



# Stakeholders Advisory Group for the Network Code on Electricity Balancing

Nicolas Pierreux

*EUROPEX Working Group Power Market*

26 February 2013

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- Europex thanks ENTSO-E for the opportunity to comment on this draft Network Code on Electricity Balancing
  - Due to the short time between the circulation of the draft NC and the meeting Europex will be providing preliminary, not validated feedback today
  - Written comments will be provided by March 4th
  - Europex is at ENTSO-E's disposal for any bilateral meeting that could be deemed useful

# Common Terminology

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- Clear definitions are necessary in order to provide adequate feedback on the draft NC.
- Terms used in NC EB should be more harmonised:
  - *Regulated Network Operator*
  - *Transmission System Operator*
  - *TSO*
  - *operator of any other transmission system*
  - *Connecting TSO*
  - *Connection Transmission System Operator*
  - *Reserve Connection Transmission System Operator...*

# Insufficient recognition of current practice

- Electricity balancing is the responsibility of TSOs in some countries but not in all of them
- In countries such as **the Czech Republic, Slovakia, Austria, Slovenia, Italy, Romania and Ireland** Market Operators are responsible for evaluation, billing and settlement of imbalances or for organization of the balancing market

**This reality has been (partly) "ignored" in the FG but should be reflected in the Balancing Network Code**

- Market Operators have experience in varieties of models of the Balancing Market
- Recognising the role of non-TSO entities w.r.t balancing could lead to more efficient and quicker implementation of NC objectives

# Functions ruled by NC EB (related to MOs)

	OTE (CZ)	Borzen (SI)	EXAA (AT)	OKTE (SK)	GME (IT)	OPCOM (RO)	SEMO (IE)	Nord Pool (NOR, SE, FI, DK)
Facilitating <b>balancing markets</b> /operation of exchange of the balancing energy	Yes <sup>9</sup>	Yes	No	Yes <sup>10</sup>	Yes <sup>6</sup>	No	Yes <sup>3</sup>	No
Performing <b>imbalance settlement</b>	Yes	Yes	Yes	Yes	No	Yes <sup>4</sup>	Yes <sup>3</sup>	No
<b>Publication of the information</b> regarding balancing markets and imbalance settlement etc.	Yes <sup>1,9</sup>	Yes	Yes	Yes <sup>10</sup>	Yes <sup>6</sup>	Yes <sup>5</sup>	Yes <sup>3</sup>	Yes
Definition and issuing of the <b>rules defining balancing markets</b>	Yes <sup>1</sup>	Yes	Yes <sup>7</sup>	Yes	No	No	No <sup>2</sup>	No
Definition and issuing of the <b>rules defining imbalance settlement</b>	Yes <sup>1</sup>	Yes	Yes	Yes	No	No	No <sup>2</sup>	No

# Market Operators in NC (1/3)

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- Framework Guidelines on Electricity Balancing allow for the assignment of more tasks to other designated entities:
  - In **2.3 Terms and conditions related to balancing**: *“The Network Code on Electricity Balancing shall require that TSOs, or other responsible entity where relevant, define terms and conditions related to balancing in accordance with the Network Code on Electricity Balancing and European and national legislation.”*
  - In **5.2 Role of BRPs**: *“The BRPs shall meet the requirements set in the terms and conditions defined by the TSO or an entity responsible for imbalance settlement and contractually agreed upon.”*

# Market Operators in NC (2/3)

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- Market Operators should be included in the parts of the NC EB defining functions and responsibilities which are assigned today to Market Operators in many EU countries
  - Article 1, Para. 2: *"The requirements set forth by this Network Code shall apply to Transmission System Operators, National Regulatory Authorities, the Agency, Market Operators when applicable, Distribution System Operators and Market Participants."*
  - Article 2, Para. 2: a definition of Market Operators should be added

# Market Operators in NC (3/3)

- Reference should be made to Market Operators in at least the following sections of the NC EB; e.g. by adding “and/or nationally designated entities”:
  - Article 4, Para. 1;
  - Article 4, Para. 3;
  - Article 7, Para. 5, 6, 7 and 9;
  - Article 8, Para. 3, 4 and 5;
  - Article 9, Para. 3;
  - Article 10, Para. 1;
  - Article 11, Para. 1;
  - Article 12, Para. 2 and 3;
  - Article 13, Para. 1, 4, 5, 7 and 8;
  - Article 22, Para. 1, 2, 3 and 4 ;
  - Article 25, Para. 5



# Interference between balancing and ID markets

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- BRPs should be primarily responsible for balancing their portfolio and should be given the means to do so efficiently. TSOs should act as residual balancers
- BRPs use DA and ID markets for self-balancing purposes, hence the flexibility should be made available on those markets first
  - ID GCT should be as late as possible to give BRPs the opportunity to self-balance close to real-time
  - TSOs should not reserve more flexibility than strictly needed as pre-contracted capacity is flexibility withdrawn from DA and ID markets and not available for BRPs
  - CZC should not be reserved for TSO balancing actions except under exceptional circumstances as such reservation prevents efficient self-balancing by BRPs

# Role of ID market for balancing

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- For the procurement of Balancing Energy and extension of the intraday markets towards real time would result in faster market integration than the creation of a new, TSO-only market for balancing purposes
- Europex see no reason why TSOs should not act on this ID market, possibly arbitrating with the activation of pre-contracted capacities if any
- As the European target model for ID requires continuous, paid-as-bid trading the NC balancing should not prevent the implementation of such market design for the procurement of Balancing Energy

# Gate Closure Time

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- Article 22 Para. 8: *" All Balancing Service Providers shall be allowed to submit and update their Balancing Energy Bids until the Balancing Energy Gate Closure Time. Standard Balancing Energy Products cannot be activated prior to the Balancing Energy Gate Closure Time."*
  - Only true when auctions are used. If the continuous method is used, then TSOs should be able to accept bids before gate-closure
  - Formulation should be open to continuous, paid as bid solution if demonstrated that it is more efficient according to Art. 22(2) of FG EB

# Provision of Sufficient Information

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- Article 5 Para. 2: “(...) *each entity referred to in Article 1(2) shall provide to the operator of any other transmission system (...) sufficient information*”
  - Could potentially lead to a significant amount of work for several entities if the TSOs and/or parties in charge of balancing under this NC fail to properly cooperate to share the necessary information
  - The NC EB should therefore be clear on what is precisely asked for, and how information recipients will coordinate to limit the burden of such obligation

# Terms and Conditions Related to Balancing

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- Article 13 Para. 1: *“No later than x months after the entry into force of this Network Code all Transmission System Operators of a Coordinated Balancing Area shall develop a methodology for the establishment of the terms and conditions related to Balancing.”*
  - The NC should include the methodology to draft Terms and Conditions. It is also foreseen that the T&C only would be subject to public consultation, not the methodology, which is an additional reason for having the methodology in the NC EB

# Secondary Market for Balancing Reserves

- Article 19 Para. 7: *"In case, where all Transmission System Operators of a Coordinated Balancing Area intend to implement a secondary market for the collateralisation of Balancing Reserves, the following principles shall be respected: (a) only one single secondary market shall be established per Coordinated Balancing Area and Standard Product;"*
  - Europex supports the establishment of secondary market for Balancing Reserves
  - However, there is no reason why a secondary market for Balancing Reserves should be implemented by the TSO themselves. Exchanges of Balancing Reserves should be possible bilaterally, through broker services or via an organised market. The TSOs should only register (and possibly validate) the notified transfer of the obligation

# Cross Zonal Capacity

- Article 27 Para. 3: *“Each Transmission System Operator shall be entitled to use Cross Zonal Capacity for exchanging Balancing Services and Sharing of Balancing Reserves, in accordance with the methodology specified in Article 30 of this Network Code using the approaches specified in Article 29 of this Network Code, where Cross Zonal Capacity is:*
  - *(a) available after the Intraday Gate Closure Time; or*
  - *(b) provided for Balancing Services, in accordance with this Chapter.”*
- As required by the FG, the NC should forbid TSOs to reserve CZC for balancing purposes as it prevents market participants to efficiently balance positions at Day-ahead and/or Intraday stage by accessing all flexibility available cross-border. Such reservation could only be accepted if TSOs provide a robust cost-benefits analysis demonstrating an increase in Social Welfare. These key principles should be properly reflected in the NC EB

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Thank you for your attention

[secretariat@europex.org](mailto:secretariat@europex.org)