

## VIK-SN on network code electricity balancing (draft for consultation, 29.05.2013)

Article / paragraph / sub-paragraph	Initial version	Proposed version	Justification	Type of comment: technical or legal	Nature of comment – fundamental or editorial	Level of detail of comment – general remark or specific detail
6/1	The following shall be publically consulted on for a period of at least four weeks by the party or parties responsible for developing the following proposals:	The following shall be publically consulted on for a period of at least four weeks by the party or parties responsible for developing the following proposals:  (i) <u>A Cost-Benefit Analysis on harmonisation of the Imbalance Settlement Period within and between Synchronous pursuant to Article 48</u>	Finding an appropriate EU-wide Imbalance Settlement Period is also fundamental and interesting for public and market participants – particular for market participants balancing their own portfolios. So the Cost-Benefit-Analysis has to be consulted with all stakeholders.	legal	fundamental	specific detail
16/2a	The terms and conditions related to Balancing shall facilitate the achievement of the objectives of the Balancing Market as defined in Article 9, and shall:	<no change proposed>	VIK welcomes the aggregation of demand and generation units within a Relevant Area, in order to offer Balancing	legal		general remark

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	(a) allow for the aggregation of demand and generation units within a Relevant Area to offer Balancing Services; ...		Services.			
22/4	Each Transmission System Operators shall be entitled to procure Balancing Reserves for a contract period longer than twelve months and earlier than twelve months before the first relevant unit of the contract period for products not exchanged within a Coordinated Balancing Area.	Each Transmission System Operators shall be entitled to procure <u>a part of</u> Balancing Reserves for a contract period longer than twelve months and earlier than twelve months before the first relevant unit of the contract period for products not exchanged within a Coordinated Balancing Area. <u>Each Transmission Operator has to procure an adequate part of Balancing Reserve for shorter terms/periods and with shorter time to market like months, weeks or days.</u> <u>Furthermore the procurement shall be selected in small batch sizes not greater than</u>	To increase the competition in the Electricity balancing market, it is necessary to increase the number of Balancing Service provider. Industrial enterprises could not forecast exactly their production for a long period like a year and so they could not forecast exactly the amount and the delivery time for the available Balancing Reserve. Therefore it should be possible, that each Transmission Operator has to procure an adequate part of Balancing Reserve for shorter	legal	fundamental	specific detail

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		<u>5 MW.</u>	terms/periods, with shorter time to market like months, weeks or days and in small batch sizes not greater than 5 MW. This will increase participation by smaller suppliers of balancing services, such as industrial end users and self-generators. Although aggregation of smaller units / suppliers is allowed (s. Article 16), direct participation of Balancing Service Providers with small bids is financially more attractive and should therefore not be excluded.			
25/2	The initial pricing method shall be based on marginal pricing (pay-as-cleared), unless Transmission System Operators provide all National Regulatory Authorities with a detailed	The initial pricing method shall <u>take into account national characteristics, constraints, as well as experiences in the different member states.</u> Therefore every Transmission	It has not been proven that pay-as-cleared is the most efficient principle. Several other mechanisms - e.g. pay-as-bid - are currently used at national levels. <u>The experience</u>	legal	fundamental	specific detail

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	analysis demonstrating that a different pricing method is more efficient for EU-wide implementation in pursuing the general objectives defined in Article 9	<u>System Operator is free in implementing a national pricing method, subject to approval of the respective National Regulatory Authority. All Transmission System Operators shall provide all National Regulatory Authorities a detailed analysis demonstrating that the chosen pricing method is more efficient for EU-wide implementation in pursuing the general objectives defined in Article 9.</u>	<u>from these markets should be properly assessed, taking into account national characteristics and constraints.</u> Parts of the balancing settlement costs are directly invoiced to the final users e.g. by integration in transport tariffs. As a consequence, the move to a pay-as-cleared principle will definitely and heavily modify the coherence of the whole system and may increase costs for the final users.			
25/5+6	5. Subject to its National Regulatory Authority's approval, each Transmission System Operator shall be authorised to require information on unused generation capacity and other Balancing resources from Balancing Service Providers	<needs to be clarified>	This regulation is ambiguous. Therefore this regulation should be explained quite clearly.			

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	<p>after Day-Ahead and Intraday Gate Closure Time.</p> <p>6. Subject to its National Regulatory Authority’s approval, each Transmission System Operator shall be authorised to require Balancing Service Providers to offer their unused generation capacity or other Balancing resources through bids in the Balancing Markets after Day-ahead and Intraday Gate Closure Time.</p>		<p>It should be clear that Balancing Service Providers are only obliged to offer Balancing products that were contracted by the Transmission System Operator as Balancing Reserve. Balancing Service Providers should not be forced to offer other unused capacities or other Balancing resources into the Balancing market since these unused capacities are used to back-up other production units of this company, or since bidding them into the balancing market might be financially unattractive. No player in the electricity market should be forced to participate in specific markets such as the</p>			

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			balancing market.			
50/1	... including a definition of the value of avoided Activation of Balancing Energy from Frequency Restoration Reserves or Replacement Reserves in its Relevant Area.	<a definition of “value of avoided activation” is missing>	The concept of „Value of avoided activation“ is ambiguous and should be elaborated in the Definitions in Article 2	legal	editorial	general remark
50/2	Each Transmission System Operator shall determine an Imbalance Price for each Imbalance direction, shortage or surplus and for each Imbalance Settlement Period for each Relevant Area where Imbalance is calculated.	Each Transmission System Operator shall determine an Imbalance Price. <u>The Imbalance price for shortage or surplus should be symmetric</u> for each Imbalance Settlement Period and for each Relevant Area where Imbalance is calculated.	Asymmetric prices for imbalances can increase the financial risk of small portfolios who comprise only few customers, as operated e.g. by industrial enterprises. Every little deviation has a direct financial effect on the imbalance settlement costs during the Imbalance Settlement Period, even if the portfolio is in balance on average. This effect can be much higher if the prices for	legal	fundamental	specific detail

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			<p>imbalance settlement are asymmetric. When deviating from a symmetric imbalance price (same price for surplus and shortage, at any given imbalance settlement period), the result could be that small portfolios will close down their business because of this effect, which in turn will exclude smaller suppliers and industrial consumers from actively participating in the wholesale market, which is very harmful for competition.</p>			
50/3	<p>The Imbalance Price for shortage for each Relevant Area shall not be less than the weighted average price for activated Balancing Energy for Frequency Restoration Reserves and Replacement Reserves for this Relevant Area and the value of</p>	<p>The Imbalance Price for shortage <u>or surplus</u> for each Relevant Area shall be <u>equal</u> to the weighted average price for activated Balancing Energy for Frequency Restoration Reserves and Replacement Reserves for this</p>	<p>Follows from amendment to 50/2, to guarantee symmetry of prices.</p>	L	F	s

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	the avoided Activation of Balancing Energy for Frequency Restoration Reserves or Replacement Reserves for this Relevant Area during the Imbalance Settlement Period.	Relevant Area and the value of the avoided Activation of Balancing Energy for Frequency Restoration Reserves or Replacement Reserves for this Relevant Area during the Imbalance Settlement Period.				
50/4	The Imbalance Price for shortage for each Relevant Area shall not be less than the weighted average price for activated Balancing Energy for Frequency Restoration Reserves and Replacement Reserves for this Relevant Area and the value of the avoided Activation of Balancing Energy for Frequency Restoration Reserves or Replacement Reserves for this Relevant Area during the Imbalance Settlement Period.	<delete 50/4>	Can be deleted, since integrated in 50/3	L	E	s



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50/5	In case both Balancing Energy for Frequency Restoration Reserves or Replacement Reserves for upward regulation and for downward regulation have been activated during the Imbalance Settlement Period, the Connection Transmission System Operator shall determine the Imbalance Prices for shortage and surplus based on at least one of the principles specified in paragraphs 1 to 4.	In case both Balancing Energy for Frequency Restoration Reserves or Replacement Reserves for upward regulation and for downward regulation have been activated during the Imbalance Settlement Period, the Connection Transmission System Operator shall limit the <u>absolute value of the Imbalance Price for shortage and surplus by the highest absolute value of all energy prices of the activated individual contracts in this Imbalance Settlement Period.</u>	In case that in one Imbalance Settlement Period upward and downward regulation have been activated (Zero-crossing) while the Relevant area is balanced on average in this imbalance settlement period, there could be a risk of very high imbalance prices (e.g. if the amount of activated upward and downward reserves is roughly the same, i.e. the sum of both approaches zero, the calculated average imbalance price might approach infinity). For this reason we recommend an Imbalance price limit equal to the amount of the highest absolute value of all energy prices of the activated	legal	fundamental	specific detail

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			individual contracts, which will effectively limit the imbalance price and avoid extreme price spikes. This system is already established in Germany by the Transmission system Operators.			