



Promoting choice and value  
for all gas and electricity customers

# Electricity Balancing Framework Guideline

JESG

1 May 2012

## Timeline

- Consultation launched: 24 April
- Consultation closes: 25 June 2012, 12:00 CET
- Target to finalise the Framework Guideline in Q3 2012

[http://www.acer.europa.eu/portal/page/portal/ACER\\_HOME/Stakeholder\\_involvement/Public\\_consultations/Open\\_Public\\_Consultations/DFGEB-2012-E-004/Background](http://www.acer.europa.eu/portal/page/portal/ACER_HOME/Stakeholder_involvement/Public_consultations/Open_Public_Consultations/DFGEB-2012-E-004/Background)

## A note on terminology...

- **Frequency containment reserves** – operating reserves necessary for constant containment of frequency deviations (fluctuations) from nominal value in order to constantly maintain the power balance in the whole synchronously interconnected system. Activation of these reserves results in a restored power balance at a frequency deviating from nominal value. This category typically includes operating reserves with the activation time up to 30 seconds. Operating reserves of this category are usually activated automatically and locally.
- **Frequency Restoration Reserves** – operating reserves used to restore frequency to the nominal value and power balance to the scheduled value after sudden system imbalance occurrence. This category includes operating reserves with an activation time typically up to 15 minutes (depending on the specific requirements of the synchronous area). Operating reserves of this category are typically activated centrally and can be activated automatically or manually.
- **Replacement Reserves** – operating reserves used to restore the required level of operating reserves to be prepared for a further system imbalance. This category includes operating reserves with activation time from 15 minutes up to hours.
- **Balancing Energy** – energy (MWh) activated by TSOs to maintain the balance between injections and withdrawals.
- **(Balancing) Reserves** – power capacities (MW) available for TSOs to balance the system in real time. These capacities can be contracted by the TSO with an associated payment for their availability and/or be made available without payment. Technically, Reserves can be either automatically or manually activated.

## Scope and structure

- **General provisions**
  - Scope, links and interdependencies, application, derogations...
- **General principles**
  - General objectives, roles of the TSOs, terms and conditions, transparency and reporting
- **Procurement of balancing services**
  - Role of BSPs
  - Activation and cross-border exchanges of balancing energy
  - Procurement and cross-border exchanges of balancing reserves
- **Reservation and use of cross-border capacity for balancing**
  - Cross-border capacity calculation
  - Use of cross-border capacity for balancing
  - Reservation of cross-border capacity for balancing
- **Imbalance settlement**
  - Principles, role of BSPs, imbalance settlement

# Framework Guidelines

## Key features

- **General provisions**

- Integration of balancing markets requires a certain **level of harmonisation** of national design
- **Transitory period** of 3 years maximum
- Possibility of **derogations**

- **General principles**

- **Transparency**: reference to ERGEG's advice on FEDT CG
- Reporting: request for an **annual report** assessing harmonisation and integration

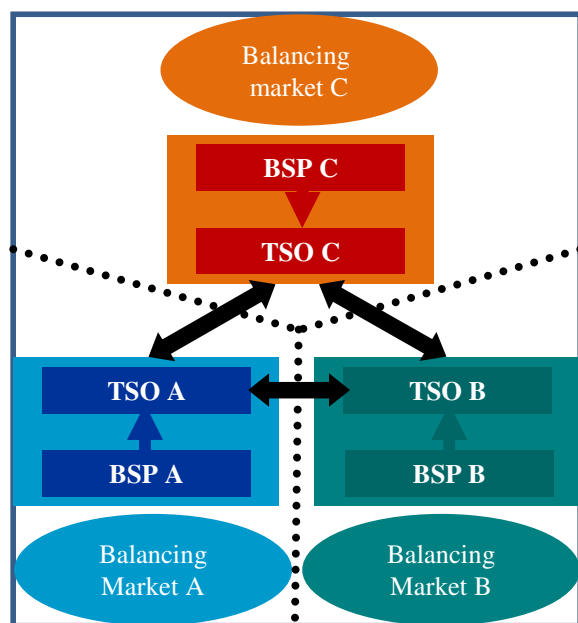
- **Activation of balancing energy**

- **Standardisation of products** BUT possibility to have specific products if shared in the CMO
- Harmonisation of the pricing principles: based on **marginal pricing** / pay-as-cleared

- **Cross-border exchanges of balancing energy**

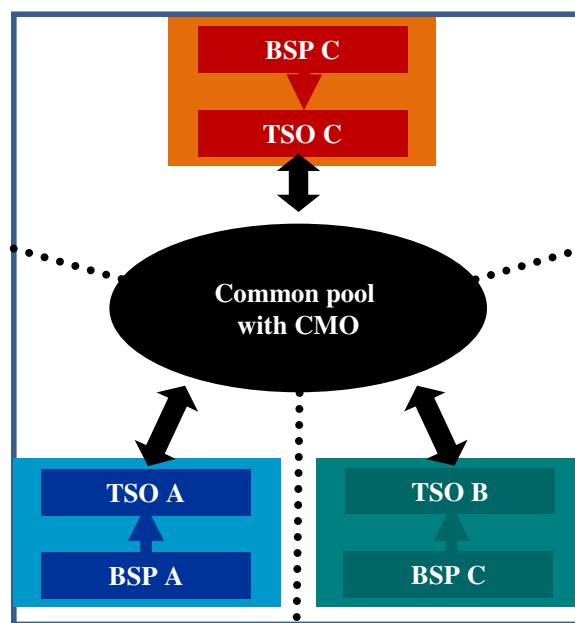
- **3 years: TSO-TSO model with CMO but margins for Replacement Reserves**
- 5 years: **CBA** to forbid margins => decision by NRAs /// **Alternative: 7 years: w/o margins**
- **5 years: coordination and optimisation of frequency restoration reserves**
- 7 years: **CBA** to implement of TSO-TSO model with CMO for FRR

### ENTSO-E MODEL



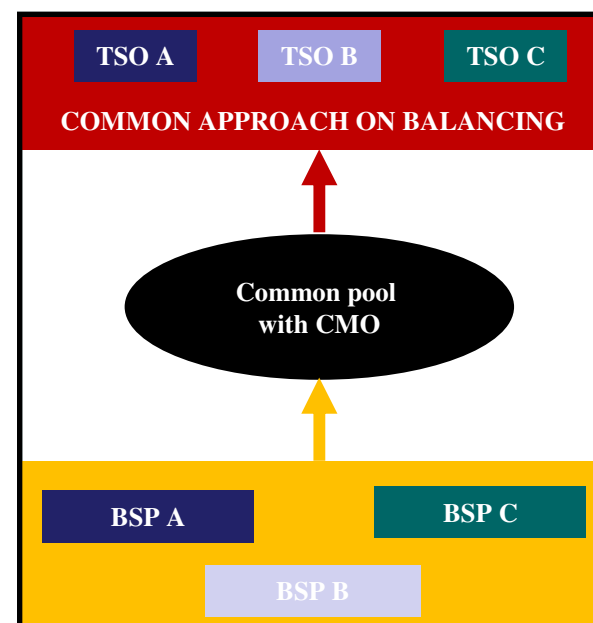
- Based on surpluses
- Keep current structures

### IN-BETWEEN MODEL



- Allow to keep margins
- Adaptation of processes
- Strong market harmonisation
- Anti free-riding rules

### FULLY INTEGRATED



- Operational implications not foreseen in SONC
- Agreements on security rules, emergency measures, responsibilities

# Framework Guidelines

## Key features

- **Procurement of balancing reserves**
  - **Frequency containment reserves** exchanges possible – otherwise, not tackled
  - Limited harmonisation: principles only
  - Sizing of reserves taking into account balancing energy exchanges
  - Collateralisation of reserves
- **Cross-border exchanges of balancing reserves**
  - **Allowed** but not prescriptive
  - 2 models envisaged + sharing of reserves
- **Cross-border capacities**
  - Use of CB capacity calculation as precise as in day-ahead / intraday (or even more accurate)
  - **Reservation forbidden unless CBA demonstrating gains**
- **Imbalance settlement**
  - Harmonisation of principles only: nothing on portfolio vs. unit balance responsibility...
  - Imbalance settlement period: <15min? 30min? 60min?
  - Strong harmonisation when TSO-TSO model with CMO in place

## Consultation Questions

- 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*?
- 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?
- 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*?
- Q4: Do you support the timeframes for implementation?
- Q5: Do you consider regional implementation objectives as relevant milestones which should be aimed at in the Electricity Balancing Network Code(s)?
- 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?



The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, there is a close-up of a gas burner with a flame. In the foreground, there are wheat stalks. A large white arrow points from the solar panels towards the gas burner.

*ofgem*

Promoting choice and value  
for all gas and electricity customers