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BALANCING & INTRA-DAY MARKETS

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Integration of intra-day and balancing markets

Outline of EURELECTRIC vision

STEP 1: *Set up intra-day markets -where they do not exist-
and develop intra-day markets cross border

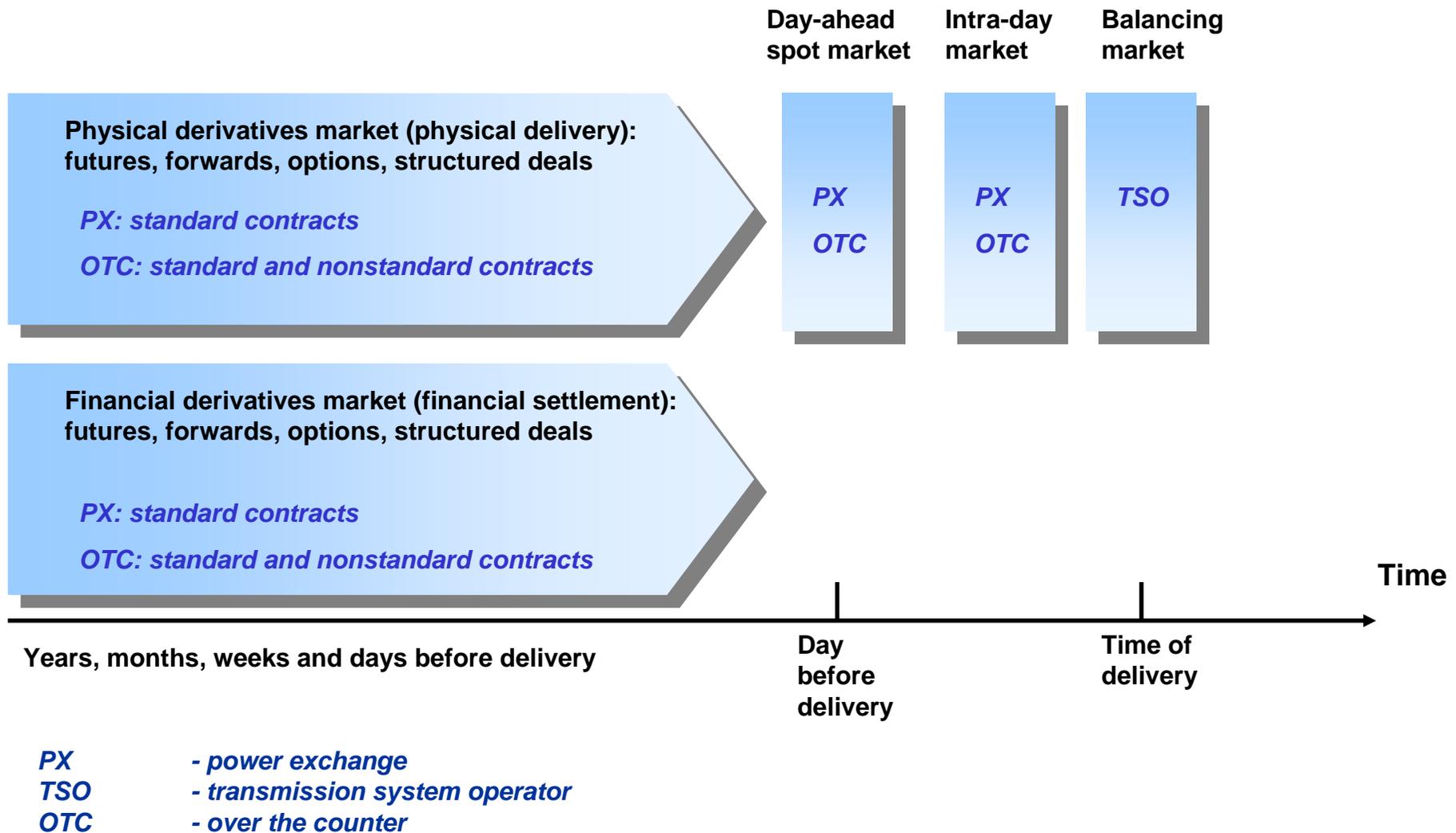
*Ensure sufficient harmonisation of existing
balancing markets

STEP 2: Integrate balancing markets

No progress in balancing markets can be made without
developing first cross-border intraday markets

This process requires sufficient harmonisation of intra-day
and balancing markets (i.e. agreement upon common key
principles)

Structure of wholesale trading markets



Source: EURELECTRIC report "Regulatory Aspects of Electricity Trading in Europe" (February 2003)

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Key principles – intra-day and balancing markets

- Market participants should be able to **adjust and close their positions on the intra-day market** → **balancing and system reserves** should be the **residual solution**
- **Use of market-based instruments** for procuring balancing and reserve bids and offers
- Maximisation of transmission capacity for day-ahead markets is crucial; **no reservations of transmission capacity for intra-day and balancing & reserve markets** necessary
- Intra-day **capacities** should also be allocated on a **firm basis**
- Equal opportunities for **supply- and demand-side participation**
- **Cross-border intra-day markets** require **continuous capacity calculation** from the TSOs
- **Transparency** for prices and volumes in all markets



Key principles – intra-day market

- **Intra-day (domestic & cross-border) markets** should be **available as close to real-time as possible** (at least until 1 hour before the operation hour or even shorter once feasible)
- **Continuous trading processes** on a 24/7 basis supported by an electronic market place and straight through processing and settlement
- **Sufficiently harmonised rules for all domestic intra-day markets** would facilitate integration of markets
- **“Implicit” allocation of the capacity with continuous trading**, i.e. obligatory use of intra-day capacity linked to the energy trade made
- **TSOs** should be able to act as **market participants on the cross-border intra-day market** to increase firmness of long-term cross-border capacity

Key principles – Balancing & system reserves market

- TSOs should use **market-based and competitive methods to procure balancing and reserve products**
- Exercise of balancing and system reserve offers should be based on a **merit order**; deviations only acceptable under certain conditions
- **TSOs should cooperate to make efficient use of balancing bids and seek to harmonise key parameters**, e.g. operation windows, gate closure times, technical requirements etc.
- Balancing and system reserve markets can develop and be well functioning **without implying reservation of transmission capacity**
- **Relieving intra-day congestions should not influence the balancing settlement prices**



Thank you for your attention.



Representing the European Electricity Industry