



ERREG Public Consultation on draft revised GGP for Electricity Balancing Markets Integration

Evaluation of Responses

**Ref: E09-ENM-14-04a
9 September 2009**

INFORMATION PAGE

Abstract

On 20 January 2009, ERGEG launched a public consultation on revised Guidelines of Good Practice on Electricity Balancing Markets Integration (Ref: E08-ENM-07-03). The draft GGP outline a number of proposals to enhance cross-border balancing markets in electricity.

This document (E09-ENM-14-04a) accompanies the final GGP and provides the evaluation of responses to the public consultation on the revised Guidelines of Good Practice on Electricity Balancing Markets Integration. Annex 1 includes a list of the respondents and an evaluation of the responses received.

Target Audience

Energy suppliers, traders, gas/electricity customers, gas/electricity industry, consumer representative groups, network operators, Member States, academics and other interested parties.

If you have any queries relating to this paper please contact:

Mrs. Fay Geitona

Tel. +32 (0)2 788 73 32

Email: fay.geitona@ceer.eu

Treatment of Confidential Responses

In the interest of transparency, ERGEG

- i) will list the names of all respondents (whether confidential or not) or, alternatively, make public the number (but not the names) of confidential responses received;
- ii) requests that any respondent requesting confidentiality submit those confidential aspects of their response in a “confidential appendix”. ERGEG will publish all parts of responses that are not marked confidential.

For further information on ERGEG’s rules, see ERGEG’s Guidelines on Public Consultation Practices¹.

¹http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/E07-EP-16-03_PC-Guidelines_2009-Mar-11.pdf

Related Documents

CEER/EREG documents

- “EREGEG Draft Revised Guidelines of Good Practice on Electricity Balancing Markets Integration (GGP-EBMI)”, ERGEG, 15 January 2009, Ref. E08-ENM-07-03, http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/ELECTRICITY/New%20GGP%20Balancing%20Markets%20Integration
- “EREGEG Guidelines on Consultation Practices “, ERGEG, 11 March 2009, Ref. E07-EP-16-03, http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/E07-EP-16-03_PC-Guidelines_2009-Mar-11.pdf
- “EREGEG Guidelines of Good Practice for Electricity Balancing Markets Integration (GGP-EBMI)”, ERGEG, 6 December 2006, Ref: E05-ESO-06-08, http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/ELECTRICITY/GGP%20Balancing/CD
- “EREGEG Public Consultation on Guidelines of Good Practice for Electricity Balancing Markets Integration - Evaluation of the Comments Received”, ERGEG, 6 December 2006, Ref: E05-ESO-06-08a, http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/ELECTRICITY/GGP%20Balancing/CD
- “EREGEG Guidelines of Good Practice - Information Management and Transparency in Electricity Markets (GGP-IMT),” 2 August 2006, Ref. E05-EMK-06-10, http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_PUBLICATIONS/CEER_EREGEG_PAPERS/Guidelines%20of%20Good%20Practice/Electricity/EREGEG_GGPIMT%20Transparency%20in%20Electricity%20Markets%20-%20Augustus.pdf

External documents

- “Communication from the Commission Inquiry pursuant to Article 17 of Regulation (EC) No 1/2003 into the European gas and electricity sectors. COM(2006)851 final”, <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0851:FIN:EN:PDF>
- Study of the interactions and dependencies of Balancing Markets, Intraday Trade and Automatically Activated Reserves, Katholieke Universiteit Leuven And Tractabel Engineering Suez, February 2009, http://ec.europa.eu/energy/gas_electricity/studies/doc/electricity/2009_balancing_markets.pdf

Table of Contents

EXECUTIVE SUMMARY	5
1. INTRODUCTION	6
1.1. Background.....	6
1.1.1. Integration of Balancing Markets	6
1.1.2. Objective and Purpose of this paper.....	6
1.2. Recap of ERGEG public consultation.....	6
2. ANALYSIS OF RESPONSES	8
3. CONCLUSIONS AND RECOMMENDATION.....	8
ANNEX 1 – EVALUATION OF RESPONSES	9
Responses received	9
Evaluation of responses	10
ANNEX 2 – ERGEG	39
ANNEX 3 – LIST OF ABBREVIATIONS	40

EXECUTIVE SUMMARY

Following ERGEG's presentation to the XII Florence Forum in September 2005 of its Position on Balancing Mechanisms Compatibility, ERGEG developed Guidelines of Good Practice for Electricity Balancing Markets Integration (GGP-EBMI) and consulted on them accordingly in summer 2006. During the public consultation, a number of respondents mentioned that since there was a strong inter-relationship between balancing markets, intraday markets and automatically-activated reserves markets, interactions between both the latter markets and balancing markets should also be addressed by the GGP-EBMI. With this in mind, during 2008-2009, ERGEG undertook to revise the 2006 GGP-EBMI. This Evaluation of Responses is one of two documents concluding the 2009 revision of the GGP-EBMI (see also Ref. E09-ENM-14-04, 9 September 2009).

In terms of the revision process, and taking account of the results of the 2006 public consultation on GGP-EBMI and the European Commission's energy sector inquiry (published January 2007)², ERGEG initiated a consultant's study financed by the European Commission on the interaction and dependencies of balancing markets, intraday trade and automatically-activated reserves. The results of this study³ have been taken into account by ERGEG, where appropriate, when drafting the revised GGP-EBMI.

The draft revised GGP-EBMI (Ref: E08-ENM-07-03) were publicly consulted upon from 20 January 2009 to 16 March 2009 and the outcome of this consultation has been processed according to ERGEG public consultation procedures. The present document contains ERGEG's evaluation of the responses received during the 2009 public consultation, which have been taken into account in the final GGP.

The final revised GGP-EBMI could in future contribute to the work of the newly established Agency for the Cooperation of Energy Regulators (ACER) when exercising its duties as regards future Framework Guidelines, in accordance with the provisions of the 3rd Package⁴.

² COM(2006)851, 10 January 2007, <http://ec.europa.eu/competition/sectors/energy/inquiry/index.html>

³ "Study of the interactions and dependencies of Balancing Markets, Intraday Trade and Automatically Activated Reserves" by Katholieke Universiteit Leuven and Tractebel Engineering Suez, February 2009.

⁴ The 3rd legislative Package of the European Commission with proposals for the European Internal Market in Energy which was announced on 19 September 2007, included 5 legislative proposals: 2 amended Directives on the Directives of the European Parliament and of the Council amending Directive 2003/54/EC and Directive 2003/55/EC concerning common rules for the internal market in electricity and the internal market in natural gas, respectively; 2 amended regulations on the European Parliament and of the Council Amending Regulation (EC) No 1228/2003 on conditions for access to the network for cross-border exchanges in electricity and Regulation (EC) No 1775/2005 on conditions for access to the natural gas transmission networks; and a new Regulation establishing an Agency for the Cooperation of Energy Regulators. The Package was finally adopted on 13 July 2009. <http://eur-lex.europa.eu/JOHtml.do?uri=OJ:L:2009:211:SOM:EN:HTML>

1. Introduction

1.1. Background

1.1.1. Integration of Balancing Markets

The integration of balancing markets is a key issue for the development of a single European electricity market. Such integration is a process of evolution, connecting balancing markets in order to achieve their functioning as a common balancing market. ERGEG's revision of its 2006 Guidelines of Good Practice (GGP) is aimed at developing and implementing appropriate policies towards the integration of balancing markets in the EU, within the broader scope of the evolution towards an Internal Electricity Market.

1.1.2. Objective and Purpose of this paper

On 20 January 2009, ERGEG launched a public consultation on revised Guidelines of Good Practice on Electricity Balancing Markets Integration (Ref: E08-ENM-07-03). The revised GGP outline a number of proposals to enhance cross-border balancing markets in electricity. The consultation ended on 16 March 2009. Twenty four responses were received to this consultation document. A list of the respondents and a detailed Evaluation of the Responses is contained in Annex 1 of this document.

1.2. Recap of ERGEG public consultation

The 2009 public consultation on revised Guidelines of Good Practice for Electricity Balancing Markets Integration (GGP-EMBI) took into account stakeholders' views on the 2006 ERGEG GGP as well as additional inputs, such as the European Commission's energy sector inquiry (published January 2007)⁵ and a consultant's study financed by the European Commission⁶. The present document provides the evaluation of the responses received during the consultation on the 2009 revision of the GGP-EMBI. The main enhancement of this revision is the inclusion of issues related to the dependencies and interactions of balancing markets with automatically-activated reserves and intraday markets.

The revised Guidelines of Good Practice have been structured into two main parts:

- Part I with general considerations
- Part II with guidelines of good practice

The general considerations in Part I address the following issues:

- Functioning of balancing markets;
- Benefits of and key principles for efficient electricity balancing markets integration, including among others: governance and institutional arrangements; operational security; market-based mechanisms; competition issues; impact on cross-border trade, incentives for balance responsible parties to be balanced; transparency and market monitoring.

⁵ See Footnote 2.

⁶ See Footnote 3.

The guidelines of good practice in Part II address the following issues:

- Roles and responsibilities of stakeholders in balancing market;
- Access to interconnection capacity in terms of reservation and charges;
- Contracted reserves in terms of cross-border procurement of reserve capacity and amount of reserve capacity;
- Approaches to implementing cross-border balancing;
- Design of balancing markets in terms of gate closure and technical characteristics of balancing services, balancing services settlement and imbalance settlement;
- Transparency and monitoring.

2. Analysis of Responses

EREGG has evaluated the responses provided in the public consultation, principally in terms of applicability and consistency. For each comment, the following evaluation template has been used:

#	Guidelines Reference	Respondents' views	EREGG position	Explanation
No. of comment	Guidelines section/chapter to which the comment refers to	original comment text	Yes (accept) or No (reject)	EREGG explanation (especially if rejected)

The positively evaluated comments from the public consultation have been incorporated into the final revised Guidelines of Good Practice for Electricity Balancing Markets Integration (GGP-EBMI).

Annex 1 contains the evaluation of all the responses, organised according to the topic in the GGP and the above-mentioned template. The reference text of the GGP for Electricity Balancing Markets Integration is the one from the EREGG public consultation document (Ref. E08-ENM-07-03). The comments have been quoted with their original format and contents as submitted by the stakeholders. The underlined text means new text proposed to be added, the ~~crossed-text~~ means text that EREGG proposed to be deleted. The evaluation also contains the additional modifications to the Guidelines, proposed by EREGG following the public consultation, that were not suggested by any organisation or stakeholder, but were additionally recognised as needed and justified by EREGG.

3. Conclusions and Recommendation

The responses from the public consultation are analysed in Annex 1 and the results have been introduced to the revised Guidelines of Good Practice for Electricity Balancing Markets Integration accordingly.

Annex 1 – Evaluation of Responses

Responses received

Responses were received from the following organisations:

Organisation	Abbreviated name
BDEW Bundesverband der Energie- und Wasserwirtschaft e.V.	BDEW
Centrica Energy	CENTRICA
CEZ, a. s.	CEZ
Danish Energy Association - danskeenergi	DANSKENERGI
Norwegian Electricity Industry Association - EBL	EBL
E.ON	EON
Enel S.p.A.	ENEL
Energie Baden-Württemberg AG	EnBW
ETSO	ETSO
Union of the Electricity Industry – EURELECTRIC	EURELECTRIC
Association of European Power Exchanges - EuroPEX	EuroPEX
European Wind Energy Association - EWEA	EWEA
Groupement des Autoproducteurs Belges d'Electricité - GABE A.S.B.L.	GABE
Groupement Européen des entreprises et Organismes de Distribution d' Energíe - GEODE	GEODE
International Federation of Industrial Energy Consumers - IFIEC	IFIEC
Moyle Interconnector Limited	MOYLE
National Grid Electricity Transmission plc	NATIONALGRID
RWE	RWE

Organisation	Abbreviated name
Stadtwerke München GmbH	SW//M
Swedenergy	SWEDENERGY
TIWAG – Tiroler Wasserkraft AG	TIWAG
Asociacion Española de la Industria Electrica - UNESA	UNESA
Vattenfall Europe Transmission	VATTENFALL
Verband der Elektrizitätsunternehmen Österreichs	VEO

Evaluation of responses

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
1.	General / scope of the Guidelines	Against the backdrop of the progressive evolution of the European electricity market, special attention should be also given to a harmonized approach for national balancing markets, based on efficient market mechanisms. That means precisely [...] • The procurement of each type of the balancing resources should be subject to a non-discriminatory and transparent market mechanism.	Yes	EREGG agrees to enlarge the scope of the guidelines to include automatically activated reserves. Further investigations are needed to understand how TRM is taking into account automatically activated reserves (both primary and secondary) / if there are some exchanges of secondary control.
2.	General / scope of the Guidelines	At least primary, secondary and tertiary reserve shall be procured by TSOs in a non-discriminatory and transparent way, based on a market mechanism.	Yes	Intraday markets are addressed where and as far as necessary in relation to their interaction with balancing – this was also in line with the first public consultation on the initial Guidelines in 2006. The definition of balancing has been completed to highlight border between intraday and balancing markets.
3.	General / scope of the Guidelines	Defining balancing activities GGP clearly excludes automatically-activated reserves. In our view, balance management refers to all processes and services associated with power system operation, which ensure quality and short term security of supply. Thus, automatically activated reserves are in the scope of balancing activities	Yes	
4.	General / scope of the Guidelines	Solutions and implementation steps concerning cross-border reserve and balancing markets are interlinked with the development and implementation of intra-day markets. In our view Intra-day	N/A	

#	Guidelines Reference	Respondents' views	EREG's position	Explanation
		market solutions are a part of the balancing integration and should be addressed in the proposed guidelines.		
5.	General / scope of the Guidelines	EREG's definition of balancing activities clearly excludes automatically activated reserves (e.g. p. 11). We do not believe this definition to be entirely correct, as balance management refers to all processes and services associated with power system operation, which ensure short term power system quality and security. Thus, we believe that automatically activated reserves are within the scope of balancing activities and that balance management is concerned with a broader activity than manually activated reserves.	Yes	
6.	General / scope of the Guidelines	The scope of the guidelines is not entirely consistent throughout the document. Indeed, while automatically-activated reserves are clearly excluded in some parts of the document (cf. p. 11), primary reserve exchanges are explicitly dealt with in other parts of the document (e.g. chapters 5 and 6). This creates some confusion about the scope of GGP-EBMI. Moreover, if GGP-EBMI are to exclude completely automatically-activated reserves, this should be reflected more clearly in the title and terminology used in the document.	Yes	
7.	General / scope of the Guidelines	We suggest to widen the scope of the Guidelines to include also automatically activated reserves.	Yes	
8.	General / roadmap	The objective of creating regional markets laid down in the third energy package requires integration of reserve and balancing markets. The proposed guidelines, however, leaves this option open. We believe the guidelines should set out concrete steps and measures in order to secure future harmonisation of balancing markets. Firm obligations should be placed upon TSOs to cooperate and harmonise their practices and standards	Yes (partly)	Need for further harmonisation and integration of balancing markets has been emphasised. But roadmap is expected to be set in the EREG Project Coordination Group (PCG). The XV Florence Forum in November 2008 invited EREG to establish the PCG, with participants from EC, Regulators, ETSO, Europex, Eurelectric and EFET, involving Member States' representatives as appropriate, with the tasks
9.	General / roadmap	The objective laid down in the third energy package of creating regional markets requires in our view a much clearer stance in favour of integrating reserve and balancing markets. While the guidelines merely leave this option open, they should have set out the steps and measures conducive to cross-border harmonised balancing markets. We therefore strongly calls for the harmonisation of cross-border reserve and balancing markets underpinned with	Yes	of developing a practical and achievable model to harmonise interregional and then EU-wide coordinated congestion management, and of proposing a roadmap with concrete measures and a detailed timeframe, taking into account progress achieved in the EREG ERI.

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		firm obligations placed upon TSOs to cooperate and harmonise their practices and standards. Regional operation centres dealing with balancing and reserve functions for two or more control areas would be more beneficial than cooperation and harmonisation. These centres could then be used to incorporate other system operation tasks that would lead to Regional Independent Operators. However, as these have not emerged yet the response in this paper is related to the situation where TSOs operate their own control area.		
10.	General / roadmap	The integration of balancing markets will be a long-term goal; nevertheless the rough road map of the process should be set as soon as possible	No	
11.	General / roadmap	Integrated balancing market option seems to be in line with the integrated market issue but the possible problems in implementation can easily retard the effective solution for a long time – so less ambitious ways can bring more benefits	No	
12.	General / roadmap	A more explicit and clear roadmap is required.	No	
13.	General / merchant lines	Besides we find that both interconnectors - regulated and merchant lines - should be covered by the Guidelines of Good Practice for Electricity Balancing Markets Integration. Non-used capacity of merchant lines should be used for cross-border reserve and balancing purposes as this capacity is no longer available for the market after gate closure and therefore has no further market value.	Yes	Some derogation to the GGP-EBMI may be granted to merchant lines (according to Regulation (EC) No 1228/2003). This would be assessed on a case by case basis. It has been included in the beginning of Part II that “new interconnections exempted under Article 7 of Regulation (EC) No 1228/2003 may, upon request, be exempted from provisions of these guidelines”.
14.	General / AC vs DC lines	Unfortunately we believe ERGEG's proposed guidelines in some cases will impede competition in trade and exchange of system- and balancing services throughout Europe. There are few if any technical obstacles of increased exchange of e.g. products for automatic load frequency control – LFC. Existing and upcoming HVDC technology can facilitate cross-border exchange and trade of fast, flexible, and reliable LFC products. If, however, the guidelines are enforced as proposed an efficient exchange and trade of such products will not be possible. As an example Norwegian generators would be directly obstructed from competing with Dutch generators on supply of LFC. If there is no technical reason for not opening up	Yes	It has been included that “In special cases of DC interconnectors, interconnection capacity reservation might be possible when such reservation can be demonstrated to increase socio-economic welfare in integrated markets. Such reservation shall be subject to public consultation and relevant regulators' approval.”

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		for such solutions the guidelines will represent a formal trade barrier imposed on the market players. In this respect any possible conflicts of interest regarding European competition legislation should be scrutinized.		
15.	General / AC vs DC lines	The proposed guidelines do not address the differences between AC and DC interconnectors in relation to exchange of balancing services. In this respect there are large differences between the two technologies. Power flows in AC systems follow Kirchoff's law and are not easily controllable. Power flows on DC interconnectors are on the contrary highly controllable and equals a load or a generator at each point of connection depending of direction of flow. DC interconnectors can therefore more easily be used for automatic balance reserve capacity by use of Automatic Generator Control - AGC and Load Frequency Control – LFC systems. Furthermore DC systems may be designed specifically to cater for loads with a short duration, tailor made for the balancing market.	Yes	
16.	General / island systems	On island systems where frequency control is more volatile, certainty of service availability is important in providing security. Therefore the ability to plan ahead to secure reserves becomes important for minimising balancing costs and emissions. We would like to see certainty of availability of cross-border balancing services given more emphasis in the document.	Yes	It has been included that "In special cases of DC interconnectors, interconnection capacity reservation might be possible when such reservation can be demonstrated to increase socio economic welfare in integrated markets. Such reservation shall be subject to public consultation and relevant regulators' approval." Reservation of interconnection capacity will provide more certainty of availability of cross-border balancing services.
17.	General / information transfer between TSOs	Certainty of cross-border balancing services (as described earlier) can minimise costs and emissions. For example, securing cross-border reserve for 2–3 hours could avoid the need to synchronise additional generation. Ultimately this requires the neighbouring TSO having confidence that it can provide the balancing service for the requested period while maintaining its own security. Information transfer between TSOs (about current and future system conditions) is important for effective and efficient cross-border balancing models	Yes	A new chapter on roles and responsibilities has been added. An emphasising statement on the importance of specific information exchange between the TSOs has been included.
18.	General /	We consider that the term "balancing markets" introduces some	No	Balancing markets have been defined further and

#	Guidelines Reference	Respondents' views	ERGEG's position	Explanation
	balancing markets vs balancing mechanisms	confusion, particularly when it is interrelated to the context of "D-1 markets" or "Intraday markets". Hence, we suggest, for clarity, the use of the more appropriate term of "balancing mechanisms".		difference with day-ahead and intraday markets has been highlighted (see the GGP's Part I, Section 2 on functioning of balancing markets)
19.	General / market platforms	Balancing risks and associated costs should be borne by market parties and not by market platforms. The exchange could therefore be exempt from any delivery risk and specifically from subsequent collateral coverage at the TSO.	N/A	This remark does not directly interfere with the GGP, although it is in principle understandable.
20.	General / current practices	Include summary tables or explanations of current practices across the EU, of the balancing market integration, intraday and automatically activated reserves.	No	This is not a purpose of these GGP / see ERI reports and ERGEG Compliance Monitoring reports on the ERGEG website.
21.	General / regulators' position	The position of regulators in the whole process: they in fact become market players and their independence can be strongly endangered. The consequence with overall transparency is thus apparent.	No	Regulators are not market players, neither will they become one in the future. ERGEG agrees that transparency is an important issue.
22.	1.	(p. 7, §3-4) Beyond market issues, it should be stated that the management of interconnections whose operator is not a TSO but which are captured by EU Regulation 1228/2003 should not endanger the safety of electrical systems.	Yes	Those two paragraphs have been removed. An emphasising statement on safety of electrical systems has been included in the GGP's Part I, Section 4.2 on operational security.
23.	2.	(p. 11, §1) "In a longer time span these automatically-activated reserves can be substituted by manually activated reserves whose activation prices are lower." We would like this phrase to be updated in order to address the fact that the replacement of automatic reserves is a matter of security, not of price. Indeed, manual reserves are activated in order to restore the necessary regulating capability of automatic reserves.	Yes	The respective explanation has been included.
24.	2.	Figure 1 shows an arrow pointing a balancing mechanism after the day-ahead market; this is misleading since balancing markets should wait until closer to real time, when there are no more opportunities for agents to balance their position in an intraday market. System Operator should not balance the system earlier than after all free markets since the problems that they are seeing might be solved alone by the market participants, in a free intraday market.	No	TSOs may make call on balancing bids before gate closure of intraday market under certain circumstances (e.g. to ensure that required margins are met or to solve transmission constraints). This has been further explained.
25.	3.	(p. 13) Whereas the potential benefits of cross-border exchanges of	Yes	Reference to cost-benefit analysis has been included

#	Guidelines Reference	Respondents' views	EREG's position	Explanation
		balancing services are clearly emphasised, the need for a cost-benefit analysis of the process is not dealt with. In particular, it is suggested that potential investments and organizational changes (e.g. impacts on information systems) implied by the harmonisation process should be assessed and taken into account.		
26.	3.	When describing the benefits from balancing market integration, EREG points out that the integrated market will help the TSO to minimise balancing cost. However, we believe that the main benefit of the integrated market will be efficient utilisation of balancing resources. Efficient utilisation of resources is a result of a "correct" price level rather than a "lower" price level.	Yes	Efficient utilisation of resources is indeed the main benefit of the integrated balancing market – the GGP have been changed accordingly.
27.	4.1	We support EREG's view that coordination is strongly needed when dealing with cross-border reserve and balancing regulation. We believe, however, that this cross-border balancing services "regulatory gap", as well as relevant terms and conditions, for the provision of cross-border balancing services should be addressed by ACER. It is the Agency that has to be assigned with the competence to oversee or enforce any breach of rules, resolve conflicts or disputes as well as to approve or veto modifications to balancing market rules.	N/A	This remark does not directly interfere with the GGP, although it is in principle understandable. The role of ACER will be defined in specific documents in future.
28.	4.1	We note that methodologies are still differing in market regions. Therefore, harmonisation of these issues is of paramount importance to fully establish a single market. The integration of national balancing markets will only be achieved if a market-based mechanism exists in all countries. These GGP can be a cornerstone of enabling a smooth harmonisation at a later stage in the integration process. However, we want to point out, that regional integration of balancing markets is not necessarily identical with integration on the level of regions defined by EREG. The third package has already made concrete proposals for the implementation of the Agency for European Regulators, ACER. We believe that the agency will be in the best position to effectively coordinate regulatory solutions and therefore be responsible for cross-border issues.	N/A	
29.	4.1	We suggest to mention that in the future, it should be ACER who decides in case of disagreement of national regulators	N/A	

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
30.	4.1	In the last paragraph a clear definition concerning competences, rights and responsibilities for regulators is needed	Yes	A new chapter on roles and responsibilities has been included.
31.	4.1	Governance processes is to enable both market players and legislative and regulatory agents to be flexible enough to propose modifications and for such proposals to be assessed and accepted or rejected using transparent criteria. We have certain doubts as to overall flexibility of the process.	N/A	Whereas this remark is an important one and flexibility in terms of change process and change management must be achieved not just for balancing (and intraday and automatically activated reserves) markets integration, it is not considered to include specific provisions in the GGP (a general remark is already included in the GGP's Part I, Section 4.1 on governance and institutional arrangements)
32.	4.2	We believe that definition of security roles and responsibilities are very important and, therefore, need to be defined. At the same time, we believe that the issue of operational security responsibility should also be addressed from the point of market integration. TSOs should be obliged to enter into TSO-TSO agreements on a (sub) regional level in order to comply with the security need by sharing reserves, thereby increasing the stability and the reliability of the whole system. This should not undermine the market based approach as described below.	Yes	A new chapter on roles and responsibilities has been included. Appropriate clarifications have been added in the GGP's Part II, section 3.2 on cross-border procurement of balancing energy.
33.	4.2	We underline that the question of the integration of balancing mechanisms is deeply connected to security management issues, which are linked to local specificities like legal obligations made to different stakeholders or generation structure. We consider that the importance of ensuring security in each control area is not stressed enough in the document. Thus, it should be made clear that cross-border exchanges of balancing services can only take place in so far as security in each control area is ensured, i.e. that balancing services can only be provided by a control area to another once its own security is ensured. This should be stressed as a "key principle" (possibly in chapter 4.2 regarding operational security), at the same level as economic efficiency	Yes (partly)	Although the importance of security is already underlined, it has been further emphasised with an appropriate statement as suggested in the GGP's Part I, Section 4.2.
34.	4.3	We strongly advocate using market-based mechanisms in procuring reserve and balancing needs. In this context, we agree with the principle that any deviation from the merit order shall only be accepted when it is necessary to maintain system security. However, we want to stress here that such deviations should not	Yes	Appropriate clarification has been included.

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		influence the balancing settlement price if it is due to an internal congestion.		
35.	4.3	A clear distinction has to be made when there is congestion: whenever a local problem arises, it has to be treated as congestion and its settlement price should not influence balancing settlement prices.	Yes	
36.	4.3	We are in favour that the Draft Revised Guidelines of Good Practice for Electricity Balancing Markets Integration (GGP-EBMI) should include the guideline which considers an unbiased, transparent methodology that needs to be adopted by the entities responsible for determining the merit order. When the balancing market merit order is not respected, the technical reasons behind that should be published as well as the most updated "merit order"	No	General remark is already included in the GGP's Part I, Section 4.3 on market-based mechanisms. It is not considered appropriate to go further into the details.
37.	4.4	We would like to stress that many industrial energy consumers can - on a contractual basis - provide ancillary services to TSOs. The guidelines should require TSOs to enable industrial energy consumers to bid in their flexibility. This requires that the products which TSOs ask from market participants are designed in a way that industrial energy consumers can actually participate.	Yes	Appropriate clarification has been included as follow: "Entry barriers for new entrants in balancing markets shall be removed as much as possible. Balancing market rules, particularly on bids' placing and selection, shall not introduce any discrimination between market players, neither within a national control area (<u>e.g. between generation and demand-side</u>) nor from distinct control areas".
38.	General (4.4)	<p>We support the view that any barrier of entry to the balancing markets should be removed (if existent) in order to provide effective competition in this market segment.</p> <p>We would also like to point out that we would support the introduction of capacity payments for holding balancing capacity in order to support the importance of the balancing market in terms of stability for the network, as done in Germany. In this context, we would also like to raise the issue that it could be worthwhile to evaluate the aspect to implement a mechanism of acquiring balancing capacity that is a combination of capacity and a price for the energy and the TSOs make their buying decision by taking into consideration both components of the bid.</p>	Yes (partly)	<p>Capacity payment is tackled in the GGP's chapter on the amount of reserve capacity.</p> <p>Regarding implementation of a mechanism of acquiring balancing capacity that is a combination of capacity and a price for the energy, an indication of such an option has been included. It is not considered appropriate to make a recommendation in these GGP.</p>

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
39.	4.4	We fully support the removal of all types of entry barriers for new entrants in reserve and balancing markets. Apart from the barriers related to bids' placing and selection, we consider long term capacity reservation contracts as one of the major entry barriers to reserve markets. Removing this impediment (by reducing the duration of commitments) will allow more players to join the reserve and balancing mechanisms. We also want to contribute to clarifying ERGEG's argument with regard to possibilities for certain players to exercise market power. Balancing market is characterised in general by relatively small volumes and high price volatility. At the same time, it is, on average, very difficult to consistently exercise market power as the number of participants able to supply small volumes needed for balancing is quite large; such a situation would be enhanced by the development of well functioning cross-border balancing markets.	Yes (partly)	Appropriate statement has been included: "duration of commitments for capacity reservation shall not represent an entry barrier to reserve market."
40.	4.4	We suggest also to define a set of criteria for any kind of grid user when entering balancing market	No	Specification of such criteria is beyond the scope of the GGP
41.	4.5	We strongly support that the maximum capacity of the interconnections and/or the transmission networks affecting cross-border flows, unlimited to timeslots, shall be made available to market players, subject to safety standards of secure network operation. Cross-border balancing shall in principle not lead to withdrawal of interconnection capacity from market players. We therefore do not see the issue that no "undue withdrawal" shall be affected, and would propose either deletion of "undue" or a further clarification.	Yes	Term "undue" (withdrawal of interconnection capacity from market participants) has been deleted.
42.	4.5	Proposal to remove "undue" in relation to withdrawal of capacity.	Yes	
43.	4.5	We suggest also that there should be no withdrawal whatsoever for balancing purposes and refers also to the term "undue" to be explained further	Yes	
44.	4.6	We believe that no capacity should be reserved either for intra-day cross-border trade, or for cross-border balancing purposes, when calculating day-ahead capacity. Only remaining capacity should be used for this purpose	Yes	
45.	4.6	The distinction between imbalance settlement and balancing	Yes	This has been changed accordingly.

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		activities needs to be better clarified. The document seems to mix the procurement and activation of reserves with imbalance settlement. This should be avoided as it leads to confusion in the intent in the text. We agree that imbalance settlement should give the BRPs proper incentives to be balanced, and therefore disincentives for them to remain imbalanced. This principle should be more clearly stated in the report. We suggest the guideline should clearly state that incentives must be designed to minimise imbalances (rather than "managing imbalance exposure", p. 16), and that schemes enabling BRPs to remain imbalanced must be avoided.		
46.	4.6	The Draft Revised Guidelines of Good Practice for Electricity balancing markets Integration (GGP-EBMI) should consider that market parties responsible for system balancing should be accountable for deviations. This approach could encourage minimizing the requested reserves to operate the system	Yes	The relevant provision is a subject of the Regulation and Congestion Management Guidelines and is as such also referred to in the GGP. An emphasising statement has been included.
47.	4.7	Transparency is fundamental to achieve an efficient competition in a liberalised market, and therefore we strongly advise that increased transparency and monitoring should be given priority.	Yes (N/A)	Transparency is indeed a key issue – an emphasising statement has been added.
48.	4.7	Transparency is fundamental to achieve an efficient competition in a liberalised market, and therefore we strongly advise that increased transparency and monitoring should be given priority. Especially as TSOs should be neutral bodies in balancing and reserve markets, it is very important that a high level of transparency of TSO actions is obtained. For example if a TSO in case of system security reduces capacity, it has to be fully documented.	Yes	
49.	4.7	The 2nd paragraph does not state clearly who is taking the responsibility for the nondisclosure of business secrets of the market players (balancing service provider, balance responsibility party and TSO). A clear definition is therefore needed.	No	The responsibility is clearly with the owner of the information, i.e. the one who publishes it.
50.	4.7	Criteria for Transparency shall be established as for other products in electricity market	Yes (partly)	Transparency on balancing products is already included in list of data to be published
51.	4.7	In addition, guidelines are needed to improve transparency on balancing markets. TSO's should be obliged to publish details of balancing costs, to be able to identify possible inefficiencies in the	Yes	The request is already met in the GGP – but a hint will be added that a firm legal framework is needed for transparency, as foreseen within the third package.

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		system.		
52.	4.8	In the 2nd paragraph of Market Monitoring the "competent authorities" including their rights and responsibilities have to be defined. Especially the ones who will be signed responsible for defining the competent authorities have to be identified.	No	The term "competent authorities" is considered sufficiently detailed for the GGP
53.	4.9	We call for expanding the concept of "compatibility" more in direction of "harmonization", including e.g. pre-qualification procedures, pilot projects, etc.	Yes (partly)	A general remark has been included.
54.	5. (now 6.)	Reservation of cross-border capacity for balancing is not accepted. The words "interconnections with no congestion" is not clear	Yes	As a general principle, no interconnection capacity shall be reserved for cross-border balancing. However, in special cases of DC interconnectors, interconnection capacity reservation might be possible when such reservation can be demonstrated to increase socio-economic welfare.
55.	5.1 (now 6.1)	.No interconnection capacity shall be reserved for cross-border balancing except to cope with unexpected not controllable flows resulting from primary control or for interconnections with no congestions	Yes	Reference to primary reserve and transmission reliability margin (TRM) reservation has been clarified (distribution of primary control reserves in accordance with predefined criteria - no cross-border procurement, geographical redistribution and exchange of primary control reserves beyond the current level of TRM) whereas references to interconnections with no congestion have been removed from the GGP.
56.	5.1 (now 6.1)	5.1 new: No interconnection capacity shall be reserved for cross-border balancing except for a security margin that is associated to primary control	Yes	
57.	5.1 (now 6.1)	5.1 new: No interconnection capacity shall be reserved for cross-border balancing except for a security margin that is associated to primary control.	Yes	
58.	5.1 (now 6.1)	Capacity should not be reserved for balancing purpose prior to the closure of the intra-day market. To ensure implementation of this, there should be no possibility to refer to unexpected flows, as balancing as such is a result of unexpected outcomes	Yes	
59.	5.1 (now 6.1)	Against the backdrop of the progressive evolution of the European electricity market, special attention should be also given to a harmonized approach for national balancing markets, based on efficient market mechanisms. That means precisely [...] <ul style="list-style-type: none"> • Just in case cross-border capacities are not used by trading transactions until the end of the intra-day time frame, balancing energy should be exchanged among the TSOs. • In case balancing energy is procured outside of the relevant control area and a bottleneck exists between the control areas, the contracting parties have to participate at the auction procedure to 	Yes (N/A)	

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		obtain cross-border capacities.		
60.	5.1 (now 6.1)	New 5.1: No interconnection capacity shall be reserved for cross-border balancing unless such reservations can be shown beneficial to the market, subject to public consultation, and published for predefined future periods	Yes (partly)	
61.	5.1 (now 6.1)	We suggest the following change in chapter 5.1: replace "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." with: "Interconnection capacity shall normally not be reserved for cross-border balancing except to cope with unpredictable flows resulting from primary control (as part of hazards covered by TRM) or when such reservations can be demonstrated to increase socioeconomic welfare.	Yes (partly)	
62.	5.1 (now 6.1)	We support a general principle that interconnection capacity normally shall not be reserved for cross-border exchanges of balancing services. However, it should be stated that this general principle could be moderated if the reservation of interconnection capacity for cross-border balancing purposes could be clearly demonstrated to be of greater economic advantage than energy exchanges or if it is required for security reasons. In particular such considerations may be an important part of investment analyses.	Yes (partly)	
63.	5.1 (now 6.1)	We agree with the general principle that interconnection capacity shall not normally be reserved for cross-border exchanges of balancing services. However, our operational experience of cross-border balancing is that there are opportunities for economic procurement of balancing services that ultimately bring benefits to end consumers. The mechanism for allowing this to occur requires further discussion and debate.	Yes (partly)	
64.	5.1 (now 6.1)	We disagree with 5.1 and suggest (effectively) that a reservation would be needed.	No	
65.	5.1 (now 6.1)	We support the development of efficient electricity balancing markets and their integration towards a single European electricity market. Having in mind well functioning balancing markets we consider an open market access for all types of market participants	Yes (partly)	

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		to be a key principle. Tendering procedures' design should enable generation capacities as well as transmission capacities to offer and trade balancing products. Introducing the approach of a value orientated dedication of transport capacities provides the opportunity to increase the overall economic benefit by organising the contracting process of TSOs respectively.		
66.	5.1 (now 6.1)	<p>Proper incentives for future investments in cross-border transmission capacity and efficient use of existing capacity is important in order to achieve EU energy policy targets regarding implementation of renewable, security of supply and market integration. Although day ahead market development and integration in Europe is increasing, it is important to develop open market solutions for trade and exchange of balancing reserves and ancillary services (primary and secondary reserves). It can be shown that the value of exchange of such reserves can be much higher than the exchange in day ahead.</p> <p>In our point of view it should be the value of exchangeable products that decides the priority of cross-border capacity use. In cases where exchange of primary/secondary reserves have higher value than tertiary reserves, intra-day trade or day ahead trade, cross-border capacity should be given to the primary/secondary markets (the products giving the highest profitability and highest European social welfare).</p>	Yes (partly)	
67.	5.1 (now 6.1)	Exemption for reservation for primary control reserve is asked for.	Yes (partly)	
68.	5.1 (now 6.1)	In chapter 5.1 (p. 19), "unexpected flows" resulting from primary control reserves seemingly refer to a part of TRM; presumably this does not mean that interconnection capacity can be reserved for the exchange of primary control reserves beyond the current level of TRM. These statements seem contradictory with chapter 6.1 (p. 21), which just states that primary control reserves can be exchanged, even in the case of congested interconnections, without making it clear if this could go beyond the current level of TRM in order to allow a cross-border procurement of such reserves. If this interpretation is confirmed, this may give the impression that primary control reserves are dealt with differently from other reserve	Yes	

#	Guidelines Reference	Respondents' views	EREG's position	Explanation
		capacities, and requires clarification.		
69.	5.1 (now 6.1)	In chapter 5.1 (p. 19 §1), a definition of "interconnections with no congestion" would be useful: does the term refer to interconnections that never experience any congestion or interconnections whose likelihood of being congested are estimated small enough to implement a cross-border procurement of reserves, at least for the time periods when the interconnection is not congested.	Yes (partly)	
70.	5.1 (now 6.1)	Introducing a guideline allowing for capacity reservation on non congested interconnectors is strictly speaking excessive, as capacity reserve as such is needed only in case of risk for congestion and therefore loses its importance on non congested lines.	Yes	
71.	5.2 (now 6.2)	We believe that both types of interconnectors, regulated and merchant lines, should be covered by these Guidelines of Good Practice for Electricity Balancing Markets Integration. Non-used capacity of the merchant lines should be used for cross-border reserve and balancing purposes as this capacity is no longer available for the market after the gate closure and therefore has no further market value. Zero market value of this unused capacity makes it illogical to introduce pricing for its usage for balancing purposes and furthermore makes it difficult to define a level of prices to be set. We also see strong benefits for merchant owners in making capacity available for balancing purposes. If such use creates additional grid losses in the merchant cable, TSOs should settle with the cable owners the associated costs.	Yes (partly)	As a general principle, GGP apply to all interconnectors. However, new interconnections exempted under Article 7 of Regulation (EC) No 1228/2003 may, upon request, be exempted from provisions of these guidelines. This shall be decided on a case by case basis.
72.	5.2 (now 6.2)	We find that both interconnectors - regulated and merchant lines - should be covered by the Guidelines of Good Practice for Electricity Balancing Markets Integration. Non-used capacity of merchant lines should be used for cross-border reserve and balancing purposes as this capacity is no longer available for the market after gate closure and therefore has no further market value.	Yes (partly)	
73.	5.2 (now 6.2)	The paper proposes that no charge should be made for interconnection capacity made available for balancing energy. This is justified on the basis that any charge would uplift the price of balancing energy and therefore impede competition. Obviously there	Yes (partly)	The GGP limit the scope on balancing, intraday markets and automatically activated reserves; in that sense no other system charges are considered, while at the same time, except for DC interconnectors, no

#	Guidelines Reference	Respondents' views	EREG's position	Explanation
		<p>is an underlying assumption that any charge would be energy related and a fixed rate per unit of energy flowed. This does not need to be the case and a charge that is fixed in an overall sense or a charge that is a percentage of the benefits of a particular trade of balancing energy would have no effect on competition or the level of balancing energy flowed. Consequently the justification is unfounded. Surely it would be more sensible to ensure that any charges cannot have the effect of impeding trade in balancing energy and perhaps widen the guideline to include other system charges (eg GB BSUoS, TNUoS) – not just interconnector capacity.</p> <p>Additionally there is an assumption that gate closure would be the same at each end of an interconnector. This currently is not the case between many control areas and consequently what one system operator views as balancing flows would be viewed by another as market flows. The guidelines should allow for and address these flows after gate closure in one control area but before gate closure in the other.</p> <p>If no charge is allowed for using interconnector capacity, then there is an assumption that there is no cost. This again is not a valid assumption.</p> <p>Maintenance opportunity is lost, in the case of a bipole DC interconnector transfer losses may increase due to distributing market flows in a certain way to leave capacity available for balancing flows, certain charges such as connection charges (eg GB generation TNU'S) may be avoided if balancing capacity did not have to be made available. If paying a charge the SO can then be justified in penalising the interconnector owner for failure to perform when called upon to deliver balancing energy flow. Given that balancing flows are generally arranged near real time such an incentive to ensure reliability should be welcomed.</p> <p>In summary a charge for use of interconnector capacity for balancing flows does not necessarily impede trades in balancing energy and in many cases there is a cost to providing that capacity. A charge could be used as a means to incentivise reliability. Consequently EREG guidelines should only prohibit charges that impede competition.</p>		<p>charge shall be made for balancing exchanges as indicated in the GGP.</p> <p>In the special case of DC interconnectors, reservation of interconnection capacity shall be charged in a non-discriminatory way.</p> <p>Gate closure is indeed an important issue, and different gate closure times are a serious impediment, as indicated in the GGP.</p>

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
74.	6.1 (now 7.1)	Cross-border procurement of reserve capacity should be made possible by reservation of cross-border transmission capacity and on interconnections with no congestions	Yes (partly)	Reservation of interconnection capacity and cross-border procurement of reserve capacity are interrelated issues. To comply with the provision on interconnection capacity reservation, cross-border procurement of reserve is not allowed except in special cases of DC interconnectors when reservation of interconnection capacity for balancing purpose can be demonstrated to increase socio-economic welfare.
75.	6.1 (now 7.1)	6.1 new: Cross-border procurement of reserve capacity shall not be possible for manually activated reserves	Yes (partly)	
76.	6.1 (now 7.1)	It should be clearly stated that even a limited redistribution of primary control reserves could endanger the security of electrical systems if not defined and managed properly. It would be useful to clarify which TSO is referred to as "affected". In order to avoid misunderstanding about the wording "no congestion", and in order to comply with suggested changes to chapter 5.1, "Cross-border procurement of reserve capacity shall be possible only for primary control reserves or for interconnections with no congestions" could be replaced by: "Cross-border procurement of reserve capacity shall be possible only for primary control reserves, when there is no risk that interconnections will be congested or when capacity is reserved according to exceptions given in chapter 5.1.	Yes (partly)	
77.	6.1 (now 7.1)	At the same time we want to stress that the limits for cross-border procurement of reserve capacity should not be unnecessarily tight, as it would hinder deriving benefits from reserves sharing. In order to avoid situations of "contracting reserve capacity twice" the TSOs should assess the cross-border capacity situation on day-ahead basis and decide to commonly use any competitive reserve capacity from abroad during the non-congested periods of time, whereby they should be allowed to review their position might physical changes require it.	No	
78.	6.1 (now 7.1)	The extent of the "Guidelines" should be enlarged: Cross-border procurement of reserve capacity should not only be possible for interconnections with no congestions. Even further it shall be used "against" the congestion power flow for relieving of the overloaded transmission line. And following the available reserve capacity in the relevant control areas will rise up. Remark: A clear definition of congested power lines and load flow directions are needed in connection with the relevant control areas are needed.	No	
79.	6.1 (now 7.1)	Cross-border procurement of reserve capacity shall be possible where technically possible and economically viable and only for	No	

#	Guidelines Reference	Respondents' views	EREG's position	Explanation
		primary control reserves or for interconnections with no congestions.		
80.	6.1 (now 7.1)	It should be clearly stated that even a limited redistribution of primary control reserves could endanger the security of electrical systems if not defined and managed properly. It would be useful to clarify which TSO is referred to as "affected". In order to avoid misunderstanding about the wording "no congestion", and in order to comply with suggested changes to chapter 5.1, "Cross-border procurement of reserve capacity shall be possible only for primary control reserves or for interconnections with no congestions" could be replaced by: "Cross-border procurement of reserve capacity shall be possible only for primary control reserves, when there is no risk that interconnections will be congested or when capacity is reserved according to exceptions given in chapter 5.1.	Yes (partly)	The necessary clarifications and explanations have been included. EREG agrees that there shall be no reservation of interconnection capacity except for TRM / over current TRM level (except in special cases of DC interconnectors). In the special case of DC interconnectors where some interconnection capacity is reserved for cross-border balancing, the possibility that a Member State has to satisfy its needs for reserve power by purchasing it from a foreign country may be limited for security reasons. Thus it shall be subject to technical evaluation by the TSOs and approved by regulators in a transparent way.
81.	6.1 (now 7.1)	In paragraph 6.1, the amount of cross-border procurement for primary control reserves is limited to a small percentage. We believe that the reservation on interconnections on behalf of primary control should be equal to the current practice. TSOs keep a relatively small part on the interconnectors reserved to be able to help each other to balance the grid. This is related to the UCTE rules.	Yes	
82.	6.1 (now 7.1)	Redistribution of primary control reserves through cross- border procurement should be evaluated in terms of security of supply needs and not as a general rule be restricted to a relatively small percentage of control area requirements. We support the need for TSOs' approval. However, this issue should not entirely be left to TSOs decision, but be based on follow-up of experiences and a high degree of transparency and well founded redistribution criteria is therefore important.	Yes	
83.	6.1 (now 7.1)	With respect to three outlined considerations on primary control, we would like to point out to the following aspects: In case of the tripping of a plant participating in primary control reserves, the generator is bound to replace the plant with another one or should bare the replacement cost of substituting it with another plant. Issue of ramping capability is in our view not relevant for primary reserves, but this might need further clarification. It is impossible to predict the	Yes	

#	Guidelines Reference	Respondents' views	EREG's position	Explanation
		location of a potential synchronous area split in advance and to take that into account when designing geographical structure of primary control reserves.		
84.	6.1 (now 7.1)	<p>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:</p> <ul style="list-style-type: none"> • 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". <p>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.</p>	Yes	
85.	6.1 (now 7.1)	We acknowledge the considerations supporting this Guideline, but would like to point out that it leaves a wide discretion concerning the interpretation of "a relatively small percentage". A further clarification would be helpful. However, we note, that limited redistribution of primary control reserves could endanger the system security.	Yes	
86.	6.1 (now 7.1)	<p>Redistribution of any primary control reserves through cross-border procurement shall not exceed a relatively small percentage <u>value</u> of control area requirements and shall be subject to affected TSOs' approval.</p> <p>The amount to be redistributed shall be determined by ENTSO-E based on scientific methods and operational experience and is subject to approval by ACER.</p>	No	
87.	6.1 (now 7.1)	We consider that the definition of "relatively small quantity for primary control exchange across control area border" is too discretionary and suggests that it shall be based on experience and not just TSOs decision.	Yes (partly)	
88.	6.1 (now 7.1)	Clearer definition of congested vs. non-congested lines, manually and automatically activated reserves and other terms is suggested.	Yes	Further clarifications have been included on manually

#	Guidelines Reference	Respondents' views	EREG's position	Explanation
				/ automatically activated reserves. Reference to "non-congested lines" has been deleted.
89.	6.2 (now 7.2)	TSOs shall implement a harmonized mechanism allowing cross-border trade-exchange 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.	Yes	It has been changed accordingly.
90.	6.2 (now 7.2)	We agree with this guideline. However, TSOs should not "trade" among each other manually activated resources but to use available balancing energy from abroad when it is cheaper and interconnection capacity is available. Thus, "trade" should be rephrased to "exchange"	Yes	
91.	6.2 (now 7.2)	Use the term "exchange" instead of "trade"	Yes	
92.	6.2 (now 7.2)	We do not support the view that cross-border activation of balancing energy should be limited only to balancing energy related to manually-activated reserves. The benefits of cross-border procurement of balancing energy related to automatically-activated reserves can be much higher than the manually-activated reserves, due to the high frequency of activation of these reserves compared to the manually-activated ones. Hence, in addition to manually-activated reserves the TSO should be obliged to develop and implement mechanisms that allow cross-border trade of automatic-activated reserves (primary and secondary).	Yes	
93.	6.2 (now 7.2)	Following the same analysis, the possibility to procure cross-border automatically activated reserves should not be forbidden (as it could be derived from chapter 6.2) for those periods where sufficient real-time residual capacity is available to transport the activated energy.	Yes	It has been changed accordingly. TSOs shall implement mechanisms allowing cross-border exchange of balancing energy for those periods where sufficient real-time residual capacity is available to transport the activated energy. Those mechanisms shall encompass from both manually and automatically activated reserves.
94.	6.2 (now 7.2)	We do not support the view that cross-border activation of balancing energy should be limited only to balancing energy related to manually-activated reserves. Against the backdrop of market integration process, the (potentially dynamic) merger of two	Yes	

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		(adjacent) control areas will allow to use commonly also secondary reserve during the period of time the merger is active and therefore these guidelines should be extended to allow also for cross-border procurement from automatically-activated reserves. Besides, the benefits of cross-border procurement of balancing energy related to automatically-activated reserves are much bigger, given the high frequency of employing of those reserves compared to the manually-activated ones. The guidelines should not use the word cross-border 'trade' mechanisms, but rather refer to a mechanism to allow cross-border 'competition'. This because the TSOs are the central counterpart where market parties 'compete', but market parties cannot 'trade' amongst themselves.		
95.	6.2 (now 7.2)	Unfortunately we believe EREGG's proposed guidelines in some cases will impede competition in trade and exchange of system- and balancing services throughout Europe. There are few if any technical obstacles of increased exchange of e.g. products for automatic load frequency control – LFC. Existing and upcoming HVDC technology can facilitate cross-border exchange and trade of fast, flexible, and reliable LFC products. If, however, the guidelines are enforced as proposed an efficient exchange and trade of such products will not be possible. As an example Norwegian generators would be directly obstructed from competing with Dutch generators on supply of LFC. If there is no technical reason for not opening up for such solutions the guidelines will represent a formal trade barrier imposed on the market players. In this respect any possible conflicts of interest regarding European competition legislation should be scrutinized	Yes	
96.	6.2 (now 7.2)	EREGG's definition of manually-activated balancing energy is not clearly outlines in the paper in regard to the distinction between on the one hand primary/secondary reserves as automatic and on the other hand tertiary reserves as manual.	Yes	Further clarifications have been included.
97.	6.2 (now 7.2)	Clearer definition of manually activated reserves required.	Yes	
98.	6.2 (now 7.2)	In paragraph 6.2, discrimination between balancing energy bids in different countries is not allowed. We agree with this principle,	N/A	The non-discrimination principle provides also that the full costs for the TSOs are covered.

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		provided it reflects the full costs for the TSO.		
99.	6.2 (now 7.2)	We suggest to restrict the "non discriminatory" provision in respect to give priority to national use in certain cases (e.g. congestion, etc.)	No	Non-discrimination is a key element and must be ensured in all times; operational security and congestion management aspects need to be considered accordingly in the preparatory phases (e.g. prequalification) of an integrated balancing market.
100.	6.2 (now 7.2)	Cross-border procurement of balancing energy shall be possible not only for interconnections with no congestions but also for the delivery of balancing energy against the congestion power flow. That enables an increasing number of market players to take part at the balancing energy delivery. Remark: It might be advisable to discuss the cross-border procurement of reserve capacity and the cross-border delivery of balancing energy in one chapter.	Yes (partly)	References to interconnections with no congestion have been removed from the GGP. It now refers to availability of transmission capacity.
101.	6.3 (now 7.3)	6.3 new: The amount of reserve capacity shall be set according to defined security criteria that are to be approved by regulators.	Yes	It has been changed accordingly.
102.	6.3 (now 7.3)	In our view, four points should be made clear regarding the possible harmonization process of security criteria: i. It must be taken into account that security rules depend on the specificities of each electrical system. ii. Defining more harmonised security criteria cannot be achieved without legal changes in the respective Member States. The process to reach such a target should be addressed by putting security issues on the top of the agenda, and would imply different evolutions of legislation. iii. Such a process would involve not only energy regulators and TSOs, but also other stakeholders such as the legal authorities and associations of electricity suppliers and consumers. iv. Depending on local legislation, whereas the role of regulators can be to approve the methodology used to determine the amount of reserve capacity to match security criteria, the determination of the amount itself (based on the validated methodology) should be the TSO's responsibility. This should be made clear in the report.	Yes	The respective explanations and clarifications have been added.
103.	7. (now 8.)	EREGG points out its preference towards the TSO-TSO model without common merit order as more adequate in the short term because it does not require a high degree of market harmonisation	Yes	It has been clarified that EREGG's preference is TSO-TSO model with common merit order. TSO-TSO approach without common merit order is foreseen as

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		<p>and centralisation and ensures therefore a faster implementation of cross-border balancing trade.</p> <p>The absence of a common merit order might be indeed tolerable for a time limited period during the first stage where there is little or no harmonisation of real time market designs. However, it impedes the TSOs from activating the cheapest available resource when handling imbalances of control areas. Once differences in remuneration methods for balancing services are levelled out and a certain level of market harmonisation is achieved, the TSO-TSO model with common merit order should be seen as the optimum solution, at least in the mid to long term perspective. This will ensure that balancing bids and offers exchanged by TSOs in an integrated and harmonised internal market reflect the most efficient allocation of resources.</p>		a first pragmatic step.
104.	7. (now 8.)	Cross-border balancing models : with regard to automatically activated reserves, the TSO-Provider model may ultimately prove to be the most effective for operational reasons	Yes	It has been made clearer that TSO-TSO model with common merit order is the target model for exchange of manually-activated balancing energy.
105.	7. (now 8.)	First the guidelines should include a more precise and praxis oriented description of the models for cross-border balancing based on a deeper research and inputs of TSO and market participants: A more detailed explanation and comparison of the TSO-TSO approach on the one hand and the TSO-BSP approach on the other hand.	Yes	Further clarification and more precise descriptions have been included.
106.	7. (now 8.)	A more detailed explanation and comparison of the TSO-TSO approach and of the other hand the TSO-BSP approach are needed. That includes a profound analysis and explanation concerning functionality, advantages and disadvantages.	Yes (partly)	
107.	7. (now 8.)	In systems where intra-day markets are not introduced all balancing mechanisms are controlled by the TSO. Implementation of well functioning intra-day markets will increase competition for balancing services and reduce the need for TSO controlled balancing services (primary, secondary and tertiary reserves). Increased competitive pressure is not only important for reducing the possibilities of market power abuse from generators. Single buyer solutions where the TSO is the only buyer in combination with wide legal rights to control available transmission capacity, order generator governor parameter	No	Because of system security and economic efficiency reasons, it is considered there shall be no "competition" between TSOs.

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		settings etc. can be detrimental for competition and efficient price formation in the balancing markets. It is therefore important to find solutions that also increase competition between TSOs.		
108.	7. (now 8.)	With a view to balancing auction offices in the long run responsible for particular market regions, we stress that any regulation regarding TSO-TSO cooperation must not hinder the establishment of regional balancing auction offices.	N/A	Balancing markets integration does not require auction office (see Nordic countries).
109.	7. (now 8.)	We suggest establishment of "regional balancing offices" and that any TSO-TSO bilateral arrangements or regulation shall not hinder this regional development	N/A	
110.	7. (now 8.)	The objective laid down in the third energy package of creating regional markets requires in our view a much clearer stance in favour of integrating reserve and balancing markets. While the guidelines merely leave this option open, they should have set out the steps and measures conducive to cross-border harmonised balancing markets. We therefore strongly call for the harmonisation of cross-border reserve and balancing markets underpinned with firm obligations placed upon TSOs to cooperate and harmonise their practices and standards. Regional operation centres dealing with balancing and reserve functions for two or more control areas would be more beneficial than cooperation and harmonisation. These centres could then be used to incorporate other system operation tasks that would lead to Regional Independent Operators. However, as these have not emerged yet the response in this paper is related to the situation where TSOs operate their own control area.	Yes (partly)	The respective clarification and emphasis on the need for integration have been added to the GGP text .
111.	7. (now 8.)	We do not agree that the TSO-TSO approach for cross-border balancing should be seen as the preferred solution. The TSO-TSO approach does not facilitate efficient utilisation of balancing power capacity, as long as all economic incentives are not directed to the market participants. Investment and generation incentives must be directed to those who supply balancing power. In order to develop the internal market, this key principle should apply to cross-border balancing trade as well as national markets. Furthermore, market participants should have full access to the integrated balancing market in order to compare the cost of imbalance, charged by the national TSO, to the integrated	No (N/A)	Further explanations have been added. TSO-TSO model is the preferred one as it is expected to provide better system security and economic efficiency.

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		balancing market price. We believe that the TSO-Provider approach would facilitate increased competition and a more efficient market. Increased competition leads to a better utilisation of balancing power capacity. We fail to see why this approach only allows trade in one direction if reservation of capacity for trade of such products is allowed. In any circumstance trade in the opposite direction of a given congestion should be possible as it would relieve the congestion		
112.	7. (now 8.)	We do not share the ERGEG preference for the TSO-TSO model for cross-border balancing and believes that the TSO-BSP system should be preferred.	No	
113.	7. (now 8.)	The TSO-Provider approach should form the target model over time.	No	
114.	7. (now 8.)	Towards integrating balancing markets <u>for interconnections with congestions</u> , the TSO-TSO approach shall be seen as the preferred solution, subject to market-based solutions in either control areas or countries, whereas the TSO-Provider approach may be implemented in case of incompatible gate closure and technical characteristics of balancing services.	No	Whereas in principle, the TSO-Provider approach can be used, the TSO-TSO approach is preferred also for the non-congested border; one of the reasons for that is that it yields to a common and better optimised merit order which ensures that: (i) the most economical generators are used independently of their location; (ii) no "cherry picking" is supported where generator itself might optimise its own gain, but the overall welfare and outcome would become suboptimal. This applies for both congested and non-congested borders.
115.	7. (now 8.)	Even if ERGEG prefers the TSO-TSO-approach, the TSO-provider approach (where the provider of balancing services may bid into a neighbouring balancing market) should still be possible. The stepwise approach adopted by ERGEG seems best suited for integration of balancing markets since there is no need to fully harmonise all rules of the different balancing markets.	Yes (partly)	The TSO-provider approach is also possible. An emphasising statement has been included.
116.	7. (now 8.)	TSO-TSO model is not seen as preferred one but instead the preferred outcome shall be based on case by case analysis	Yes (partly)	
117.	8. (now 9.) / gate closure time	In our opinion the guidelines should point out the most important issues for harmonisation and a concrete step-wise approach towards full harmonisation in the future.	Yes (partly)	Harmonisation of gate closure time is not considered as a pre-requisite to implement cross-border balancing. However, harmonisation of key

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		Harmonisation of gate closure should in any case be a top priority regardless of balancing market integration. Harmonised gate closure is a prerequisite for integrating and coupling markets and is a key obstacle in order to develop the internal electricity market		characteristics of balancing markets (including gate closure time) would be beneficial to enhance cross-border balancing. An emphasising statement has been added.
118.	8. (now 9.) / gate closure time	Furthermore, we believe that harmonised gate closure should be a top priority, regardless of balancing market integration. Harmonised gate closure is a prerequisite for integrating and coupling markets and should be considered as a key obstacle to the development of the internal electricity market	Yes (partly)	
119.	8. (now 9.) / (technical characteristics of balancing services	TSOs' qualification and technical requirements of the services should be as harmonised as possible. However, overly strict TSOs requirements may limit the number of players able to participate in the balancing market, thus hindering competition.	Yes	Appropriate clarification has been added. However, a precise definition of balancing resources is out of the scope of these GGP. Further discussions are needed.
120.	8. (now 9.) / (technical characteristics of balancing services	Against the backdrop of the progressive evolution of the European electricity market, special attention should be also given to a harmonized approach for national balancing markets, based on efficient market mechanisms. That means precisely <ul style="list-style-type: none"> • There should be a harmonized definition for balancing resources, particularly tertiary reserve products as well as, if applicable, for a hourly reserve product. 	Yes (N/A)	
121.	8. (now 9.) / balancing services settlement	We support a merit order based on marginal pricing, as this method leads to most efficient allocation of resources	Yes (partly)	Marginal pricing is the target model. However, both options (marginal pricing and pay-as-bid) remain at this stage as most balancing markets suffer from a lack of competition (economic theory supports marginal pricing but recognises it to be more sensitive to market power in highly concentrated markets). Reference to investment signals has been included.
122.	8. (now 9.) / balancing services settlement	The EREGG proposal describes two pricing options regarding balancing service settlement. We consider a price system with the marginal price for upwards and the marginal price for downwards regulation for settlement provides the best incentive for market participants to match their supply and demand. We believe that the pay-as-bid option does not provide needed long term incentives in order to invest in balancing power capacity. As the proportion of intermittent power generation in the European energy-mix will increase in the future, proper incentives for investments must be in place. Economic theory supports that only a marginal pricing option will result in efficient allocation of resources and provide optimal	Yes (partly)	

#	Guidelines Reference	Respondents' views	EREGG's position	Explanation
		investment incentives. We do not consider marginal pricing to be more sensitive to market power. On the contrary, we believe pay-as-bid pricing may result in reduced transparency, less liquidity and higher prices in the long run		
123.	8. (now 9.) / imbalance settlement	A more clear description of imbalance models is needed with examples from different countries.	Yes (partly)	It has been described further, but no specific examples from different countries have been included as harmonisation of imbalance settlement is not seen as a pre-requisite to implement cross-border balancing. Both options (marginal pricing and pay-as-bid) remain at this stage. Further discussions are needed to set guidelines for standard balancing market designs.
124.	8. (now 9.) / imbalance settlement	The obligation to be balanced is especially important in the electricity industry as a result of imbalances in real time influence system security. BRPs should be incentivised to be in balance. We support that marginal pricing should be market reflective and this will, by itself, provide the right incentives: there is no need for additional fees or penalties when a player is in imbalance	Yes (N/A)	
125.	8. (now 9.) / imbalance settlement	As a second step, the initial cross-border balancing implementation should be further optimised and distorting effects of inadequately harmonised imbalance settlements on day ahead and intraday markets should be eliminated To this end, the imbalance settlements should be cost reflective and market based i.e. no other components such as power exchange prices or penalties are included in the real-time energy price. Real-time energy or balancing prices should be furthermore based on marginal pricing as this would lead to a more efficient allocation of resources and greater incentives to avoid imbalance than average pricing. Marginal pricing will also help to yield economic benefits in terms of low power prices from wind power as it comes early in the merit order due to zero fuel cost.	N/A	
126.	8. (now 9.) / imbalance settlement	We consider a price system with the marginal price for upwards and the marginal price for downwards regulation for settlement provides the best incentive for market participants to match their supply and demand	N/A	
127.	8. (now 9.) / imbalance settlement	The balancing market in itself is not a real market but a market based tool to balance the system and to price imbalances. This imbalance price should be a strong incentive for parties to voluntary trade out of any predictable imbalance, e.g. the imbalance price should be such that in any case it would have been more beneficial for a party to trade out this position via the intraday market. This can	N/A	

#	Guidelines Reference	Respondents' views	EREGEG's position	Explanation
		be achieved by implementing design parameters regarding price levels.		
128.	8. (now 9.) / standard market design	The guidelines should include [...] a proposal for a possible design of balancing markets that includes descriptions of a standard market design and definition for its implementation.	No	Stronger emphasis on harmonisation has been included. But no standard market design is foreseen within these guidelines. The scope of these GGP is implementation of cross-border balancing in short/medium term.
129.	8. (now 9.) / standard market design	We call for stronger emphasis on harmonization.	Yes	
130.	8. (now 9.) / standard market design	A more comprehensive description of a standard market design and definition for the implementation based on a more profound research and input of TSO and market participants should be recommended.	No	
131.	8. (now 9.) / standard market design	First the guidelines should include a more precise and praxis oriented description of the models for cross-border balancing based on a deeper research and inputs of TSO and market participants: A more detailed explanation and comparison of the TSO-TSO approach on the one hand and the TSO-BSP1 approach on the other hand and further a proposal for a possible design of balancing markets that includes descriptions of a standard market design and definition for its implementation).	No	
132.	8. (now 9.) / impact of congestion needs	In order to prevent congestion costs influencing the balancing settlement outcome a clear and distinct definition between "balancing needs" and "congestion needs" should be established	Yes	GGP have been changed accordingly.
133.	8. (now 9.) / impact of congestion needs	Clear distinguishing between "balancing needs" and "congestion needs" is required	Yes	
134.	8. (now 9.)	We support EREGEG's view that BRPs should be given the right incentives to manage their own balance before entering the balancing market. However, this should not only be in the day-ahead market as stated in the EREGEG paper, but also in the intra-day market, as their positions can be prone to changes between day-ahead and 1 hour ahead point of time. To incentivise	Yes	GGP have been completed accordingly.

#	Guidelines Reference	Respondents' views	EREGEG's position	Explanation
		BRPs to actively participate in the intra-day market and minimise any imbalances providers of balancing energy should be able to adjust up their bids to the point of the closure of the intra-day market		
135.	8. (now 9.)	We suggest to restrict the "non discriminatory" provision in respect to give priority to national use in certain cases (e.g. congestion, etc.)	No	Non-discrimination is a key element and must be ensured in all times; operational security and congestion management aspects need to be considered accordingly in the preparatory phases (e.g. prequalification) of an integrated balancing market.
136.	9. (now 10.)	Add an additional term "real time imbalance signal"	No	Data publication as control area imbalances, and volume of manually-activated reserve used and of automatic reserves are considered sufficient.
137.	9.1 (now 10.1)	The paragraph does not sufficiently explain "the needs of all market players"? A clear definition therefore is needed.	No	The explanation as it is, is considered sufficient.
138.	9.2 (now 10.2)	We support transparency with regard to information relevant for balancing and would encourage a central place of publishing such data. Auction results of buying balancing capacity should be published soon after the auction. Moreover, information on the balancing status of the control areas should be made public as well as prices for balancing energy	Yes	Information about capacity auction results has been included.
139.	9.2 (now 10.2)	We agree on the importance of transparency for the effective functioning of the integrated balancing market, but we would also like to underline that the anonymity of the operators should be assured and that commercial sensitive data should be protected. In particular, data aggregation should be aimed at avoiding that information on individual operators or plants are directly published or can be derived from published data.	Yes (partly)	GGP set list of data that are all data aggregation. No information on individual operators will be directly published. The transparency provisions shall remain as detailed as necessary. The provisions in the GGP are considered sufficient.
140.	9.2 (now 10.2)	The responsibilities of the nondisclosure of business secrets of all market players (e.g. balancing service provider, balance responsibility party and TSO) have to be agreed. Important aspects have to be determined, e.g. target group and information provider. (Who will use this information and who will be responsible for delivering of the information?)	No	
141.	9.2 (now 10.2)	A detailed assessment on which data to publish is proposed	N/A	The issue of detailed provisions for transparency has been dealt with in the previous EREGEG GGP on

#	Guidelines Reference	Respondents' views	EREG's position	Explanation
				Transparency (http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_CONSULT/CLOSED%20PUBLIC%20CONSULTATIONS/ELECTRICITY/GGP%20Transparency).
142.	9.2 (now 10.2)	We recommend that ERGEG'S GGP-EBMI requirements are consistent with transparency rules in regional initiatives	Yes	The consistency has been checked and ensured.
143.	9.3 (now 10.3)	We agree with appropriate monitoring by regulators and would suggest a common structure of information across all TSO's in order to allow a like for like comparison.	Yes	This important remark has been included.
144.	10. (now 11.)	A better explanation of several terms is required.	Yes	A clear definition of important concepts is provided in the Glossary. Further definitions have been added accordingly to these remarks.
145.	10. (now 11.)	In order to avoid diverging interpretations and implementation delays in harmonisation of cross-border balancing markets, there is in our view a need of increased clarity of concepts and definitions (e.g. automatically activated / manually-activated vs. Primary /secondary / tertiary reserves, relations between intra-day markets and balancing markets, capacity allocation on interconnectors with or without congestion in relation to DC and AC interconnections)	Yes (partly)	
146.	10. (now 11.)	As details are as important as principles. In particular, in the area of reserve and balancing markets we stress the need to clarify concepts and definitions (for example, automatically activated/manually-activated vs. primary/secondary/tertiary reserves, interconnectors without congestion). Should this remain unaddressed, it is likely that the guidelines would unintentionally lead to diverging interpretations, thereby causing delay and hindering harmonisation of cross-border balancing markets.	Yes	
147.	10. (now 11.)	The guidelines explicitly handle cross-border issues. We think that it should be made clear that the guidelines generally apply to issues between control areas (there could be more in one country) and also apply where internal congestions lead to different price zones.	Yes (partly)	This has been made clearer.

Annex 2 – ERGEG

The European Regulators for Electricity and Gas (ERGEG) was set up by the European Commission in 2003 as its advisory group on internal energy market issues. Its members are the energy regulatory authorities of Europe. The work of the CEER and ERGEG is structured according to a number of working groups, composed of staff members of the national energy regulatory authorities. These working groups deal with different topics, according to their members' fields of expertise.

This report was prepared by the Electricity Network and Market Task Force (ENM TF) of the Electricity Working Group (EWG).

Annex 3 – List of abbreviations

Term	Definition
AC	Alternating Current
ACER	Agency for the Cooperation of Energy Regulators
BRP	Balance Responsible Party
BSP	Balance Service Provider
CEER	Council of European Energy Regulators
DC	Direct Current
EBMI	Electricity Balancing Markets Integration
ERGEG	European Regulators Group for Electricity and Gas
ENTSO-E	European Network of Transmission System Operators - Electricity
GGP	Guidelines for Good Practice
LFC	Load Frequency Control
TRM	Transmission Reliability Margin
TSO	Transmission System Operator

Table 1 – List of Abbreviations