



EASE response to ENTSO-E Public Consultation on the Network Code Electricity Balancing

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This document complements the web-based response of the European Association for Storage of Energy (EASE) to the public consultation of the ENTSO-E draft Network Code Electricity Balancing (NC EB). This response can also be found on p4 of this document.

EASE General remarks

EASE welcomes ENTSO-E's Network Code on Electricity Balancing as a tool to foster the effective competition, non-discrimination and transparency in markets. It will further help driving the way to a more harmonised pan-European balancing market. The inclusive approach of the code and its explicit openness to new players in the balancing market such as energy storage, demand response and renewable energy sources are very positive steps towards a levelled playing field in the balancing market.

However, EASE calls for clarification and takes this opportunity to express its concerns about some areas of the current draft of the Network Code:

Definitions

The fact that some terms of focal importance for this Network Code are not specifically defined in the Code itself (e.g. Frequency containment reserves, Frequency restoration reserves) may have a negative impact on the readability and uniform applicability of the document.

As mentioned in the detailed response (see excel file: EASE_response_Public_consultation_NC_EB.xls, lines 4 & 5), some definitions in Article 2 should be clarified in order to be in line with the Agency for Cooperation of Energy Regulators (ACER) Framework Guidelines and other articles of the Network Code.

Aggregation

The status of “Aggregator” should be clarified. It has been defined in the Demand Connection Code (DCC) as “[...] a legal entity which is responsible for the operation of a number of Demand Facilities by means of Demand Aggregation;”. However, Article 16.1.a. of the NC EB calls for allowing “for aggregation of demand and generation units within a Relevant Area to offer Balancing Services”. The form under which generation and storage units would be aggregated if they cannot fall under the responsibility of an “Aggregator” remains unclear.

It should be further clarified if the aggregator has the same status and responsibilities as a Balancing Service Provider (BSP) or if each member of an aggregated group has to fulfil the requirements of a BSP.

Furthermore, the NC EB should allow for the aggregation of smaller scale units capable of providing Balancing Services in order to enable their participation in national/European markets

Harmonisation

EASE generally believes that the long term objective should be to reach a harmonised set of rules and conditions for the European Balancing Market. For this reason, we are concerned to see that the Network Code leaves Transmission System Operators (TSOs) the possibility to launch a reassessment of the terms and conditions related to balancing on the basis of their own judgement or following a request from its National Regulatory Authority (Article 16.8) (see excel file: EASE_response_Public_consultation_NC_EB.xls, line 9). Although technical realities may create a need for specific adaptations of the terms and conditions in some cases, the number of such cases should be reduced to a strict minimum and such exception shall not be of permanent nature.

Generally, the Network Code shall create an environment that fosters cooperation of the TSOs when defining rules for the balancing market rather than a segmented national approach. For this reason, the Network Code shall call for common solutions applicable to all TSOs whenever possible.

Standard Product

In view of a market harmonisation and to improve the transparency of the definition process, EASE proposes to set a framework for the definition of standard balancing reserve and standard balancing energy products in the Network Code. A minimum set of values for common characteristics as proposed in ENTSO-E’s supporting document on the Network Code should be defined to foster the creation of standard products that are similar enough to allow merging Common Balancing Areas (CoBAs) in the medium and long term.

Specific Products

The risk of market distortion when defining specific products needs to be acknowledged. Any additional type of product can lower the fluidity of the market. However, if the system needs cannot adequately be met with standard products, specific product may be of use. In

particular, the definition of specific products can enable the use of new technologies offering new types of services that may be useful for the future development of the grid.

The use of specific products should only be allowed if it can be justified its use has a clear added value for the system. They should enable the use of technologies that have proven beneficial effects on the system but do not fit the definition of standard products. Such an added value could for instance be given by products with particularly fast response times of particularly accurate response curves.

If such products are defined, clear boundaries need to be defined and the added value to the system should be confirmed by means such as a cost-benefit analysis. Further, such products shall not be designed for a particular technology, but should reflect real system needs. In particular, new technologies may not be discriminated in such a definition.

An example of such a specific product definition is the Limited Energy Storage Resource (LESR) that has been defined by some Independent System Operators (ISOs) in the US (e.g. in California and NY). The definition of LESR has opened up the market for products that are not able to sustain the minimal energy injection time requirements under the standard framework, but are able to add value to the system through their fast reactivity.

Obligations

As stated by ACER in its framework guidelines (e.g. Paragraph 1.2) the Network Code shall ensure a “market-based selection of balancing products”. In this context, obligations for market players to offer their unused generation capacity or other balancing resources in the Balancing Markets after Day-ahead and Intraday Gate Closure Time should be considered with caution. This topic is especially relevant for storage devices that, by definition, only have a limited available capacity and hence need to plan ahead their state of load when defining their in- and output. Obligations considerably limit their flexibility to combine EB and other services, on the regulated as well as non-regulated side of the market. The NC EB should not impose obligations on market participants that would prevent business models that are models based on the combination of services. Such obligations may prevent market entry of potential players, thus rather hindering instead of supporting the intended development of markets and competition. They risk enhancing rather than reducing market distortions.

It must also be ensured that obligations do not have a negative impact on the secondary Market for Transfer of Obligations according to Articles 22.7 and 22.9 as it will reduce the flexibility of the market participants when using their resources.

Interaction with other markets

With an increased share of decentralised generation and storage as well as demand response entering the market, new requirements and possibilities are emerging for Distribution Networks. This will create new markets on the distribution level. Many energy storage technologies are particularly well suited to participate in these markets. In view of this evolution, the NC EB should not hinder potential developments of new markets (e.g. by duplicating communication channels) and should not set requirements for TSO level BSPs that would hinder their participation in such new markets.

Detailed comments

Title	Art.	Para.	Initial version	Proposed version	Justification text
2	2		Balancing Service Provider means a market participant providing Balancing Services to its Connection Transmission System Operator.	Balancing Service Provider means a market participant providing Balancing Services to one or several TSOs within one or several control area(s)	In line with the ACER FWGL definition.
2	2		Common Merit Order List means a list of all Balancing Reserve Bids or Balancing Energy Bids per Standard Product, sorted per direction and in order of their bid prices, used for the Activation of Balancing Energy or procurement of Balancing Reserves within a Coordinated Balancing Area.	Common Merit Order List means a list of Balancing Reserve Bids or Balancing Energy Bids per Standard Product sorted in order of their bid prices, used for the Activation of Balancing Energy or procurement of Balancing Reserves within a Coordinated Balancing Area.	Article 27 foresees to have different Common Merit Order lists for upward and downward regulation. For this reason, the Common Merit Order List cannot contain all bids.
9	2	f	This Network Code shall facilitate the achievement of the following objectives, in particular: [...] facilitate wide participation of Demand Side Response and supporting the achievement of the European Union target for the penetration of renewable generation	This Network Code shall facilitate the achievement of the following objectives, in particular: [...] facilitate wide participation of Demand Side Response and Energy Storage as well as supporting the achievement of the European Union target for the penetration of renewable generation	Like demand response and renewable generation technologies, most energy storage technologies are to be considered as a new player in the Balancing Market that have a potential to provide valuable services to the grid. Hence storage should be treated in the same way as demand response and renewables. In addition, storage devices might cooperate with other technologies in a complementary way.
16	2	a	[...] allow for the aggregation of demand and generation units within a Relevant Area to offer Balancing Services	[...] allow for the aggregation of smaller scale units capable of providing Balancing Services in order to enable their participation in national/European markets	The status of aggregated generators and storage providers should be clarified further in the Network Code. The Demand Connection Code defines Aggregators as “[...] a legal entity which is responsible for the operation of a number of Demand Facilities by means of Demand Aggregation;”. This definition does not include generators.
16	2	b	[...]allow for load entities, whether through aggregators or not, and generation units from conventional and renewable energy sources as well as storage elements to become Balancing Service Providers subject to the fulfilment of the requirements according to paragraph 4(a);	[...]allow for load entities, and generation units from conventional and renewable energy sources as well as storage elements, whether through aggregators or not, to become Balancing Service Providers subject to the fulfilment of the requirements according to paragraph 4(a);	The possibility to go through an aggregator should be foreseen, not only for load entities, but also for small generation and storage entities. As stated in Article 16.2.a.aggregation should be possible for both demand and generation units.

16	8		Each Transmission System Operator shall be entitled to launch a reassessment of the terms and conditions on the basis of their own judgment or following a request from its National Regulatory Authority.	Each Transmission System Operator shall be entitled to propose a reassessment of the term and conditions to ENTSO-E on the basis of duly justified reasons or following a request from its National Regulatory Authority.	It should be made clear that this article does not risk to foster de-harmonisation of the market. The long-term objective of this Network Code is to "foster European balancing market integration" (FWGL EB 1.1). A reassessment of the terms and conditions, if needed should be conducted as a common process of all TSOs, and not only based on the "own judgement" of single TSOs. It has to be ensured that the rules are not changed in a way that contradicts fair market conditions and does not harm previsibility for long term investment.
16	2	c	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: [...] facilitate the participation of demand and renewable energy sources in the Balancing Markets; and	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: [...] facilitate the participation of demand, renewable energy sources and Energy storage devices in the Balancing Markets; and	Like demand response and renewable generation technologies, most energy storage technologies are to be considered as a new player in the Balancing Market that have a potential to provide valuable services to the grid. Hence storage should be treated in the same way as demand response and renewables. In addition, storage devices might cooperate with other technologies in a complementary way.
22	1		Each Transmission System Operator shall use at least one of the following market based methods for the procurement of Frequency Containment Reserves, Frequency Restoration Reserves and Replacement Reserves: (a) a call for tender; (b) a call for tender with price caps; or (c) an obligation for Balancing Service Providers to provide reserves, linked to a liquid secondary market for the Transfer of Obligations.	Each Transmission System Operator shall use a market based method for the procurement of at least Frequency Restoration Reserves and Replacement Reserves.	Whenever possible, real market-based approaches should be used to organise the market. Obliging market participants to provide reserve does not foster an open market. As a general rules, operators of non-regulated assets should be able to dispose of free capacities at their own judgment.
25	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		An obligation to provide unused resources to the balancing market further hinders a transfer of obligations in accordance with article 22.7. The possibility to trade obligations in a timeframe closer to real-time presupposes that market participants have control over their resources.

			Time.		
26	7	d	the Unshared Bids volumes shall be updated yearly	the Unshared Bids volumes shall be updated quarterly	The balancing requirements change more on a seasonal than on a yearly basis. Hence a seasonal update of the market conditions might be more useful than a yearly update.
48	1	c	n.a.	The imbalance settlement period shall not exceed 30 minutes	In accordance with FWGL EB Article 5.3 (p.25).

The European Association for Storage of Energy (EASE) is the voice of the energy storage community, actively promoting the use of energy storage in Europe and worldwide.

EASE actively supports the deployment of energy storage as an indispensable instrument to improve the flexibility of and deliver services to the energy system with respect to European energy and climate policy. EASE seeks to build a European platform for sharing and disseminating energy storage-related information. EASE ultimately aims to support the transition towards a sustainable, flexible and stable energy system in Europe.

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Disclaimer:

This response was elaborated by EASE and reflects a consolidated view of its members from an Energy Storage point of view. Individual EASE members may adopt different positions on certain topics from their corporate standpoint.