



Guidelines of Good Practice for Balancing Markets Integration

Tahir Kapetanovic

Chairman ERGEG Electricity System Operation TF
Co-Chair CEER Electricity Market Design TF

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Agenda



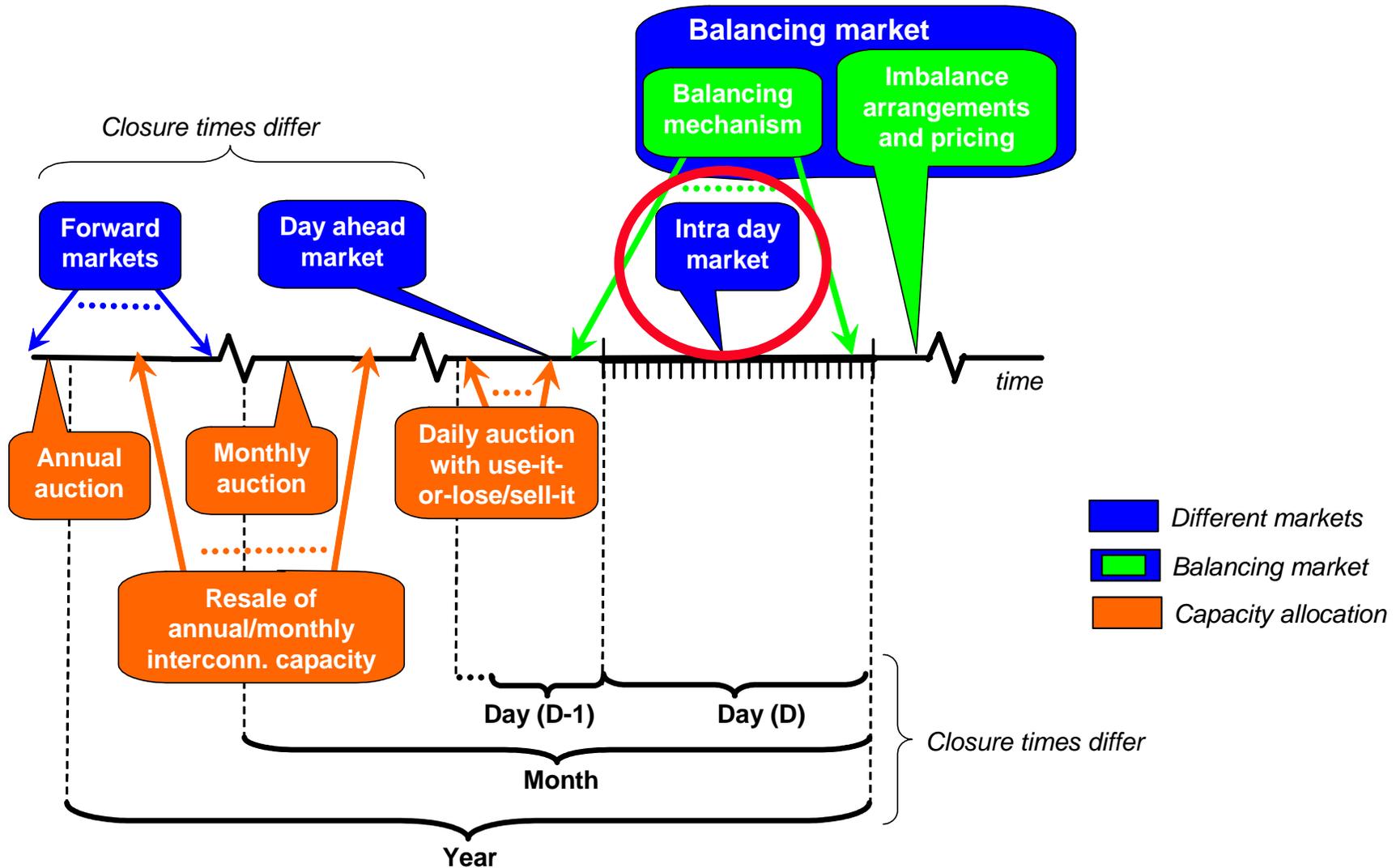
- Balancing markets integration – rationale
- EREG Guidelines of Good Practice
- Results of public consultation
- Next steps

- ERGEG is committed to the creation of an effectively competitive single EU electricity market
- ERGEG experiences and results of work in Electricity Regional Initiatives confirm that balancing is indeed a key component of the overall electricity market
- Adequate functioning of balancing markets is crucial for security of electric power system operation
- EC Green Paper requests TSOs to have European transmission grids acting effectively like one single grid

➔ ***Balancing markets integration is a key factor for the development of a single European electricity market***

Functioning of Balancing Markets

ERGEG GGP for Balancing Markets Integration



Principles and Benefits

ERGEG GGP for Balancing Markets Integration



Balancing markets shall:

- Serve short term operational security
- Operate in an economically efficient manner
- Use market based methods
- Promote effective competition
- Not aggravate market power
- Be non discriminatory
- Have clearly defined roles and responsibilities
- Provide the necessary level of transparency

Principles and Benefits *(cont'd)*

ERGEG GGP for Balancing Markets Integration



Integration of balancing markets:

- Provides TSOs access to more diversified generation mix
- Improves opportunity to offset deficit and surplus positions
- Increases competition level by enlarging the market basis
- Contributes to sharing reserves and to improved security of electric power system operation

Principles and Benefits (cont'd)

ERGEG GGP for Balancing Markets Integration



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Stepwise Approach to Integration

ERGEG GGP for Balancing Markets Integration



Compatibility of balancing mechanisms:

- To adapt the necessary features of two or more balancing markets with the objective to provide common access to balancing reserves

Integration of balancing markets:

- To achieve a well functioning, competitive common balancing market with harmonized all the necessary features and functions

Specific Issues

ERGEG GGP for Balancing Markets Integration



- **Security of operation**
 - E.g. fulfilment/harmonization of technical requirements by generators
- **Interconnection capacity for balancing purposes**
 - Market based methods must be used
- **Efficiency and competition**
 - Payment conditions (capacity/energy)
 - Criteria for bids selection
 - Market distortions must be avoided
- **Operation of balancing mechanism and markets**
 - Secure and standardized data exchange, products and timeframes
- **Regulation and governance**
 - Adequate market rules with well defined change processes

Options/Steps for Integration

ERGEG GGP for Balancing Markets Integration



Option/step	TSO	Market Participant
“Direct participation system“	Establish compatible balancing markets	Decides in which market(s) to participate
“TSO to TSO model“	Exchange balancing energy in an efficient manner	Submits bids to the TSO where directly or indirectly connected
Integrated balancing market	One common market, managed by a single coordinating entity	Submits bids into the common balancing market

Results of Public Consultation



- ERGEG has developed the GGP for Balancing Markets Integration, which were submitted for Public Consultation on June 8th 2006 (www.erggeg.org)
- Deadline for responses was August 3rd 2006
- A number of responses with remarks and proposals has been received from the European electricity industry associations, generators, operators, stakeholders and other entities
- The results of public consultation are under evaluation and will be published by ERGEG shortly after the XIII Florence Forum

Next Steps



- Finalization of the GGP by considering the results of Public Consultation
 - Important aspects already recognized:
 - Include intra-day markets into consideration
 - Take into account automatically activated reserve
 - Provide more detailed views on market power mitigation
 - Clarify the acquisition of interconnection capacities in case of congestion
 - Imbalance pricing details
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- ➔ ***Implementation of the GGP in the EREG Electricity Regional Initiatives***
- ➔ ***Evaluation of the necessity for further regulatory framework and possibly EREG advice to the EC***
- ➔ ***Experiences & case studies for refinements***

Thank you for your attention !