of the priority given to these types of generation, mandatory association with balanced BRP in the power system).

STANDARDISATION of products /Balancing Services

- minimum standardisation of products for the 3 main types FCR FRR and RR
- But contract time frames are not the same:
  - FCR are a permanent necessity
  - automated/manual FRR also a permanent necessity
  - Criticity of RR is when the margins are smaller, especially during peak time (lack of generation adequacy) or extreme prolonged heat waves
- different contract frames for FCR FRR automated /manual than RR (19)

  (cost are not passed the same way, duration over 12 months 19.3)
- Balancing Program Time Unit to be harmonized (single balancing time unit differs from other DA/ Intraday markets)

Pricing model for balancing Services

- Pure Marginal pricing should not be automatically applicable to FCR and FRR because of potential welfare additional costs risks
  - Contractual process different from RR (19) (at least for automated FCR/FRR)
  - unjustified increase in grid tariff costs
  - windfall profits with even bigger distortions of competition
- Ambiguity about the choice of single /double pricing by the TSO/NRA:
  - justification of the choice,(22.2)
  - associated predefined criteria of cost benefit analysis,(21.5)
  - Return of experience (and further changes allowed 22.4) to be provided
- Position to be clarified between
  - bid prices with CMO list
  - prices paid to BSP (50)
  - prices due/owed to BRP's (48)
  - Final cost for endusers categories (split between FCR and FRR/ RR)

Common Merit Order

- price of balancing service (energy-only) is not the only criteria to compare balancing bids but also CMO (CMO does not exist in other power market)

- Definition of Characteristics of CMO to be given (4)
  - Minimum/maximum activation time to be added
  - divisibility (definition to be clarified) (14.4.e)

- Use of CMO should be also more detailed (8.3.b, 23.2, 25.1, 26.1) and based on security of supply (14.5.a), not necessary the « best » price in the CMO list (23.2)

Activation Optimisation Function

- Methodologies at ENTSO-E or CEER/ACER should be provided to assess the different activation optimisation functions

- Optimisation models should be compared with predefined cost/benefit approach (26.2 made ex-ante)

- Because of the progressive approach of the EB NC, optimisation models should be allowed return of experience feedback and further corrections (if necessary reallocation among the community of market actors, not only BRP, BSP, suppliers but final end users)

- Cost/ benefit methodology should also be explicitly provided ex-ante on how the prospective costs will be passed and segmented among to the customers but also to BRP, according to the virtuous principle « the causer, the payer » (3.2, 32.1.g)

Coordinated Balancing Areas

- TSO/NRA's to take into account the production mixes in presence and social welfare differences (national market models on complete electricity prices including energy, transport, taxes, are different)
- Return of experience shall be regularly provided about the use of idle X-border capacities after intraday market gates
- Information monitoring and transparency (3.2, 8.3 b, 8.4, 8.5)) shall be close to real-time (yearly periodicity is unsufficient) for x-border balancing exchanges

THANK YOU

FOR YOUR ATTENTION