



Gaelectric Energy Storage Ltd.

Reply to Consultation:

Framework Guidelines on Electricity Balancing

DFGEB-2012-E-004

25th June 2012

Gaelectric Energy Storage (“GES”) welcomes the opportunity to reply to the consultation on Electricity Balancing. As a company, we are committed to engaging constructively on both a regional level and a national level throughout the consultation phase for the European Target Model.

GES agree with the links made between balancing, system operation and capacity allocation and congestion management, as well as electricity grid connection.

It is important to remind ourselves of the intrinsic links of system services to system operation, and hence the important link to the concept of the balancing mechanisms. In this regard, it is important that throughout the process of consultation, specifically on a national level with individual markets, other system and market changes currently in consultation or planning are acknowledged and accounted for whilst defining the new market structure. As an example, in Ireland the DS3 process is analysing the system security requirements and as such proposing new system services which will coincide with system balancing.

It is important, if new entrants are being facilitated, that market redesigns (in the case of the SEM) account for the market as a whole.

Specifically answering questions as posed in the consultation paper, please see the responses below.

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 pay-as-cleared principle?*

GES agree that it is a prerequisite that a harmonised pricing method is adapted in order to achieve a liquid and transparent cross-border balancing market. Furthermore, it is vital to the success and cost effectiveness of a pay-as-cleared methodology.

We ask however that the pricing methodology would be further consulted on.

Regarding the harmonisation of gate closures, and requirement that they be as close to real time as possible, GES are fully in support of this, in order to foster liquid balancing markets. Furthermore given the proximity of the UK market to that of the SEM, and the significant interconnection between the two markets, any such mechanisms to increase liquidity should be supported.

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

In Principle, GES have no concerns regarding this methodology for margins, although it is important to note that markets such as the SEM require a large portion of reserve in comparison to their overall generation portfolio, given the proportion of the largest infeed to overall generation capability.

We would be keen to see a methodology for how the TSO-TSO trades would be structured.

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?

GES support the premise of target models aimed at frequency restoration and replacement reserves. Regarding a distinction between manually activated and automatically activated restoration reserves, it should be noted that some markets, such as the SEM on the island of Ireland face different system issues to that of Central Europe, namely a lack of inertia on the grid and the associated requirement for fast acting reserves which are automatically activated on occasion. Depending on the scale of the issue faced by TSOs, manual activation can be an alternative option.

Moreover, given the differences between the services, alternative remuneration methodologies would be advisable.

Q4: Do you support the timeframes for implementation?

Given the timeframe in which variable renewable integration is required up to 2020, and in the case of the SEM, the ratio of the installed capacity of wind to the size of the synchronous system, it would be beneficial to investigate the potential to bring forward the proposed timeframes.

The relatively long windows for implementation will increase uncertainty in the market, increasing the perceived barriers to new entrants significantly.

Q5: Do you consider regional implementation objectives as relevant milestones which should be aimed at in these framework guidelines on electricity balancing and the Electricity Balancing Network Code(s)?

As previously mentioned, different energy markets throughout Europe face similar challenges, but over significantly different timeframes. The SEM, for example, is likely to face significant challenges in advance of the remainder of Europe in relation to the integration of variable renewable generation.

As such, we would advocate the consideration of bringing forward timeframes either on a regional basis, or on a national level, to account for systems which face greater challenges than others in the short-medium timeframe.

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

GES would like to see more information on the proposed methodology of how this would be structured, although in principle a harmonised bid structure would be welcome.

Thank you for your time.

Sincerely,
On behalf of Gaelectric Energy Storage.

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