

ACER



Agency for the Cooperation
of Energy Regulators

Preliminary comments on the Draft Network Code on Electricity Balancing

3rd EBSAG meeting

26 February 2013

Disclaimer

- This document reflects the status of the work of ACER experts as of 25 February 2013
- Does not in any case represent a firm and binding ACER position on the content of the NCEB
- Mainly high-level comments which raises a certain number of **questions and calls for further clarification**
- ACER acknowledges that the draft is a promising document which **broadly follows** the principles set out in the Framework Guidelines, even though the proposal **does not seem to provide more detailed arrangements** related to these principles.

Chapter 1: General provisions

- **Approval procedures:** to be clarified and merged when possible (e.g. things that could be in the terms and conditions); improvements using CACM text are possible; a few approvals are missing (conversion of products, modalities for exchanges of balancing products); list of **consultations** should also be completed;
- The **roles and obligations of the BRP and the BSP** should be described in specific articles (see FG) as the role and obligations of the TSO. These roles are important in the design and should be considered at the same level in the NC;
- Could ENTSO-E explain why the NC sets an obligation for a **BSP to appoint to** (and be associated with) **a BRP** and how it would work?

Chap 2: Coordinated Balancing Area

- The concept of coordinated balancing areas appears sensible in theory but ACER would like to see more details of **how these areas are intended to work in practice**;
- To what extent **are TSOs required** (wording “entitled” used several times)? Interrelation between CBA and targets set in article 57 should be clarified;
- Shouldn't there be a EU-wide proposal for CBAs?
- Further explanation of how the CBAs are consistent with the areas defined in the LFC&R NC would be valuable;
- ACER would also welcome clarification on the **treatment of central dispatch systems** (provision of prices and quantities to the CMO, how balance responsibility and settlement will work, etc.)

Chap 3: Procurement of services (1/2)

- The concept of unshared bids (see. FG) **does not appear** in the core NC. ACER would welcome some clarification on:
 - » The transitional phase allowing unshared bids (How to differentiate products, the way they are chosen?);
 - » NRAs' approval on how to define these unshared bids.
- How does (i) the Activation Optimisation Function and (ii) the Balancing Algorithm interact?
- Further detailed information on gate closure time(s) is required to improve understanding of the Code:
 - » Interaction between Intraday and Balancing GCT? Depending on products? What about redispatching actions?
 - » Maximum 1h before real time not mentioned
 - » Firmness of products: activation before GCT, outages

Chap 3: Procurement of services (2/2)

- Exchange models for reserves: what is the rationale for **excluding TSO-BSP** in all cases?
- **Procurement of reserves**
- 3 approaches are envisaged by ENTSO-E
- At first glance ACER are OK with the 3 approaches, as far as they are market-based, and would welcome the following approach (to be further elaborated):
 - » By default, model based on a reserve tender;
 - » Unless (some) TSOs provide NRA with a detailed analysis demonstrating that a different model (limited to the proposed options) is more efficient in pursuing the general objectives (in particular for instance competition issues).
- In any case further explanation of the 3 options would be valuable to consolidate this initial view;

Chap 4: Cross-zonal capacity

- Wouldn't the NC benefit from more in-depth description of the different processes (e.g. further than FG principles) ?
- Reservation of CZC: CBA shall be more systematic, even if considered ex ante to define under which criteria (CB capacity price / reserve price / ...) short-term CZC reservation should be possible;
- Foresee some kind of congestion rent sharing between TSOs for CZC reservation?

Chap 5: Settlement

- The sections on imbalance arrangements would benefit from further details and explanation of what is being proposed;
- Imbalance pricing based on marginal price for activated energy? How does the NC ensure consistency with the requirements on pricing methodology of balancing energy?
- IS period: is the wording fully consistent with the FG?
- ACER would welcome clarification on TSO-TSO settlement;
- Could the NC be more explicit about dealing with the costs of congestion management? (no reference to excluding such costs?)

Thank you for your attention!



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