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Acer
Trg Republike 3
1000 Ljubljana
Slovenia
NC-electricity-balancing@acer.europa.eu

Call for comments on the revised Network code for Electricity Balancing.

Swedenergy welcomes the opportunity to comment on Network Code Electricity Balancing, hereinafter "the Code". Our Comments are structured so the general remarks regarding balancing markets commences, followed by some detailed comments on the Code.

Swedenergy regards the issue of consistency and transparency to be crucial. This legislation thus has to be aligned with for example the guideline on congestion management and capacity allocation, and in a wider scope, legislation surrounding for example the "aggregator role", as is currently discussed. The rules of the consultations on all Network codes should be aligned.

Swedenergy supports a long term framework for balancing markets based on:

- ***Firm balance responsibility.*** All market participants should be fully responsible for their imbalances, or contract that service from a third party. Services related to aggregation of demand should be carried out under full balance responsibility. This means a Balance Service Provider should also be Balance Responsible Party. When all market participants are exposed to the entire range of market risks, balancing responsible parties are incentivized to sell their production into the market, meet scheduling, nomination and balancing requirements. As a consequence, market prices will reflect demand and supply variations. This will also enhance innovation and be in the spirit of a deregulated market being able to exploit entrepreneurial opportunities thus benefitting the market.
- ***Marginal prices (pay as clear) for trade and settlement.*** Pricing of balance capacity and energy according to pay as cleared support cost efficient allocation of flexibility. There should be no price caps or restrictions on bid prices in the balancing markets. Marginal bids used for balancing energy should set a uniform price for all balancing energy.
- ***Economic incentives.*** Self-balancing by stakeholders is likely to be more and more important in the future system with growing shares of intermittent electricity production. To meet this development, the plans of the balance responsible parties should ideally not be binding until real time. To create a level playing field, the transmission system operators should provide transparent information on imbalance prices and volumes as close to real-time as possible. This facilitates balancing responsible parties' entry into the operational phase. Real time publication of prices not only reduces the imbalances, but it should also lead to correct pricing of balancing as transaction costs and uncertainty decreases. Furthermore, the TSO should not be able to require the balancing responsible party to change its plan without compensation.

- **Market access.** Balancing market should be open for participation by all balance responsible parties.
- **Harmonized and synchronize settlement periods and gate closure times at the border.** Harmonization towards equal length of settlement periods for imbalances across Europe should be a long run goal. However, Swedenergy would like to point out the complication of shorter periods than one hour that arises as a lot of metering equipment in Sweden is set on hourly metering. It is unclear to Swedenergy whether the benefits of shorter periods are higher than the costs to implement shorter periods. Alas, ideally the settlement periods should be equal for demand and supply. Swedenergy urge ACER and the national regulators to more closely investigate this issue so that the implementation of the Code harmonizes to a socio-economical degree. The gate closures at the bidding zone borders should be harmonized so cost efficient balancing is not hindered.
- **Requirement to be in a balanced position day-ahead**
Swedenergy propose that a future market with more innovative and flexible responses from balancing responsible parties must avoid unnecessary rules binding production and consumption before real time. The Code should set a platform for economic incentives to balance demand and supply as it approaches the operational phase, when forecast errors gradually has decreased. The transmission system operators should *only* balance imbalances occurring after intraday gate closure. Thus the plan from balance responsible party that should be binding and used in settlement of imbalances, is the final plans sent to TSO after intraday gate closure. This needs to be explicitly stated in the Code.

Detailed comments

Coordinated Balancing Areas should follow capacity calculation regions

The concept of coordinated balancing areas can be compared with the capacity calculation regions in the Guideline Congestion management and capacity allocation. To prepare for a coherent and more time efficient solution for regional balancing integration Swedenergy suggest that the coordinated balancing areas follow the capacity calculation regions.

Rules for European and regional decision making among TSOs are missing

Considerable details are to be developed after the Balancing code enters into force. Consequently, the rules how TSOs shall make decisions on European and regional issues must be covered by the code. A transparent and truly inclusive Regional decision process for common decision with a Coordinated balancing area is missing in the Code. We proposes that a transparent decision process for regional decision making, corresponding to article 9 of the Guidelines on Capacity Allocation and Congestions Management should be added to the Code. The principles for qualified majority on European issues should be aligned with the aforementioned guideline.

Reservation of interconnector capacity for exchange of balance capacity may distort the day-ahead and intraday markets – counter trade should be added as the preferred methodology

Swedenergy share ACERs concern that all forms of reservation of cross border capacity for balancing purposes should be subject to strict regulatory supervision. All cross border capacity should be allocated to the market at all time frames. If the value of capacity increases between day-ahead and real time, the System Operators could rely on counter trade to free the necessary capacity. Thus counter trade should be included as an alternative in the Code.

Activation of balancing energy bids.

If the transmission system operator deviates from the merit order activation mechanism and activates Balancing Energy Bids for Balancing purposes out of the merit order, the Code must prescribe that such deviation must not affect the imbalance settlement price reflecting the value of balancing the system. If Balancing Energy bids are activated for other purposes than balancing those bids should **not affect** the price of imbalances. Thus Swedenergy propose that a clear distinction between grid and balancing related activations is made in the Code.

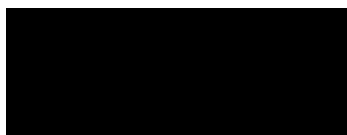
Transparency facilitating self-balancing

Swedenergy support ACER's view that imbalance prices and volumes should be published as close to real-time as possible to facilitate that balance responsible parties enter the operational phase in a favourable position for the electricity system.

Methodology for Unshared bids

The possibilities for the transmission system operators to apply unshared bids as prescribed in article 41 is very problematic. It leaves too much discretionary power to the national level and thereby may counteract the purpose of integrating balancing markets.

Yours sincerely,



CEO Swedenergy