GABE A.S.B.L.
GROUPEMENT DES AUTOPRODUCTEURS
BELGES D'ELECTRICITE.

GABE V.Z.W.
GROEPERING VAN AUTOPRODUCENTEN
VAN ELEKTRICITEIT IN BELGIE.

Brussels, February, the 4th, 2009.

Subject : **Guidelines for Electricity Balancing Market Integration**

GABE answer to ERGEG Consultation.

1. GABE :

GABE is a Belgian Association of industries, significant electricity consumers but whose the sites are also equipped with local generation units (cogeneration) providing a part of their energy needs.
As large consumers, its members are directly concerned by both ancillary service reservation and imbalance tariffs they pay.

2. GABE PRINCIPLE:

The real and initial liberalization objective was to create an European market permitting energy supply negotiation between generators and consumers. It was clear that a condition was the regulation of the transmission. So, relationships between TSO and consumers are regulated and tariff-based.
Balancing and other ancillary services should not be a market, because it's no negotiation possibility between the suppliers and the final client, the consumer. Actually, the TSO must purchase the services, thus has to accept any price, and the consumers have to pay this cost.
Regulation should impose each generator to contribute to primary and secondary reserves, voltage control, … , proportionally to its injection capacity and to offer to TSO its unsold energy for tertiary reserve, all of this, at cost.

3. ANSWERS TO CONSULTATION QUESTIONS:

GABE answers ERGEG questions in the actual framework, but recommends the here-up solution.

3.1. GABE SUPPORTS THE HEREAFTER GUIDELINES :

- *No interconnection capacity shall be reserved for cross-border balancing except to cope with unexpected flows resulting from primary control or for interconnections with no congestions.*
- *When setting up cross-border exchanges of balancing energy after gate closure of day ahead and intraday markets, any charge on access to interconnection capacity for balancing energy shall be prohibited. Only new interconnections exempted under Article 7 of Regulation (EC) 1228/2003 may, upon request, be exempted from this provision.*
- *The amount of reserve capacity shall be set according to defined security criteria and approved by regulators.*
- *Towards integrating balancing markets, the TSO-TSO approach shall be seen as the preferred solution whereas the TSO-Provider approach may be implemented in case of incompatible gate closure and technical characteristics of balancing services.*
- *All information required for the effective functioning of the integrated balancing market shall be structured, aggregated appropriately and made available to the public in a format which takes into account the needs of all market players.*

GABE / President : J-P Bécret. c/o Solvay. Rue de Ransbeek, 310. 1120 Bruxelles. Belgium.
Mail: jean-pierre.becret@solvay.com Tel.: +32.22.64.26.76.
GABE / General Secretary: P. Zadora. c/o Umicore. A. Greinerstraat, 14. 2660 Hoboken. Belgium.
Mail: Peter.Zadora@eu.umicore.com Tel.: +32.38.21.72.06.

- *The data published in each control area shall include balancing market rules (including mechanisms to allow cross-border balancing) and lists of data defined below. Information shall be published in the local language and in English. All of the information published must be kept available at least for two years after the publication of the final update.*
- *Regulators shall include in their evaluation of congestion management methods, mentioned in Article 1.10 of the amended Congestion Management Guidelines annexed to Regulation (EC) 1228/2003, a chapter on cross-border balancing. This chapter shall evaluate implemented mechanisms and on-going projects. It shall also highlight impediments to implementation and enhancement of cross-border balancing.*

3.2. GABE SUPPORTS THE HEREAFTER GUIDELINES WITH RESTRICTIONS:

3.2.1. Guideline:

Cross-border procurement of reserve capacity shall be possible only for primary control reserves or for interconnections with no congestions.
Redistribution of primary control reserves through cross-border procurement shall not exceed a relatively small percentage of control area requirements and shall be subject to affected TSOs' approval.

Restriction on Second paragraph: the capacity reserved for primary reserve should satisfy the traditional "UCTE rules". Thus, for a Member State "M" border "B", the capacity reserved for primary reserve should be equal to the maximum of these values

- primary reserve power furnished, via "B", by other ENTSO-E countries during an incident in "M"
- primary reserve power furnished by both "M" and other ENTSO-E countries, but transiting via "M", and flowing out "M" via "B" during an incident in a Member State other as "M".

If the second paragraph aims to limit the possibility a Member State "M" has to satisfy its quota of primary reserve power by purchasing it from a foreign country, we agree.

3.2.2. Guideline:

TSOs shall implement mechanisms allowing cross-border trade of manually-activated balancing energy as long as system security is not endangered.
Those mechanisms shall not discriminate between balancing energy bids and offers from local and neighbouring markets. Adequate procedures for the agreement of exchange schedules shall be set up to allow cross-border exchange of balancing energy.

We would restrict the second paragraph.
Let's imagine Member State "A" pays its balancing power via an energy price and Member State "B" pays its balancing power via both capacity and energy prices. When a balancing offer from "B" is available for "A" TSO, its energy price must be increased by a portion of the capacity term. Otherwise, the "A" TSO benefits from "B" offers with lower (energy sole) price because "B" consumers pay a part of the costs.

Risk:
Some power plants doing offer at balancing market may be needed to solve some national congestions via generation redispatching.
The mechanism offering power plant balancing bids in foreign countries should never restrict their use by their national TSO for other ancillary services, so as de-congestion.

3.2.3. Guideline:

Full harmonisation of balancing markets is not a prerequisite for cross-border balancing. Thus, cross-border balancing implementation should precede definition and implementation of a standard market design. In a step-wise process, harmonisation of gate closures and technical characteristics of balancing services is not a prerequisite. But increased compatibility would be highly valuable and allow enhanced cross-border balancing exchanges……

Same restriction as for the previous guideline.