



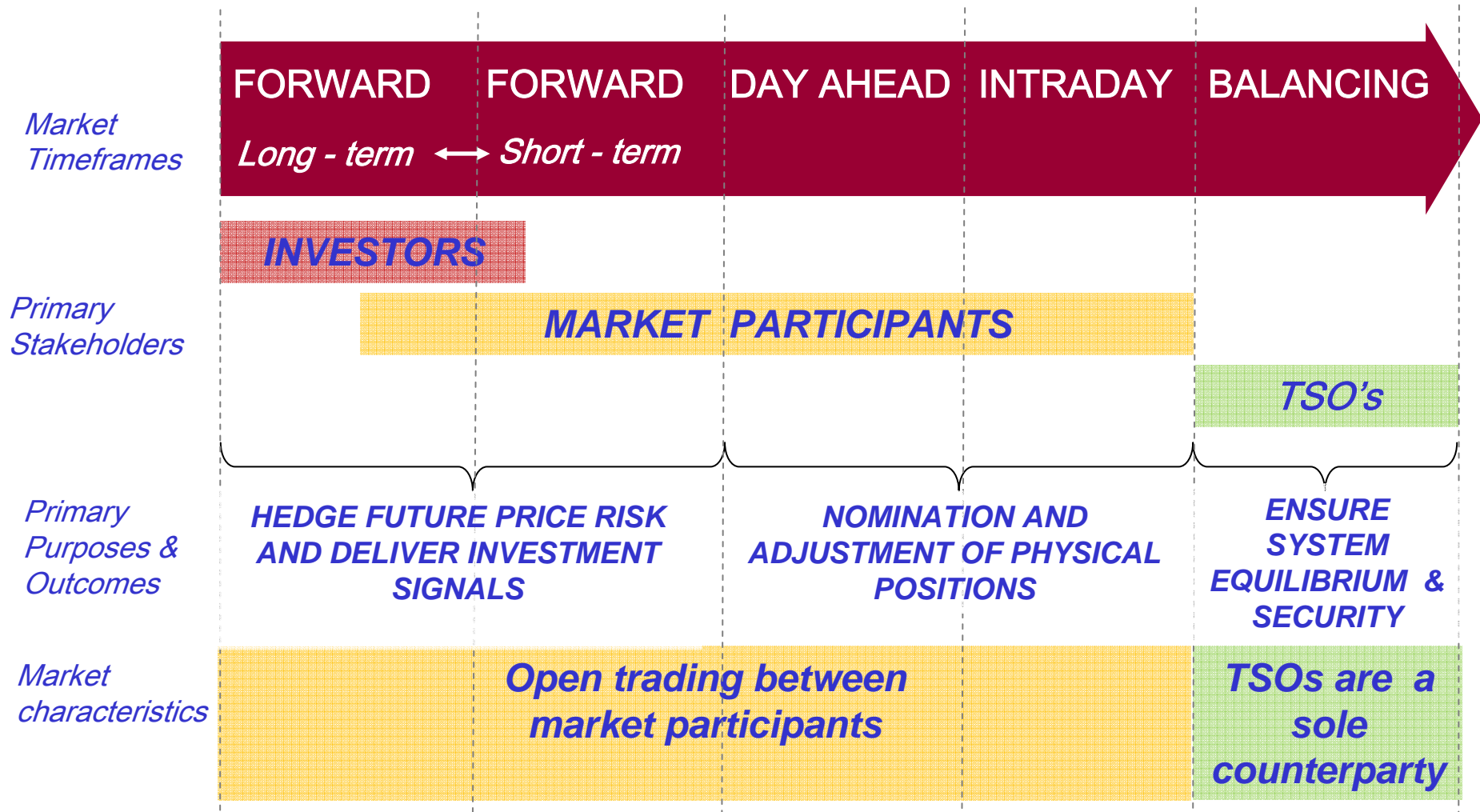
Reliable Sustainable Connected

EC/EREG Balancing Workshop

15th May 2009

Market Timeframes Serving Different Purposes

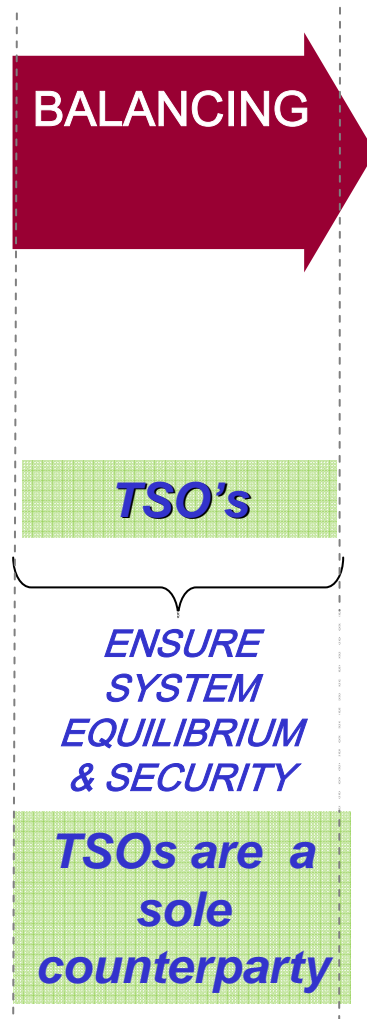
Real Time



Balancing is a 'Different' Market

- Balancing is first and foremost an 'essential' physical requirement of network operation.
- TSOs are the sole counterparty to the procurement of system balancing services.
 - TSOs have no flexibility in accepting balancing bids and offers
- Balancing services need to be provided within a robust balance responsible 'contractual framework'.
 - characterised by a system obligation rather than a market opportunity.
- Trading between market participants is not appropriate in this timeframe.
- Time is short and TSOs need effective mechanisms to ensure system security.

Real Time



Market Based Solutions

→ Market based balancing regimes should provide the mechanisms to achieve system equilibrium and ensure system security in a cost efficient way.

→ Key features:

- Transparency
- Competition in provision of balancing services
- Incentivise correct behaviours by BRPs
- Make it possible to procure balancing services across borders from other TSOs

Balancing Market Integration

1. Implementation

- ENTSO supports a pragmatic approach to the evolution and integration of balancing regimes.
 - Regional approach, following compatible principles is likely to yield fastest progress
- In general a progressive approach should be adopted.
 - D-1 and Intraday Market Integration should generally precede balancing (in order of priority)
 - Greater economic benefits driving priorities
 - Maturity
- The TSO-TSO model provides a sound basis for progress.
 - TSO-Provider solutions may be considered as an alternative.

Balancing Market Integration

2 – System Security

- ➔ Cross border integration of balancing mechanisms is deeply connected to network security:
 - ➔ Security rules depend on specificities of each system
 - ➔ Changes in national legislation will be required in order to achieve more harmonised security criteria
 - ➔ Wider consultation at both national and regional level will need to take place
 - ➔ TSOs must remain responsible for the determination of reserves required to meet security criteria

Balancing Market Integration

3 – Design & Development

→ Imbalance settlement :

- In all cases, imbalance settlement must be based on the costs incurred for balancing actions
- Proper incentives to be balanced are more effectively established through a two-price method (long and short BRPs do not pay the same price). The one-price method should be considered less efficient in this context.

→ Pricing:

- ENTSO does not express a definitive preference between marginal pricing or pay-as-bid pricing.

Balancing Market Integration

4 – Scope

→ Reserves

- Balance Management encompasses all processes and services associated with power system operation in ensuring short term power system quality and security
- ENTSO believes that automatically-activated reserves are within the scope of balancing regimes, and that balance management is concerned with a broader activity than manually activated reserves.

→ Technical, physical and economic issues need to be given equal consideration.

Balancing Market Integration

5 - Principles

→ Capacity reservation.

- ETSO supports a general principle of no capacity reservation for XB balancing services
- Should be considered if demonstrated to be of greater economic advantage or for severe security issues

→ Overall network security should be preserved.

→ Fair competition and reciprocity between markets must be ensured.

→ Transparency

→ Non Discriminatory Access.