ENEL Comments to ACER Public call on Entsoe Network code on Electricity Balancing (Version 3.0)

On the 16th of September 2014, ENTSO-E submitted to ACER a revised version of the Network Code on Electricity Balancing, (version 3.0-Dated: 6th August 2014) and on the 3rd of December 2014, ACER launched a public call for comments.

Enel welcomes the revised Network Code on Electricity Balancing as a further step towards the completion of the Internal Energy Market, however further efforts are needed to ensure a level playing field for effective competition in the balancing markets. For this reason, Enel welcomes the opportunity to express our views on this new version of the Code, as stakeholders are key contributors to balancing markets integration.

At the same time Enel would like to stress that - from its perspective - the full integration of RES into the European internal energy market should be the ultimate goal of any network code design, as RES development will be a pivotal component of the future European energy mix in order to reach the decarbonization target. Besides we'd like also to underline that current market design is not able to deliver appropriate market signal to foster the adequate level of investments in RES generation (need for longer terms price signals). In Enel's view, a more ambitious vision of EU IEM should be developed, reviewing target model and defining network codes in order to accommodate the need of an increasing share of RES generation.

Finally, Enel wants to underline the need to harmonise national balancing rules before the time scheduled for balancing market integration.

The main comments on this new version are provided below; some of them were previously issued on the first version of the Network Code but they have not been implemented in this new version:

1. **Applying States of the Code:**
   Article 1.5. specifies that: "*This Network Code shall apply to the Normal State and the Alert State, as defined in [Article 8 System States] of the Network Code on Operational Security"*
   Instead of this, we suggest to change this wording and indicate the States in which the Code does Not apply.

   "This Network Code shall not apply to the Emergency State, Blackout State and Restoration State, as defined in [Article 8 System States] of the Network Code on Operational Security]"

2. **Consultation period:**
   Article 5.1 *specifies that: "The TSOs responsible for submitting proposals for implementing measures pursuant to this Network Code shall consult on a draft proposal for a period of not less than four weeks"*
   We consider that four weeks is not enough time, the consultation period should not be for less than eight weeks.

3. **TSOs offering balancing energy:**
   Article 22.4 Allows Balancing Energy offers from TSOs: TSOs should not be granted a right to offer balancing and system services as this would imply owning and operating any market assets (i.e. generation, storage, demand side response), which goes against the unbundling rules of the 3rd Energy Package. Balancing services procurement should be a market based

solution revealing the market value of the service.

4. **Central Dispatch - Integrated Scheduling Process Bids and Conversion of Bids**
   Integrated Scheduling Process Bids and Conversion of Bids process shall:
   - be fair, transparent and non-discriminatory
   - not unduly limit Exchange of Balancing Services
   - be included in the terms and conditions related to Balancing, pursuant to **Article 27**.

   In addition, as stated in the Supporting Document, conversion of bids shall be applied only to Specific Products.
   Finally, all TSOs shall be able to check bids of Specific Products before the conversion into a Standard Product.

5. **Requirements for standard and specific products**.
   Article 29.5 b): Definition of Ramping Period, should be provided in the Network Code.
   Article 29.6 c): Definition of Location, should be provided in the Network Code.

6. **Unavailability of specific products in Alert State or to avoid entering in Alert State:**

   Article 30.2 specifies that *"Balancing Energy bids for Specific Products could be marked as unavailable by Connecting TSO for activation by other TSOs of the Coordinated Balancing Area in Alert State or Emergency State or to avoid entering into Alert State or Emergency State".*

   We understand that specific Products could be marked as unavailable in Emergency State, but refering to Alert state, as this Code Applies to Alert State, clarification on marking Energy bids as unavailable on Alert state is needed.

7. **Procurement of balancing capacity within a CoBA**
   In order to avoid market distortion between BSPs, contracting period of balancing capacity within a responsibility area (article 34.4) and within a CoBA (article 36.8) shall have the same contracting period in term of delivery and timing of procurement in advance. For this reason **Article 36.8 b) and c)** should be modified in the following way:
   b) the contracting period shall have a maximum period of twelve months;
   c) contracting should be done for a maximum of twelve months in advance of the provision of the Balancing Capacity.

8. **New Section for article 38**
   Currently **article 38** (TSO-BSP model) is under section 3 (Procurement of Balancing Capacity) but TSO-BSP is applicable to capacity and energy. For the sake of clarity, it would be better to move article 38 inside a different new section called TSO-BSP Model for Exchange of Balancing Capacity and Balancing Energy.

9. **Activation of Balancing Energy Bids in Emergency State**
   Article 40.2. As this code does not apply in Emergency State. References to Emergency State on this paragraph should not be introduced.

10. **Reservation of cross zonal capacity for TSOs**:
    Article 43.1 states that TSOs shall have the right to reserve Cross Zonal Capacity for the Exchange of Balancing Capacity or Sharing of Reserves when socio-economic Efficiency is proved. In our view this could only be done for the capacity which is not used by market participants for market purposes.

11. Imbalance Prices

The Value of Avoided Activation of Balancing Energy for Frequency Restoration Reserves or Replacement Reserves stated in **article 61.3.b** and **article 61.4.b** should be clarified.

12. Definition of standard and specific products at EU level

The Network Code do not provide a detailed specifications of the characteristics of the standard and specific products that the BRP have to provide to the Balancing Market. The code establishes that no later than one year after entry into force of the code, all TSOs shall develop a proposal for a list of "standard products for Balancing Capacity" and "standard products for Balancing Energy" for Frequency Restoration Reserves and Replacement Reserves (art.29, paragraph 3).

At the same time with the enter into force of the code it is established that each TSO shall form at least one Coordinated Balancing Area with two or more TSOs operating in different Member States and shall use the Exchange of Balancing Energy from at least one Standard Product or operate the Imbalance Netting Process (art.11, paragraph 1).

From our point of view in order to facilitate the participation of generation sources to the Balancing Market and the qualification of units as BSP, it could be necessary firstly to anticipate the definition by all the TSOs of a harmonized list of standard and specific products (detailing the minimum technical capabilities for generators to participate to the Balancing Market).

13. Role of BSP (Balancing Service Provider)

In order to foster the integration of non programmable sources in the electricity market, it's necessary to implement all the measures enabling these plants to play an active role in the system (e.g. gate closure of intraday market sessions close to the delivery).

In case of energy storage unit coupled with a VAR-RES unit we think that it should be considered as an integral part of the VAR-RES unit and it should assume the same qualification of the VAR-RES unit.

14. Role of BRP (Balancing Responsible Party)

The qualification of BRP shall consider a transitional period for VAR-RES unit due to state of each specific technology and the actual level of forecast uncertainty. In particular:

- The Imbalance Settlement Period for VAR-RES shall be at least 1 hour, (art. 21 & 60)
- Imbalance Prices shall use an average price scheme related to the Balancing Energy activated in the area and they shall apply a single pricing mechanism (this methodology is the same actually used in Italy, correct the note in the figure 5 - pag. 15 of the supporting document of NC EB)
- For new units connected to the grid, it shall be considered a period of no penalization of imbalances (at least 6 months) (art.27).