

ERGEG Consultation on the Draft Revised ERGEG Guidelines of Good Practice for Electricity Balancing Markets Integration

Statement of RWE

Introduction and General Comments

RWE welcomes the opportunity to submit an opinion in the framework of the ERGEG consultation on Electricity Balancing Markets Integration.

RWE welcomes the draft guidelines as a step in integrating European balancing markets with the final aim of an effective, competitive single market for electricity taking into account security of supply and system reliability.

The process of integrating European electricity markets should follow a stepwise approach. Integrated day-ahead and intraday markets should precede cross-border balancing markets.

ERGEG is right in analysing that the coexistence of different balancing services settlement schemes may be a barrier to cross-border balancing exchanges.

We note that the consultation focuses on manually activated reserves while largely excluding primary and secondary control issues. From our point of view, the cross-border market for manually activated reserves is very close to the cross-border intraday market. The implementation of a cross-border market system may not impede the intraday market. It is important that available capacity is primarily made available for the cross-border intraday market in order to optimise capacity utilisation.

We believe that as to different models for cross-border balancing, the TSO-Provider approach offers considerably more gains in rapidness and efficiency than the TSO-TSO approach and that it should therefore form the target model over time. In any event, both models still need considerable research and evaluation efforts before a final appraisal is made.

Comments on Specific Guidelines

5.1 *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.*

RWE generally agrees with the Guideline. We would like to stress however, that unexpected flows can have very different reasons that go beyond those resulting from primary control. We would therefore prefer the guideline to read as follows:

5.1 new: No interconnection capacity shall be reserved for cross-border balancing except for a security margin that is associated to primary control.

5.2 *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.*

RWE agrees with the Guideline. It reflects the current practice in cross-border intraday markets.

6.1 *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.*

At this point, the draft Guidelines leave the scope of manually activated reserves and enter into primary control aspects. Primary control aspects are extensively dealt with in UCTE and others' operational rules. While generally agreeing with this guideline, we would therefore propose to rephrase it into:

6.1 new: Cross-border procurement of reserve capacity shall not be possible for manually activated reserves.

6.2 *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.*

RWE agrees with the Guideline.

6.3 *The amount of reserve capacity shall be set according to defined security criteria and approved by regulators.*

RWE generally agrees with the Guideline. We would like to point out however, that a regulatory approval of the amount of reserve capacity would not only require substantial legal changes in a number of member states, it would also shift the responsibility for system security towards the regulatory authority. We would therefore propose to rephrase the guideline as follows:

6.3 new: The amount of reserve capacity shall be set according to defined security criteria that are to be approved by regulators.

7 *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.*

ERGEG is right in suggesting that for the time being the implementation of the TSO-Provider approach might be difficult in practice. We do not agree however, that these practical difficulties automatically render the TSO-TSO approach preferable in principle. On the contrary we believe that the TSO-Provider approach offers considerably more gains in rapidness and efficiency. In addition, RWE considers it the most transparent system. Therefore, the TSO-Provider approach should form the target model over time.

In any event, both models still need considerable research and evaluation efforts before a final appraisal is made. In particular, the transparency of any model should be scrutinized.

8 *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.

The coexistence of different balancing services settlement schemes may be a barrier to crossborder balancing exchanges. Whereas there is a lack of consensus on a preferred scheme, it is clear that in the integrated balancing market settlement must be resolved in a common way.

RWE agrees with this guideline. We particularly agree with the analysis that the coexistence of different balancing services settlement schemes may be a barrier to cross-border balancing exchanges. We therefore advocate full harmonisation to the extent technical possible.

In the explanatory remarks, ERGEG mentions different methods for imbalance settlement. RWE underlines that whatever method is in place, balance groups should be incentivised to stay near-balance.

9.1 *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.*

RWE agrees with this guideline.

9.2 *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.*

RWE agrees with this guideline.

9.3 *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.*

RWE agrees with this guideline.