

E.ON proposals to amend

Draft Revised Guidelines of Good Practice on Electricity Balancing Market Integration

The E.ON Group welcomes and appreciates the draft revised Guidelines of Good Practice on Electricity Balancing Market Integration (Ref.: E08-ENM-07-03).

Our amendments reflect the wish to promote an efficient internal market for electricity by applying market-acknowledged best practice. We furthermore want to stress the need to establish guidelines which are as precise and clear as possible, which will avoid later difficulties as regulators, TSOs and market participants will not need to interpret what could be meant by certain provisions.

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

- There should be a harmonized definition for balancing resources, particularly tertiary reserve products as well as, if applicable, for a hourly reserve product.
- The procurement of each type of the balancing resources should be subject to a non-discriminatory and transparent market mechanism.
- 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 obtain cross-border capacities.

New Guideline

At least primary, secondary and tertiary reserve shall be procured by TSOs in a non-discriminatory and transparent way, based on a market mechanism.

Justification

The integration of national balancing markets will only be achieved if a market-based mechanism exists in all countries. Under consideration of the market-based valuation of each type of reserve and in case of available cross-border capacity all TSO can check with other TSOs if there is balancing energy available and at which price.

5.1 Reservation of interconnection capacity

| Draft Revised Guidelines: | Amended Guidelines: |
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| 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. | No interconnection capacity shall be reserved for cross-border balancing except to cope with unexpected <u>not controllable</u> flows resulting from primary control — or — for interconnections with no congestions. |

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| | <p>Justification: It has to be clear that no interconnection capacity shall be reserved for cross-border procurement of any balancing power. Flows resulting from the real-time use of primary reserve are not unexpected but better described “not controllable”. With regard to non-congested interconnection, capacity reservation is not necessary as all cross-border transactions are accepted.</p> |
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6.1 Cross-border procurement of reserve capacity

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| <p>Draft Revised Guidelines: Cross-border procurement of reserve capacity shall be possible only for primary control reserves or for interconnections with no congestions.</p> <p>Redistribution of primary control reserves through cross-border procurement shall not exceed a relatively small percentage of control area requirements and shall be subject to affected TSOs’ approval.</p> <p>Explanatory remarks: As procurement of reserve capacity occurs at the latest at day ahead, availability of cross border capacity reserves is subject to grid availability that cannot be ensured without reservation of interconnection capacity.</p> | <p>Amended Guidelines Cross-border procurement of reserve capacity shall be possible <u>where technically possible and economically viable and</u> only for primary control reserves or for interconnections with no congestions. Redistribution of <u>any</u> primary control reserves through cross-border procurement shall not exceed a <u>relatively small</u> value percentage of control area requirements and shall be subject to affected TSOs’ approval. <u>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.</u></p> <p>Justification: The redistribution of any reserve type should not jeopardize system security of the European interconnected grid. In order deliver that goal, UCTE investigated the opportunity for redistribution and came up with a research paper on “Geographical Distribution of Reserves”, July 2005. As soon as ACER is in place, European regulators should investigate this issue and agree on percentages values if the redistribution is technically possible. The procurement of this percentage values outside of a specific control area is then subject to economic considerations and available interconnection capacity.</p> |
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6.2 Cross-border procurement of balancing energy

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| <p>Draft Revised Guidelines: TSOs shall implement mechanisms allowing cross-border trade of manually-activated balancing energy as long as system security is not endangered. Those mechanisms shall</p> | <p>Amended Guidelines: TSOs shall implement a harmonized mechanism allowing cross-border <u>trade exchange</u> of manually-activated balancing energy as long as system security is not</p> |
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| <p>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.</p> | <p>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.</p> <p>Justification: In order to drive the harmonization across Europe, TSOs should be obliged to develop a single mechanism. TSOs should not trade manually activated resources with each other but should use available balancing energy from abroad when it is cheaper and interconnection capacity is available. Thus “exchange” would be a better word because it would include the technical transfer as well as the financial settlement.</p> |
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7 Models for cross-border balancing

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| <p>Draft Revised Guidelines: Towards integrating balancing markets, the TSO-TSO approach shall be seen as the preferred solution whereas the TSO-Provider approach may be implemented in case of incompatible gate closure and technical characteristics of balancing services.</p> | <p>Amended Guidelines: 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 both control areas or countries, whereas the TSO-Provider approach may be implemented in case of incompatible gate closure and technical characteristics of balancing services.</p> <p>Justification: For the non-congested border DE/AT, for example, producers from AT can take part directly in the procurement procedure of the German TSOs.</p> |
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