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Draft Framework Guidelines on Electricity Balancing

ESB welcomes the opportunity to respond to ACER's consultation on the draft Electricity Balancing Framework Guidelines.

ESB is a vertically integrated utility in the Irish Single Electricity Market (SEM), with a significant and growing generation portfolio in the GB market. Our portfolio lies across coal, CCGT and wind plant, with an interest also in ocean energy and other developing renewable technologies.

The Framework Guidelines, as proposed, would entail a great deal of change in both the British and the Irish markets; however ESB supports the development of the internal single electricity market, and sees balancing as an extremely important building block in its achievement.

As a company with interests across the France UK Ireland (FUI) region, we believe it is important that there is an equal opportunity given to all generators to be Balancing Service Providers (BSPs) and participate in the balancing market. We would appreciate further detail on the common merit order and how it will be ensured that no discrimination is possible against bids made from island systems.

We have some concerns arising from an occasional lack of clarity in the drafting; for example it is unclear whether, in 3.2.1, TSOs are requiring information from generators regarding unused capacity, and obliging generators as BSPs to offer this capacity in the balancing market, or whether this capacity will be offered by TSOs themselves. ESB would be opposed to TSOs being given the power to mandate the actions of market participants in this way.

Overall, the Framework Guidelines, as drafted, appear to be a solid foundation for the drafting of the Network Code; ESB particularly welcomes the level of ongoing transparency and consultation suggested by ACER.

Question responses

Q1: Do you consider that harmonisation of the pricing method is a prerequisite to establish a TSO-TSO model with common merit order list for balancing energy? Do you support the use of the pay-as-cleared principle?

Harmonisation of the pricing method – or at least the underlying methodologies – makes sense for a TSO-TSO model. It is important that the pricing method and its governing principles ensure that BSPs in different Member States are subject to the same treatment, and that TSOs are able to access the most economic balancing bids.

The pay-as-cleared principle would seem to be the fairest and simplest option for a pan-European solution, although will require a large amount of change in both the SEM and the GB market mechanisms.

Q2: Do you think the “margins” should not exceed the reserve requirements needed to meet the security criteria which will be defined in the network code(s) on System Operation?

The margins set by TSOs in relation to security of supply should be limited by the level of the reserve requirements. Although coming under the System Operation network codes rather than this consultation, it is important that the security criteria be subject to a number of checks and balances in order to create a fair and consistent method of setting reserve requirements across the Member States. Not only would this provide the conditions for a non-discriminatory market for balancing from the point of view of BSPs, it could also prevent neighbouring Member States having significantly different balancing costs, with far higher eventual costs on one set of consumers.

Q3: Do you support to aim at similar target models for frequency restoration reserves and for replacement reserves? Do you think a distinction should be made between manually-activated and automatically-activated frequency restoration reserves in terms of models of exchanges and/or timeframes for implementation?

Yes, there should be consistency across the regulatory models for balancing reserve types. However we do have concerns regarding the practicality of an automatically-activated reserve target model between non-synchronous areas, for example over the DC interconnectors, where there is no visibility of neighbouring system frequency changes.

Q4: Do you support the timeframes for implementation?

The time periods specified in the document are long, and we would be keen to ensure that benefits to BSPs are not delayed. We would also stress the need to take into consideration the implementation time periods of other network codes, particularly the intraday market under Capacity Allocation and Congestion Management (CACM).

Q5: Do you consider regional implementation objectives as relevant milestones which should be aimed at in the Electricity Balancing Network Code(s)?



The regional approach is a pragmatic one, allowing for regional differences and features to be taken into account.

Q6: Do you consider it important to harmonise imbalance settlement? Do you think these Framework Guidelines on Electricity Balancing should be more specific on how to do it?

In the interests of consistency and non-discrimination, imbalance settlement should be harmonised to the same level as the balancing arrangements.

A greater level of specificity in the Framework Guideline on imbalance settlement may have detrimental effects on the drafting of the Network Code; the Framework Guideline should emphasise a market-based and transparent method (perhaps using the marginal cleared price) but the detail can be worked out during the code drafting process, with input from stakeholders and expert groups.

Should you require any more information, or have any queries at all please do contact me.

Best wishes,

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