

Network Code Balancing: views on the latest draft

EFET, EURELECTRIC, EWEA for:
Workshop on the Balancing NC
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Network Code Electricity Balancing: positive points

- ➡ Confirmation of the strict separation of Intraday and Balancing market (Art.20)
- ➡ Level playing field for all market participants with regard to balancing requirements (Art.7 and Art.34)
- ➡ Marginal Pricing (Pay-as-cleared) as standard pricing method for balancing (Art.25)
- ➡ Recognition of that well functioning national/integrated balancing markets will produce large returns *(1)*
- ➡ More consistent and clear structure of the network code (e.g. Chapters about roles and responsibilities for BRPs/BSPs)

(1) Impact Assessment on European Balancing Market (for the European Commission)

Network Code Electricity Balancing: fundamental issues remain to be resolved

- ➡ A clear definition of **balancing responsibility**: “Everyone connected to the grid is balance responsible”; clarification of roles between TSOs, BRPs and BSPs
- ➡ Clear description of **TSOs activation philosophy**: only residual balancing should be pursued
 - ➡ Every market participant should be able to offer their services to the market
 - ➡ Each BRP should have information about accurate estimation of its imbalance from the TSO
- ➡ Need for **greater harmonisation** to ensure consistency and maximum market participation
 - Case-by-case regulatory approval (Art.7(4)) to be limited
 - Prices in forward, day-ahead and intraday markets are a function of the balancing\imbalance regime. Market coupling outcomes will be distorted by non-harmonised approaches to balancing
- ➡ Maximum **consistency and continuity between bidding price zones for trading and “relevant areas” for balancing is needed** to ensure consistent incentives for market participants (Art 2., Art. 50).

Network Code Electricity Balancing: central elements remain of strong concern (1)

- ➔ **TSO's offering Balancing Services themselves** (Art. 7(4a/b) and Art. 11(3)): violation of the 3rd Energy Package (unbundling); central role of the market in providing balancing services should remain intact!
- ➔ **Mandatory participation in the balancing market** (Art. 15.3, 7.4k) – there should be no obligation for BSP to offer unused capacity in the balancing market, balancing should be a fully market based solution
- ➔ **Procurement method for Reserves** (Art.22(1)): Price caps and obligations to provide reserves are not market based and might induce competition distortions
- ➔ **Automatic expiration of TSO-BSP model after 6 years** (Art.24): the deadline of 6 years should be removed and phase out of TSO-BSP model should be made conditional to the functioning TSO-TSO model with CMOLs
- ➔ **Possibility to change pricing method away from marginal pricing** (Art.25): marginal pricing should be the main method; moving away from marginal pricing must be possible only if all TSOs agree and provide a justification of higher efficiency of another method to NRAs

Network Code Electricity Balancing: central elements remain of strong concern (2)

- ➡ **No guarantee of a harmonised settlement period (Art.48):** it is not limited to max 30 minutes, violating the FG; CBA of settlement period should be executed according to FG
- ➡ **No definition of Balancing Energy Gate Closure time (Art.20):** it should be defined so that BRPs are given maximum opportunity to balance their own position
- ➡ **Allowing CoBa with one standard product (10.1):** the code should foster gradual harmonisation of standard products across CoBas to enable progress in achieving
- ➡ **Introduction of specific products (17):** introduction of specific products should be justified by TSOs and approved by NRAs; exchange of specific products between TSOs/BRPs should be made possible
- ➡ **Cross-zonal capacity reservation for Balancing Reserve (29, 30, and 31.1c):**
 - Ex-ante capacity reservation should not be possible to avoid market distortions
 - TSOs can buy cross-zonal capacity in competition with other market participants and at a market-based price
- ➡ **Public consultation period of 4 weeks (6.1):** it should be extended to minimum 8 weeks