COMMENTS ON THE ERGEG GGP ON ELECTRICITY BALANCING MARKETS INTEGRATION

I. INTRODUCTION AND GENERAL CONSIDERATIONS

On 20th January 2009 the European Energy Regulators launched a public consultation on the revision of GGP on electricity balancing markets integration taking into account the feedback received from respondents to the public consultation made in 2006.

The undertakings associated in UNESA (The Spanish Industry Electricity Association) welcomes the ERGEG public consultation, considering the development of cross-border reserve and balancing markets as a key issue in the path of the single market development.

Apart from the specific commentaries that we will do hereinafter the main points that should be taken into account to develop European electricity balancing markets and their integration are:

- The maximization of commercial capacity
- That no interconnection capacity should be reserved for cross-border balancing and;
- That the technical characteristics of power plants to provide reserve or balancing energy, the balancing markets models, and the settlement schemes should be harmonized.

II. SPECIFICS COMMENTS

1. Access to interconnection capacity

As we have said before and in agreement with ERGEG view, no interconnection capacity shall be reserved for cross-border balancing.

If any available capacity is needed to be reserved for safety reasons this capacity will not be taken into account to calculate commercial capacity. The commercial capacity can not be reduced to be used for balancing markets integration. The allocation of the cross-border capacity has to be made according to the logical flow.

2. Charge on access to interconnection capacity

Commercial capacity that has not been allocated before gate closure is no longer available for the market, so its market value is zero. Then it should be free to maximise opportunities for cross-border balancing.

Another thing is, if some commercial capacity is reserved for cross-border balancing by TSO. In that case, TSO should pay the marginal price for the daily interconnection capacity market as any participant in the market.

3. Cross-border procurement of reserve capacity

The procedure to calculate commercial capacity should be defined in all the interconnections even if there are no congestions. As we have mentioned before, only capacity for security reasons should be discounted from the total available capacity.

4. Cross-border procurement of balancing energy

In our view, TSOs should implement mechanisms allowing cross-border trade of manually-activated balancing energy and these mechanisms should not discriminate between balancing energy bids and offers from local and neighbouring markets.

We understand that manually-activated balancing energy is a reference to the balancing markets and tertiary reserve that are working in most of the EU countries. To implement these new mechanisms it would be helpful to harmonize the time tables, the conditions of the bids and offers for balancing markets and tertiary reserve, as well as the technical characteristics of power plants to provide reserve or balancing energy, in order to maintain or improve the quality of ancillary services.

5. Amount of reserve capacity

The amount of reserve capacity should keep the safety of the electric systems and it should be minimized in order to maximize commercial capacity.

6. Models for cross-border balancing

In UNESA`s view, an integrated balancing market is the optimal approach in interconnections not very often congested and where a high level of integration exists with a market splitting solution implemented for daily market.

If this is not the case, congestions are frequent and there is a low level of market integration, we think that a model 'TSO to TSO' is the best solution because leads to faster integration as a lower level of harmonisation is needed at the start.

We think that a common merit order is the best solution, because of the economic benefits for systems and because it is objective, transparent and non-discriminatory. In this case, we consider necessary to improve the harmonisation of balancing markets and the technical characteristics of power plants to provide reserve or balancing energy.

The TSO-BSP model, can be implemented as a first step if the rest of models are not possible. In this case, we ask for an agreement between TSOs to allow the generators of each system to send bids and offers to the other electric system. The generators, that could be interested in provide the cross-border balancing service, would be individually allowed to participate in the neighbouring balancing markets by TSO.

7. Design of balancing markets

Full harmonisation is not a prerequisite under TSO-BSP model, but in the rest of the schemes the differences can make very difficult the cross-border balancing.

UNESA agrees that marginal pricing is the most efficient allocation of resources, and prefer this balancing services settlement scheme. For integrated balancing market model a common settlement scheme is needed and for 'TSO to TSO' model is the best solution.

8. Transparency

UNESA agrees with ERGEG that the establishment of a clear pan-European framework for information transparency is of particular importance.

9. Public data

The European Commission should publish rules or Guidelines about the information that should be published for each TSO, not only about cross-border balancing, but also about the rest of information of markets and systems operated by TSO.