



**EREG Public Consultation on Guidelines of  
Good Practice for Electricity Balancing  
Markets Integration -  
Evaluation of the Comments Received**

**Ref: E05-ESO-06-08a  
6 December 2006**

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## Introduction

EREG has developed the Guidelines of Good Practice for Electricity Balancing Markets Integration (GGP-EBMI) through extensive and transparent consultation with market participants. The GGP-EBMI, approved by ERGEG on 6<sup>th</sup> December 2006, constitutes the initial<sup>1</sup> advice of the European Regulators Group for Electricity and Gas (EREG) to the European Commission on the aspects of electricity balancing markets integration, in the sense of Articles 11.7, 14.6 and 26.2(b) of the Electricity Directive<sup>2</sup>, and in line with the Articles 1.8, 1.9 and 5.7 of the Congestion Management Guidelines<sup>3</sup> were adopted in accordance with the Article 8 of the Regulation on cross-border exchanges in electricity<sup>4</sup>. ERGEG will consider future steps as regards the practical and immediate implementation possibilities within the ERGEG Regional Initiatives. The GGP-EBMI (ref: E05-ESO-06-08) will be used as the basic document and common starting point for further development and implementation from the regulatory viewpoint.

This document “EREG Public Consultation on Guidelines of Good Practice for Electricity Balancing Markets Integration Evaluation of the Comments Received (ref: E05-ESO-06-08a) contains the evaluation by ERGEG of the comments received during the ERGEG public consultation<sup>5</sup> on draft Guidelines of Good Practice for Electricity Balancing Markets Integration (GGP-EBMI). The public consultation was held between 8<sup>th</sup> June and 3<sup>rd</sup> August 2006. Within the public consultation, 15 responses were received. All non-confidential responses are published on the [EREG website](#)<sup>6</sup>.

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<sup>1</sup> The final advice to the European Commission will be provided after the development and consideration of the aspects on intra-day markets and automatically activated reserves. This work is foreseen in the ERGEG Work Programme for 2007/2008.

<sup>2</sup> Directive 2003/54/EC of the European Parliament and of the Council of 26 June 2003 concerning common rules for the internal market in electricity and repealing Directive 96/92/EC

<sup>3</sup> The Congestion Management Guidelines, published in the Official Journal on 11 November 2006 (OJ L 312, 11.11.2006, p. 59-65), set the congestion management framework in the EU. They enter into force on 1 January 2007 at the latest. Article 1.9 of the Congestion Management Guidelines (developed in accordance with Article 8 of the above Regulation and to the Commission Decision 2006/770/EC of 9 November 2006 amending the Annex to Regulation) requires mechanism for intra-day congestion management (i.e. intra-day market capabilities) of interconnector capacity to be established not later than 1<sup>st</sup> January 2008 in a co-ordinated way and under secure operational conditions in order to maximise opportunities for trade and to provide cross border balancing.

<sup>4</sup> Regulation (EC) 1228/2003 of the European Parliament and of the Council, of 26 June 2003 on conditions for access to the network for cross-border exchanges in electricity.

<sup>5</sup> Principles and rules for the ERGEG public consultations are provided at [www.ereg.org](http://www.ereg.org)

<sup>6</sup> [http://www.ereg.org/portal/page/portal/EREG\\_HOME/EREG\\_PC/ARCHIVE1/GGP%20for%20Electricity%20Balancing](http://www.ereg.org/portal/page/portal/EREG_HOME/EREG_PC/ARCHIVE1/GGP%20for%20Electricity%20Balancing)

EREG has evaluated the comments received during the public consultation, principally in terms of applicability and consistency. For each comment, the following evaluation template has been used:

#	GGP-EBMI reference	Original text of the comment	EREG evaluation	EREG explanation
<i>No. of comment</i>	<i>GGP-EBMI section/chapter to which the comment refers to</i>	<i>original comment text</i>	<i>Yes (accept) or No (reject)</i>	<i>EREG explanation if applicable</i>

Section I of this document contains the evaluation of all the comments, organised according to the above mentioned template and to the organisations and stakeholders that responded. The reference text of the GGP-EBMI is the one from the EREG public consultation.

For the sake of comprehensiveness and practicability, only the direct comments related to the GGP-EBMI are evaluated in this document – any other general remarks by the organisations and stakeholders, which were addressing the issues of balancing market integration but were not directly related to the GGP-EBMI need to be referred to in the original comments which are also published at the EREG website.

### Section I - Evaluation of Comments received during the Public Consultation on GGP-EBMI

I-1. Barclays Capital				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	Supports EREGs efforts towards integration of EU markets, other “twin priorities” are information transparency and efficient interconnector use	N/A	EREG remark: in line with the GGP-EBMI objectives and EREG work on Congestion Management and Transparency
2.	General	GGP-EBMI focuses on manually activated reserves, cannot be entirely divorced from automatically activated reserves and intra-day wholesale markets	Y	EREG remark: intra-day markets and automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.
3.	General	It is difficult to distinguish between energy related actions to meet an imbalance and	Y	EREG remark: this is an important remark but it does not seem to be necessary

<b>I-1. Barclays Capital</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		“system driven” actions (e.g. to resolve constraints or manage frequency), imbalance prices should reflect the marginal costs for managing imbalances – further very detailed analysis and discussion on specific rules will be needed		that really and only marginal costs are reflected in the imbalance prices; will be considered in the article 7 of the GGP-EBMI as an example of the specific measure to mitigate market power by regulatory authorities.
4.	Principles and Benefits	Balancing markets compound two fundamental functions: - Operational security - Imbalance settlement Would be useful to identify these two separate functions explicitly and to maintain clear distinction between the two concepts	N/A	EREGG remark: Still, the imbalance settlement is the financial outcome of the balancing but not the objective per se (the objective of balancing is in the first line operational security).
5.	Principles and Benefits	Balancing mechanism 1 <sup>st</sup> para: Seems to focus on imbalance settlement	N/A	EREGG remark: it does not focus on imbalance settlement but imbalance settlement is the outcome of the balancing mechanism.
6.	Principles and Benefits	Balancing mechanism 3rd para: Seems to refer on the mandatory nature of imbalance settlement – rather than on obligation to participate in “balancing mechanism” by making bids and offers	N/A	EREGG remark: it is not about obligation to “participate” but rather to “either to be a direct balance responsible party or to contract through some form of aggregator who is a direct balance responsible party”
7.	Principles and Benefits	Balancing mechanism 3rd para: Governance procedures shall allow <u>all</u> market parties (and potentially other stakeholders) to propose modifications rather than “parties to the balancing market”	N	It shall be possible to request modifications rather only by the balancing market parties
8.	Principles and Benefits	Balancing mechanism 1 <sup>st</sup> para: Balancing markets are generally designed to ensure that market participants have the correct incentives to manage their imbalance exposure rather than “minimize	Y	EREGG remark: useful comment – contribution to overall costs might not be the correct criteria. To be taken into account in the finalized version of the GGP-EBMI

<b>I-1. Barclays Capital</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		their contribution to the overall costs of the balancing mechanism”		
9.	Principles and Benefits	Balancing mechanism 1 <sup>st</sup> para: Minimising the “amount of balancing energy needed” does not necessarily minimise the “overall balancing costs”	Y	EREGG remark: useful comment, to be consider in the finalized version of the GGP-EBMI
10.	Principles and Benefits	Balancing mechanism 1 <sup>st</sup> para: Although the cost for resolving a generator shortage might at times “be relatively high compared to the price which the generator might receive for production” at other times it might be relatively low.	N/A	-
11.	Guidelines – General Principles	Separate section on imbalance prices shall be included in the GGP	N	EREGG remark: integration on the bidding side is now seen as the priority issue, harmonization of imbalance prices is important but possibly not fully needed
12.	Guidelines – General Principles	General Principles 3 <sup>rd</sup> para: Balancing markets shall become non-discriminatory by allowing traders (without generation assets) to participate	Y partly	EREGG remark: Traders might have contracted “physical generation/load reserves” (e.g. options) – and in such cases they may participate on an equal basis
13.	Guidelines – General Principles	Acquisition of transmission capacities for balancing purposes: Interconnector capacity shall not be explicitly ring-fenced for balancing purposes.	Y	EREGG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.
14.	Guidelines – General Principles	Efficiency and Competition: it will be crucial to harmonise payment arrangements for balancing actions, market clearing price would be a strong preference	N/A	EREGG remark: in line with the GGP-EBMI objectives
15.	Guidelines – General Principles	Efficiency and Competition: Harmonization of imbalance pricing should lead to one single price (including price for energy and capacity)	N/A	EREGG remark: useful comment, in line with the GGP-EBMI objectives

<b>I-1. Barclays Capital</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
16.	Guidelines – Transparency	Volumes of bids and offers used shall be given on a plant by plant basis and not in an aggregated form	N/A	ERGEG remark: Benefits and possible disadvantages of a plant by plant publication have to be further analysed
17.	Guidelines – Options for Integration	The third option must be the ultimate goal, although the second option may provide a transitional route	N/A	ERGEG remark: in line with the GGP-EBMI objectives

<b>I-2. APX</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	Participants should be able to bring their position in balance as far as possible on market places	N/A	ERGEG remark: intra-day markets and automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.
2.	General	Clear focus should be development of liquid balancing markets	N/A	ERGEG remark: in line with the GGP-EBMI objectives
3.	General	It is imperative that balancing markets are on equal footing in all Member States. Having balancing markets functioning on the same basis in each Member State is a useful leg up to a single European Electricity (balancing) market.	N/A	ERGEG remark: in line with the GGP-EBMI objectives
4.	General	It is more important to start and develop an intra-day market and subsequently a cross border intra-day market	N/A	ERGEG remark: intra-day markets and automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.
5.	Guidelines – Options for Integration	Options shall not be limited to the listed possibilities – new options like intra-day markets organized by Power Exchanges - could be added	Y	ERGEG remark: intra-day markets and automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.



<b>I-3. Centrica</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	Centrica supports ERGEG's aim in developing the Guidelines to improve the integration of balancing markets. Competitive and properly linked balancing markets are a key development in the move to a single internal market, consumers will ultimately benefit from that development.	N/A	ERGEG remark: in line with the GGP-EBMI objectives
2.	General	Centrica anticipated more detailed positions and provisions in the GGP EBMI. Due to the high level of the Guidelines' nature this may not result in the introduction of robust and effective balancing rules. The version does not analyze current practices or state preferences for options.	N/A	ERGEG remark: The GGP-EBMI have the objective to start the process towards balancing market integration, therefore general principles and areas to be tackled have to be defined – further specific work will be done e.g. in the framework of the Electricity Regional Initiatives
3.	General	Guidelines are restricted to manually activated reserves excluding intra-day markets, ancillary services and automatically activated reserves. Centrica disagrees with this and cannot find any justification for such a distinction.	N/A	ERGEG remark: intra-day markets and automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.
4.	Guidelines – General Principles	Participation in balancing markets is in some member states restricted by unilaterally perceived rules established by TSOs without real justification. A single set of criteria shall be applied to users of a network.	N/A	ERGEG remark: in line with the GGP-EBMI objectives
5.	Guidelines – Balancing Mechanism	Does not agree with the requirement to reserve interconnection capacities for balancing purposes. Together with conservative capacity calculation of TSOs that may result in inefficient interconnector use and extreme market reactions. Where cross	Y	ERGEG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.

<b>I-3. Centrica</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		border capacity is not fully utilised by market participants it should be available to the TSOs for balancing activities through the implementation of robust UIOLI rules.		
6.	Guidelines – Options for Integration	Centrica would favour the TSO to TSO option which requires development of TSO cooperation.	N/A	-
7.	Guidelines – Balancing mechanisms	Standardisation of settlement periods, pricing mechanism, etc. are key to enable greater harmonisation in balancing markets.	N/A	EREGG remark: in line with the GGP-EBMI objectives
8.	Guidelines – Transparency	Already covered by comments on GGP-IMT, Centrica echoes these comments. An additional piece of information not listed would be technical characteristics of generation plants. Information asymmetry builds market distortions.	N/A	EREGG remark: in line with the GGP-EBMI and GGP-IMT objectives
9.	Guidelines – General Principles	In GB the system distinguishes between imbalance costs (targeted individual network users) and balancing services as of system charges that reflect residual balancing activities (smeared across all system users). This distinction is not reflected in the Guidelines	Y	EREGG remark: this is an important remark but it does not seem to be necessary that only marginal costs are reflected in the imbalance prices; it will be considered in the article 7 of the GGP-EBMI as an example of the specific measure to mitigate market power by regulatory authorities.
10.	Guidelines – General Principles	Regulators should remain vigilant to the creation of market distortion in the design of imbalance arrangements and to the abuse of market power within balancing markets	N/A	EREGG remark: in line with the GGP-EBMI objectives

<b>I-4. BORZEN</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	Lack of integration of balancing markets is a key impediment to the development of a single European electricity market. Borzen shares ERGEG's view regarding efficiency, market based methods in balancing markets, promotion of competition and non-discriminatory access.	N/A	ERGEG remark: in line with the GGP-EBMI objectives
2.	Guidelines – Balancing mechanisms	Borzen proposes continuous trading mechanism to be used for balancing markets	Y	ERGEG remark: intra-day markets and automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.
3.	Guidelines – Balancing mechanisms	Notification of physical position and balancing bids could be combined into one step.	N/A	ERGEG remark: useful remark to be taken into account in the detailed implementation of the finalized GGP-EBMI
4.	Guidelines – Balancing mechanisms	Borzen proposes a clear distinction between physical balance of the systems (secure grid operation) and financial transactions on the balancing market	N/A	ERGEG remark: Still, the imbalance settlement (financial transactions) is the financial outcome of the balancing but not the objective per se (the objective of balancing is in the first line operational security)
5.	Guidelines – Balancing mechanisms	Establishment of load flow based Congestion Management systems shall be used as an opportunity to integrate balancing markets as well.	N/A	ERGEG remark: it could be helpful, not directly applicable in the GGP-EBMI.
6.	Principles and Benefits	Costs which derive from energy bought or sold should be distributed only across market participants out of balance, capacity reservation costs can be borne by all users.	Y partly	ERGEG remark: this could be one option for implementation (market design)

<b>I-4. BORZEN</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
7.	Guidelines – General principles	Continuous trading with integrated capacity allocation provides various advantages like improved market depth and non-discriminatory cross border access.	Y	EREGG remark: useful remark, link with intra-day markets could be established, in that respect “continuous trading” could also be established for balancing markets.
8.	Guidelines – General principles	Provision of data and exchange of information are key questions to be addressed.	N/A	EREGG remark: in line with the GGP-EBMI objectives
9.	Guidelines – General principles	Imbalance arrangements and pricing rules shall be made compatible. This has not been properly addressed within European market design yet.	N/A	EREGG remark: in line with the GGP-EBMI objectives
10.	Guidelines – Balancing mechanisms	Borzen suggests to use the term “balance areas” instead of “control areas” since areas can be divided by several bottlenecks. This could influence the formation of prices.	N	EREGG remark: “Control areas” is a common term for grid-regions.
11.	Guidelines – Balancing mechanisms	Products in balancing markets have to enable relative offering of market participants and absolute bidding of balance responsible parties	N/A	-
12.	Guidelines – Balancing mechanisms	Coordinated grid models should be previewed; acquiring capacity at the day-ahead stage for balancing purposes should be avoided, if possible. TSOs adjacent to the cross-border capacity should have a dedicated share reserved for their exclusive use in each direction	Y partly	EREGG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.
13.	Guidelines – Balancing mechanisms	In relation to Regulation 1228/2003 balancing markets should be treated differently since they have different characteristics (one-side market, operative just before real time, primarily focused on security welfare distribution). Use of cross border capacities for balancing purposes should	N	EREGG remark: Allocation of congested capacity on a non-market based basis seems hardly possible.

<b>I-4. BORZEN</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		be free of charge; allocation following first-come-first-serve principle should be enabled.		
14.	Guidelines – Options for Integration	Borzen dissuades the use of the “direct participation system” since this suggests that participants bid in their balancing area of origin. Borzen suggests integrated balancing markets where TSOs will be allowed to deviate from a merit order in case of congestion.	Y	EREGG remark: Statement on acquisition of capacities (including also the other options for securing capacity like either hedging in the own control area or other options) will be adapted in order to consider efficient use of capacity and market based allocation appropriately.
15.	Guidelines – Options for Integration	Borzen suggests that setting up an integrated balancing market from the very start may be the right opportunity to assert the decisiveness of the differences in market arrangements for effective transition to the common market in practise. Integration from the start would lay an example for pan European integration of energy-related markets of any kind. Furthermore promoting a single concept would greatly benefit the speed of integration.	N/A	EREGG remark: represents a desirable goal but presumably not practically feasible.
16.	Guidelines – Options for Integration	Borzen has been engaged in research and development of various approaches to serve integration of energy and transmission markets on common trading platforms. The tests have proved that continuous trading is the most efficient approach to be used in time constrained markets such as balancing markets.	Y	EREGG remark: useful remark, link with intra-day markets could be established, in that respect continuous trading could also be established for balancing markets.

<b>I-5. Eurelectric</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	Eurelectric calls ERGEG for further work on their paper and a clear indication of the way forward (including on options for the integration of balancing market)	N/A	ERGEG remark: the way forward and objectives have been indicated in GGP-EBMI.
2.	General	ERGEG should focus first and foremost on developing and integrating intra-day markets and improving their functioning. This would enable market participants to trade and close their positions to the largest extend possible on intra-day markets as close to delivery as possible. This would result in limited volumes being left to balancing markets. Balancing market integration is only a further step.	Y	ERGEG remark: intra-day markets and automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.
3.	Guidelines – Balancing mechanisms	Reservation of cross border capacity must be considered with great care, as in Eurelectric’s view cross-border intra-day and balancing markets can develop and be well functioning without implying reservation of capacity.	Y	ERGEG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market-based allocation appropriately.
4.	General	Issue of firmness of capacity should be addressed in the ERGEG guidelines as this is an important factor for further integration of European markets.	N	ERGEG remark: this is related to congestion management.
5.	General	The issue of balancing criteria which are to be applied by TSOs in a control area should be addressed in the GGP, whereby striking a balance between efficiency of the balancing mechanism and security of supply.	N/A	-

<b>I-5. Eurelectric</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
6.	General	Eurelectric questions why automatically activated power reserves (in UCTE primary and secondary reserves) are excluded from the guidelines and asks for inclusion.	Y	ERGEG remark: automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.
7.	Guidelines – Balancing mechanisms	Eurelectric believes it is necessary to carry out a thorough analysis of the different payment schemes for capacity payments before proposing ways and means of delivering harmonization.	N/A	ERGEG remark: thorough analysis is important. Capacity payments might be useful in certain situations, but they cannot be considered as the generally preferable approach.
8.	Principles and benefits	Eurelectric asks for a clear definition of “balancing power” which is understood as procurement of reserved generation capacity for balancing purposes	Y	ERGEG remark: can be clarified
9.	Guidelines – Balancing mechanisms	Eurelectric supports ERGEG’s view that a deviation from the merit order should only be possible following predefined criteria; congestion between or within control areas can constitute such a criteria	N/A	ERGEG remark: in line with the GGP-EBMI objectives

<b>I-6. EFET</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	Lack of harmonisation and integration between different national markets is a key obstacle to realising a well functioning IEM. Different market “timetables” can limit market participation across borders. The primary operational reform must involve broadening and streamlining all national or regional nomination procedures to facilitate a continuum between day-ahead and intra-day trading.	N/A	EREG Remark: in line with the GGP-EBMI, intra-day markets and automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.
2.	General	TSOs must be given incentives to maximise cross border capacity which they allocate to the market. Truly maximised availability of capacity across borders will help optimise the utilisation of that capacity by market participants for flattening out shortages and surpluses between national markets. Moreover there are also wider benefits in TSOs taking on the responsibility of offering fully firm transmission capacity rights, including the scope thereby for enhancing market confidence right up to real time.	N/A	EREG Remark: in line with general EREG work and in particular EREG Electricity Regional Initiative.
3.	General	It is essential as a pre-requisite for optimal efficiency of balancing markets, that intra-day trading be facilitated by regulators, market operators and TSOs across the whole of the internal market.	N/A	EREG remark: intra-day markets and automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.



<b>I-6. EFET</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
4.	Guidelines – Balancing mechanisms	<p>EFET proposal:</p> <ol style="list-style-type: none"> <li>1. Following intra-day TSOs should execute balancing transactions</li> <li>2. Main participants in balancing markets are national generators and flexible consumers within control area, TSOs should investigate wider participation</li> <li>3. Following delivery any imbalance settled at cash-out prices which reflect the marginal cost of the actions taken</li> <li>4. First settlement information to be published in the trading period after the delivery hour</li> <li>5. Second and confirmatory settlement details should be published about three days later</li> <li>6. Fixed settlements within one month</li> </ol>	N/A	<p>EREG remark: 1. and 2. in line with general EREG work in particular within ERI, 4., 5. and 6. seem to be hardly feasible considering that all final confirmed metering data would be needed for that; the process of balancing mechanism and time steps should be considered further</p>
5.	Functioning of balancing markets	<p>Regulators need to intervene to make sure that gate closure is not too early, that gate times are harmonised across borders and that intra-day optimisation through bids by market participants later than the traditional day-ahead gate closure is indeed introduced by each TSO.</p>	N/A	<p>EREG remark: in line with general EREG work and in particular EREG Electricity Regional Initiatives.</p>
6.	Guidelines – Balancing mechanisms	<p>EFET strongly objects to the idea that TSOs might reserve transmission capacity for balancing purposes. Statement on interconnection capacity reservation within competitive market framework is too vague to reassure EFET.</p>	Y/N	<p>EREG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.</p>

<b>I-6. EFET</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
7.	Guidelines – Options for Integration	EFET favours option of fully integrated balancing markets but realizes that option “TSO to TSO cooperation” may be the more realistic one.	N/A	-

<b>I-7. ENBW Trading</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	<p>Balancing markets seem to be of minor importance since the needed capacities and energy are not that much compared to other markets. Therefore the following roadmap is proposed:</p> <ol style="list-style-type: none"> <li>1. Creation of liquid spot markets</li> <li>2. Creation of liquid forward/futures markets</li> <li>3. Harmonisation of market based congestion management methods on short and long term basis</li> <li>4. Harmonization of cross-border intra-day trading</li> <li>5. Creation of a suitable level of market transparency</li> <li>6. Harmonization of market based procurement of balancing capacity</li> </ol>	N/A	<p>EREG remark: Each of the points listed is of high importance for the development of the IEM, but EREG disagrees, that the issues can just be tackled subsequently and in those steps.</p>
2.	General	<p>If new market entrants shall be encouraged to join the balancing market then the development of a forward balancing market is a must. The process of TSOs to acquire balancing capacity should be a process along the time axis.</p>	Y partly	<p>EREG remark: This remark supposes that TSOs acquire balancing capacity which is not the case everywhere. The existing generation capacities have proved to meet the demand on reserves. But existing generation units not participating yet could be encouraged by lowering entry barriers and possibilities to participate in adjacent markets. It is moreover not entirely clear what the timeframe for a "forward balancing market" would be.</p>
3.	Guidelines – Balancing mechanisms	<p>EnBW Trading fully supports the view that balancing markets should not be used to exercise market power. The only way to achieve this is to create forward markets (as well as intra-day) for balancing capacity. If forward prices are high no producer will hold back capacity in order to serve the</p>	Y partly	<p>EREG remark: The existing generation capacities have proved to meet the demand on reserves. But existing generation units not participating yet could be encouraged by lowering entry barriers and possibilities to participate in adjacent markets. These different market options</p>

<b>I-7. ENBW Trading</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		balancing market. If at least a part of balancing capacity is acquired in advance by the TSOs this risk is reduced.		shall be discussed in the context of market design.
4.	Guidelines - Transparency	EnBW supports market transparency. German balancing markets are considered to be the most transparent across Europe.	N/A	-
5.	Guidelines – Balancing mechanism	The goals improving security of supply and minimising costs compete with each other. Security of supply can only be achieved if TSOs buy balancing capacity not only on day-ahead or intra-day basis but also in advance. Minimization of costs can be achieved by creating intra-day markets. – if these markets are well supplied.	N	EREGG remark: security of supply and costs minimisation need to be achieved by the market oriented way, rather than by very long term reservations; furthermore, it can hardly be advocated that such a reservation delivers better security of supply or minimizes costs better than the market.
6.	Guidelines – Balancing mechanism	EnBW Trading supports the harmonization and standardization of market features, timescales, IT-formats on a pan-European basis	N/A	EREGG remark: in line with the GGP-EBMI objectives
7.	Guidelines – Balancing mechanism	EnBW Trading welcomes all efforts to reduce costs for balancing capacity and energy including load participation – it has to be ensured that load reduction can be activated in due time. EnBW also supports reduction of barriers for new market entrants. Minimum offer size can not be reduced to almost zero for technical reasons	N/A	EREGG remark: in line with the GGP-EBMI objectives
8.	Guidelines – Balancing mechanism	Capacity at congested borders should not be withheld by TSOs in order to allow cross border balancing energy flows. Scheduled energy flows use the congested section of the grid more efficiently than randomly occurring balancing energy flows.	Y	EREGG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.

<b>I-7. ENBW Trading</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
9.	Guidelines – Balancing mechanism	Due to the importance of the balancing market in terms of stability for the network EnBW strongly supports to introduce capacity payments. Such capacity payments need not necessarily resulting high balancing costs.	N	EREG remark: Capacity payments might be useful in certain situations, but they cannot be considered as the generally preferable approach.
10.	Guidelines – Balancing mechanism	To start with first cross border intra-day flows focus should be laid on flexible scheduling procedures rather than technical details on the production side (e.g. ramp up time ...)	Y partly	EREG remark: Flexible scheduling would be considered in the finalized version of the GGP-EBMI
11.	Guidelines – Transparency	EnBW Trading supports that all information required for effective functioning of balancing markets should be published. Individual bids and offers should be anonymous and/or aggregated appropriately.	N/A	EREG remark: in line with the GGP-EBMI objectives
12.	General	Non EU members like Switzerland should be included in the harmonization process. The same roadmaps as for EU members should be applied. Non EU countries have to apply to the principle of reciprocity.	N/A	EREG remark: this is an important remark not only for Balancing but for all other cross-border issues in the EU where Swiss electric power grid plays an important role. However we cannot include it in the GGP-EBMI as this implies expansion of EU legislation for what the consent of the affected non-EU countries is needed.

<b>I-8. ETSO</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	ETSO agrees with general description of main characteristics of balancing markets and with qualitative description of principles required for an efficient balancing market. ETSO also agrees with the qualitative benefits which can be obtained from balancing market harmonisation/integration.	N/A	-
2.	General	ETSO approves the proposed evolution in two stages which seems to be the most realistic approach.	N/A	-
3.	General	Harmonisation/integration of balancing markets should facilitate a more efficient integration of wholesale markets.	N/A	-
4.	General	Benefits which are to be obtained could in practice be reduced in case of congested interconnection capacity. It is likely that the main opportunities for cost reduction due to balancing market integration will come from integration of markets between interconnected zones without congestion. If a gap between capacity made available to the market and capacity actually available in real time is existing this can be used to the benefit of integrated balancing markets.	N/A	-

<b>I-8. ETSO</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
5.	General	Some main aspects of the proposed integration require important changes to the currently used systems and potentially significant investment. Thus the benefits of balancing markets harmonization and potential integration have to be soundly evaluated.	N/A	-
6.	General	Any fixed ex-ante reservation of interconnection capacity is not preferred a bit if at all should be secured economically, and demonstrated on the basis of sound market signals. Ownership of merchant interconnectors is also an important issue that should be recognized and addressed.	Y	EREGG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.
7.	General	ETSO underlines the important question of system security. Balancing integration must analyse the consequences of this issue and must not be limited to the harmonisation of the mechanisms operation and its economic benefits. For a good integration process it is necessary to define responsibilities and rules to procure an adequate level and adequate performance of reserves.	N/A	EREGG remark: in line with the objectives of the GGP-EBMI. The issue of how generators performances are warranted will have to be tackled.
8.	General	Differences exist between control areas in terms of responsibilities and obligations of producers, consumers, TSOs concerning the balance of the system.	N/A	-

<b>I-8. ETSO</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
9.	General	A fully integrated balancing market may envisage a centralised coordinating role. Responsibilities have to be defined in relation to the responsibilities and obligations of TSOs operating in control areas. Therefore integration might be best addressed by coordination among TSOs.	Y	EREG remark: Integration and intensified cooperation of the TSOs will be emphasized in the finalized version of the GGP-EBMI
10.	General	A practical step by step approach is to be preferred. Importance of “compatibility” step should be emphasised in the Guidelines. Model should be selected on the basis of the most appropriate solution for the circumstances and the most economic to improve efficiency.	Y partly	EREG remark: already described in the Section 8, will be further emphasized in the finalized version of the GGP-EBMI
11.	Functioning of balancing markets	Imbalance pricing should (and not only “can”) encourage actors to be balanced	N	EREG remark: Imbalance pricing usually encourages actors to be balanced but must in the first line lead to the whole integrated balancing market being balanced at the lowest cost.
12.	Functioning of balancing markets	Presently it is not always the case that generation and load parties must notify their expected physical positions	N/A	-
13.	Functioning of balancing markets	Regarding governance, according to Directive 2003/55/EC TSOs have competency to achieve well functioning of balancing markets whereas Regulators are “responsible for fixing or approving prior to their entry into force, at least the methodologies used to calculate or establish the terms and the conditions for the provision of balancing services.”	N	EREG remark: To approve or fix rules Regulators are given implicitly the responsibility to create well functioning balancing markets by setting the rules.



<b>I-8. ETSO</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
14.	Principles and benefits	“This price is likely ... the generator might receive for production” does not appear to be clear. Should the end be replaced by “compared to the price of this energy on the energy short term markets.”	Y	EREGG remark: provides clarification
15.	Principles and benefits	In order to achieve a sound economic signal the imbalance costs should be recovered, as far as possible, on those causing the imbalances, and not on all the users or a combination of them.	Y partly	EREGG remark: this could be one option for implementation (market design)
16.	Guidelines – Balancing mechanism	ETSO agrees in principle with the need to harmonise reserve products, but the actual difficulty must not be underestimated.	N/A	EREGG remark:
17.	Guidelines - Transparency	Imbalance prices could be more difficult to compute in integrated balancing markets than presently. Hence it would be unlikely that they would be available “just after real time” but rather “just after end of calculation”	N	EREGG remark: where TSO cooperation is proper developed data exchange for imbalance settlement should not be delayed.
18.	Guidelines – options for integration	In integrated balancing markets imbalance prices have to be unique as far as there is no congestion between areas. When congestion occurs, an adequate settlement process must be in operation so that different imbalance prices on the different “separated” areas are revealed and coherent with the actual requested offers in those areas.	N/A	EREGG remark: in line with the objectives of the GGP-EBMI

<b>I-8. ETSO</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
19.	Guidelines – options for integration	A given control area can only be fully integrated into one region. However, harmonisation of balancing market processes and facilitation of cross border reserve trading may be possible via a number of regional initiatives.	N/A	-
20.	General	The terminology “balancing power” is used both for the physical power procured by the TSO and the accounting power applied ex-post to settle the balance responsible parties imbalances. As these are different products it would be logical to adopt different names for that. Standardise several expressions in the text such as “imbalance” vs. “out of balance”.	Y	ERGEG remark: this will be considered in the finalized GGP-EBMI

<b>I-9. Scottish and Southern Energy</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	SSE agrees that balancing mechanisms should be operated in an economically efficient manner and that imbalance arrangements and pricing should be both simple and transparent. We also acknowledge ERGEGs intent to make balancing markets compatible and, in the longer term to integrate them as far as technically possible. However, the difficulties in doing so should not be underestimated.	N/A	ERGEG remark: in line with the GGP-EBMI objectives
2.	General	A fully integrated market there would be complete consistency across all aspects of the arrangements, including transmission access and pricing, the application of security standards and the application of transmission losses as well as the balancing mechanism.	N	ERGEG remark: in line with general ERGEG objectives, but not all these issues can be solved in one step. Work in one area must not be impeded by other influencing factors.
3.	General	A significant aspect of the GB market integration was the implementation of consistent transmission access and pricing arrangements across GB. An integrated European balancing mechanism should be considered, as not only market arrangements need to be consistent but also transmission access and pricing arrangements.	N	ERGEG remark: in line with general ERGEG objectives, but not all these issues can be solved in one step. Work in one area must not be impeded by other influencing factors.
4.	Guidelines - Transparency	We believe that the GB balancing mechanism largely complies with the Guideline proposals in terms of information provision and transparency. However, one aspect where we feel that the GB balancing arrangements are lacking is in relation to the pricing arrangements for being out of balance. The GB	N/A	This remark addresses a specific issue of one balancing market but not so much the integration of the markets, hence it will not be considered in the GGP-BMI

<b>I-9. Scottish and Southern Energy</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		balancing arrangements are moving towards marginal “cash-out” pricing. We do not believe that this is cost-reflective of the costs to the TSO, that the only truly cost-reflective mechanism is to apply costs on an average basis as this is what the TSO faces. We believe that the Guidelines need to include this point.		
5.	Principles and benefits	Whilst we agree that there are benefits to be had through integration of balancing mechanisms in terms of Security of Supply and competition, this needs to be balanced against constraint costs (particularly at interconnectors) in a fully integrated market. For the GB market, with its relatively low level of interconnection with the rest of Europe, it is unlikely that the list of benefits outlined in ERGEG’s paper will be realised, certainly in the period to full integration. In this interim period, adjacent balancing mechanisms would need to be operated to consistent balancing periods and gate closures and provide non-discriminatory access to the interconnections for any level of trading to take place and to provide the benefits envisaged.	N/A	-

<b>I-10. VEÖ Austria (Association of Austrian Electricity Companies)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	VEÖ would explicitly like to welcome the international opening of the regulating energy markets.	N/A	EREGG remark: in line with the GGP-EBMI objectives
2.	Guidelines – Balancing mechanisms	The assured transport (reservation) of the necessary transfer capacities shall be coupled with the allocation (allowance) for the delivery of regulating energy products. The reason for this is that even other market participants (for instance retailers) shall also be granted the option to be able to contract the necessary transfer capacities, for bilateral service preparation purposes. There may be no discrimination (or exclusion) of service preparation products in the allocation process (contracting). Contracts to use service capacities must apply with upright willingness to deliver as “use”. Otherwise a discriminating allocation of regulating energy to providers results within the regulating zone. The longer-term allocation of regulating energy products through transfer network operators (“TSO’s”) is also to be presented accordingly in the EREGG document, Ref: E05-ESO-06-08, page 5, Figure 1, for example through arrows to “Annual Quarterly and Monthly”. Furthermore, regulatory measures to manage shortages in terms of the network safety must be taken into account so that the contractual preparation (remonstrance) of regulating energy is already accepted as a use of the network. In any	N/A	EREGG remark: the general statements are mostly in line with the GGP-EBMI

<b>I-10. VEÖ Austria (Association of Austrian Electricity Companies)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		case, with critical network situations, regulating energy provisions are however allowed with precedence towards commercial energy provisions. A corresponding adjustment of the regulations in EU VO 1228/2003 here seems to be applied within an amendment.		
3.	Guidelines -	Market and pricing mechanisms should be developed both for the application of regulating energies and for the settlement with demand in such a way that the value of the service (service availability) finds the corresponding image in the market. Only through this can it be ensured that the price signals care both for corresponding availability and corresponding responsible scope with demand. This is particularly to be codified under "Imbalance arrangements and pricing". Corresponding price signals are the market-oriented stimuli both for bringing available capacities onto the market and to be able to transact long-term investments in systems. This is necessary to maintain the supply guarantee whereby this indeed is not so obvious in times of excessive capacities but gains greater significance in times of capacity shortages.	N/A	-
4.	Guidelines - Transparency	Transparency Criteria should be developed analogous to the wholesale markets and be implemented harmonised for the respective relevant market regions.	N/A	ERGEG remark: in line with the GGP-EBMI objectives

<b>I-10. VEÖ Austria (Association of Austrian Electricity Companies)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
5.	Guidelines – Balancing mechanism	Using a harmonisation of the products on the regulating energy market, which covers both the supply and demand side from balancing energies connected with equated supply times, the options here of arbitrage are preferably to be counteracted.	Y partly	ERGEG remark: Harmonisation of the products and pre-qualification procedures is a real issue that has to be tackled. At least it has to be taken into account when talking about balancing exchanges model as needs could differ.
6.	Guidelines – Options for integration	Another aspect concerns, at least, the medium-term retention of the regionalisation concept of balancing markets (regionalisation approach) in order to survive in the competition with central EU-wide active bidding platforms (integration approach), which (can) trade mainly large service units.	N	ERGEG remark: It is not the purpose of markets to support inefficient situations in order to “let somebody survive in the competition”. Nevertheless a step-by-step approach including regional developments could be applied for practical reasons.

<b>I-11. EBL (Norwegian Electricity Industry Association)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	The proposed guidelines are not to be regarded as mandatory rules but are meant as guidance in order to facilitate the development of more common rules for balancing handling. These guidelines will then form the basis for future binding rules within EU regulation. The proposed guidelines are therefore a first step in elaborating common rules for balance handling. We support such an approach.	N/A	EREG remark: in line with the GGP-EBMI objectives
2.	General	The most efficient vehicle for steering towards an efficient allocation of resources is competitive prices. However, prices for settlement and prices paid for ancillary services are in general, not comparable and not suitable for competition between European countries today, except for some similarities in the Nordic market. These differences are only to a limited extent due to transmission constraints. Lack of integration is the major reason. Integration of balancing markets is therefore the next major step for improving efficiency in the European electricity sector at large, not only concerning the procurement of manually activated power reserves, but ancillary services in general.	N/A	EREG remark: in line with the GGP-EBMI objectives
3.	General	There are several differences in the services required and the services available to TSOs across Europe, due to dissimilarities in the different systems. It is therefore not obvious that all balancing services can or should be harmonized. If a certain service	N/A	EREG remark: in line with the GGP-EBMI objectives



<b>I-11. EBL (Norwegian Electricity Industry Association)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		<p>in a certain area can not efficiently be settled in a market, e.g. because of only one potential supplier, it might be better to establish other solutions e.g. negotiated contracts. It is probably more important that the organisation of provision of ancillary services and the conditions for settlement of imbalances do not prevent new entries to the market or in other ways support concentration at the supply side in the day-ahead and forward markets. Some physical requirements and aspects of product definitions are clearly less important than others, but may have significant economic impacts. To our knowledge, some TSOs in Europe generally require that both AGC-resources and manually reserves must be physically controlled by the TSO and located inside the control area of the TSO. Resources on the other side of the borders will therefore not be qualified. This implies a lower competitive pressure for the resources located inside the control area. We believe that the cost of changing such rules would be much lower than the potential benefit from increased competitive pressure.</p>		
4.	General	<p>When elaborating common rules for balancing handling, it is in our opinion important to secure that correct incentives are given in order to secure well functioning markets and security of supply.</p>	N/A	<p>EREG remark: in line with the objectives of the GGP-EBMI</p>

<b>I-11. EBL (Norwegian Electricity Industry Association)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
5.	General	In our opinion, the proposed guidelines give a good introduction of the issues at hand and outline important principles that must be taken into consideration. We do however believe that the proposed guidelines are of such general character that they will not be very helpful in speeding up the process of establishing integrated balancing markets throughout Europe. In order to do so the guidelines must be further developed and specified in much greater detail, giving specific provisions on the particular rules to be followed by regulators, TSOs and market participants. In our point of view common rules for ancillary services are important, not only procurement of manually activated power reserves. We therefore urge ERGEG to follow up this important process with the future goal to make detailed guidelines and common rules for procurement of all ancillary services.	Y partly	ERGEG remark: accepting this remark partly means that ERGEG considers it important to deal with ancillary services appropriately and that it might be considered to develop further guidelines for the detailed and common rules for procurement of all ancillary services.
6.	General	To some extent, the differences may reflect different physical characteristics of the various systems and different needs and possibilities. On the other hand, the differences will most likely reflect different traditions and ways of doing things in the various countries. There is a general experience that it often would be possible, without major complications, to change the way of doing things and thus change the physical product definitions – if desirable from a technical and economical point of view.	N/A	-

<b>I-11. EBL (Norwegian Electricity Industry Association)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		Willingness to change is, however, not always abundant, hence the need for common European rules and regulation.		
7.	Principles and benefits	<p>From an economic perspective, it is possible to identify some best practice arrangements. The following bullet points are an attempt in that direction:</p> <ul style="list-style-type: none"> <li>- Participation should be voluntarily and open for both generation and load, if possible</li> <li>- All services should be paid services. Voluntarily supply might not always be feasible, but some form of payment is always possible. Mandatory and unpaid services might create unexpected negative incentives for (potential) investors.</li> <li>- Prices (payments) should be set in markets whenever feasible.</li> <li>- The period for the market and the definition of “one unit” in market transactions must be tailored to the actual service in question, the cost structure of providing the service, and the TSOs need for long-term security and predictability.</li> <li>- The market setup and remuneration should distinguish between availability and actual delivery.</li> <li>- The use of pay-as-bid auctions should be avoided. A fundamental fact in economic theory is that the optimal allocation of resources will result only if</li> </ul>	Y partly	EREG remark: specific bullet-points that are considered relevant for the GGP-EBMI will be integrated in the finalized version of the GGP-EBMI

<b>I-11. EBL (Norwegian Electricity Industry Association)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		all suppliers in a market bid according to their own marginal costs.		
8.	Principles and benefits	<p>From an economic perspective, some aspects of best practise can in our point of view be outlined:</p> <ul style="list-style-type: none"> <li>- Settlement systems should be tailored to minimise the societal costs of balancing the electricity system. Single imbalance pricing, where the price is determined as the marginal cost of balancing actions at the hand of the TSO is the only system that ensures socioeconomic correct price signals to the balance responsible parties.</li> <li>- While the use of several accounts hardly brings any benefits, it should be avoided. The costs for the system are based on the net imbalance volume for all accounts in the system, not the gross volumes.</li> <li>- Whether there exist (or is possible to find) an optimal frequency for settling accounts, e.g. 15, 30 or 60 minutes, is not clear. Presumably, it is more a pragmatic question about finding a practical compromise.</li> </ul>	Y partly	EREG remark: specific bullets that are considered relevant for the GGP-EBMI will be integrated in the finalized version of the GGP-EBMI-
9.	Guidelines – Balancing mechanisms	Technical performance is of utmost importance for electricity systems. Imposing higher standards than needed in the different systems would lead to unnecessary investments, increased costs and reduced efficiency. Thus, the standards implemented between each	N/A	EREG remark: this is an important remark, although not relevant for the GGP-EBMI it confirms the need for the common, European Security and Reliability Guidelines according to the Article 8 of the Regulation (EC) 1228/2003.

<b>I-11. EBL (Norwegian Electricity Industry Association)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		control area should be based on harmonised minimum standards. Currently standards for system operations are largely harmonised within UCTE, and within Nordel. Further harmonisation of technical standards for both system operation and requirements for participants in the markets for ancillary services should be carried out where appropriate.		
10.	Guidelines – Balancing mechanisms	If some TSOs prefer to employ a prequalification procedure, this can continue but need not necessarily be harmonised. However, such prequalification must be strictly objective, serve an obvious and well-understood purpose, and should not discriminate resources located in other control areas and create technical barriers to trade.	Y partly	ERGEG remark: the remark will be considered in the finalized version of the GGP-EBMI
11.	Guidelines – Balancing mechanisms	Equal requirements for participating in the markets for ancillary services can be important for efficiency, but is not necessarily a prerequisite for cross border markets to function. The major consequence of different participation is probably reduced liquidity and lost opportunities to improve efficiency.	N/A	-
12.	Guidelines – Balancing mechanisms	The TSO's requirements for participating focus on i.a. ramp-up and ramp-down rates, timescales, format and content of notice to deliver. Compatible requirements, which in our opinion are important to achieve integration, does not imply equal requirements, but that the various requirements	Y	ERGEG remark: will be emphasized in the finalized version of the GGP-EBMI.

<b>I-11. EBL (Norwegian Electricity Industry Association)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		do not conflict with each other. However, different requirements for the same type of services would lead to discrimination between the different markets participants supplying the same services.		
13.	Guidelines – Balancing mechanisms	Markets are always distorted if some participants are discriminated, positively or negatively. Distorted markets are inefficient. Thus, remuneration schemes for provision of ancillary services must be equally fair. Integration and harmonisation should lead to less use of pay-as-bid, in favour of increased use of market clearing price.	Y partly	EREGG remark: will be considered in the finalized version of the GGP-EBMI. However marginal pricing has serious drawbacks too (in regard to exercise of market power for example). The choice between marginal pricing and pay-as-bid is not so obvious
14.	Guidelines – Balancing mechanisms	Payment schemes should have one component for capacity and another for utilisation.	N	EREGG remark: Capacity payments might be useful in certain situations, but they cannot be considered as the only preferable approach.
15.	Guidelines – Balancing mechanisms	The criteria for selection of bids should preferably be equal. If the above recommendation of two level prices is followed, it follows from economic theory that the optimal selection criteria, in perfect markets, is to first select the bids with the lowest capacity payments (with due attention to location) and then, at the time of activation, among these bids, select those with the lowest activation (energy) price.	Y partly	EREGG remark: to be considered in cases where capacity payments exist.
16.	Guidelines – Balancing mechanisms	There should be a clear distinction between required location and minimum quantities for each control area, and how much each TSO should be responsible for purchasing. Organising single buyers in all areas is not	Y	EREGG remark: to be considered in the finalized version of the GGP-EBMI, whereas the specific issue of defining the quantities per control area must be analysed carefully.

<b>I-11. EBL (Norwegian Electricity Industry Association)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		automatically optimal. It would be preferable if each TSO could search the whole market for attractive resources. However, the minimum quantities that must be available within each area must be satisfied.		
17.	Guidelines – Balancing mechanisms	Currently, there is some capacity on some interconnections reserved for ancillary services. In an optimal market, the fraction of the capacity that should be used for ancillary services (where the rest is used for exchange settled e.g. in a day-ahead market) will not be constant, but varies depending on the differences between market prices in each area. If and exactly how this fraction should be settled is not clear. It is recommendable, if possible, to design a system where the two “purposes” compete and thereby optimise the use of the available transmission capacity. One should think more in the terms of market coupling, as indicated above. ERGEG states that a certain amount of capacity could be reserved for balancing purposes by the TSOs. Consistent with our view on optimal utilisation of transmission capacity, we would advise against such a practice.	Y partly	ERGEG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.
18.	Guidelines – Balancing mechanisms	Balancing markets can most likely be exposed to market power, exactly as the bulk markets are. The balancing markets and the systems for settlement of imbalances may play an important role in sustaining market power possibilities some players enjoy	N/A	ERGEG remark: in line with the objectives and position on market power in the GGP-EBMI

<b>I-11. EBL (Norwegian Electricity Industry Association)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		in the bulk markets today. Successful integration therefore calls for careful attention to the issues of market power, and a clear and expedite regulation to prevent exploitation of market power.		
19.	Guidelines – Balancing mechanisms	ERGEG lists further topics important for integration (Operation of balancing mechanism and market, and Regulation and governance). Topics covered here are a kind of a “super-TSO”, data exchange issues, cooperation between regulators, etc. We fully support the need for further scrutiny of these issues.	N/A	ERGEG remark: in line with the objective of the GGP-EBMI



<b>I-12. VDEW (Association of German Electricity Companies)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	Integration of balancing markets is an important cornerstone towards a functioning and competitive single European market for electricity. The draft GGP can serve as a good basis for further discussion, but lack a clear indication on the way forward.	N/A	-
2.	General	Integration of several other markets (term, spot and intra-day) should be given higher priority than balancing market integration at this stage. Based on this, liquid cross border intraday market have to implemented first to bring cross border balancing markets together.	Y	EREGG remark: intra-day markets are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.
3.	General	Draft EREGG guidelines are restricted to procurement of manually activated power reserves and exclude automatically activated reserves from the scope of the guidelines. In VDEWs opinion the automatically activated reserves also need to be included in the scope of the guidelines.	Y	EREGG remark: automatically activated reserves are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.

<b>I-13. VDN (Association of German Network Operators)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	As inquirers of balancing services the German TSO's are interested in the economic benefits of a growing balancing market but also like to point out the technical and operational constraints. There has to be an adequate balance between market-interest/ reducing costs and security of supply. Integration and harmonisation of balancing markets in all 25 EC-countries is an ambitious target. Country specific situations (design of power exchanges, intra-day markets on the one hand and technical differences (e.g. hydro-dominated generation)) influence the optimal design of specific balancing markets. The Guidelines should give a framework in consideration of country specific flexibility.	N/A	-
2.		VDN thinks it is necessary to clearly define the term "balancing power". We understand this term as the "procurement for the reservation of generation capacity for balancing purposes", but not as the procurement of the energy itself.	Y	ERGEG remark: this will be considered in the finalized GGP-EBMI
3.		In VDNs opinion a very important question is to clarify who the addressee of this guideline is. In any way the governments should be included, as it could be necessary to adjust or change national law.	N/A	ERGEG remark: All parties in the electricity market are in a certain way affected by balancing markets. Therefore the group of addressees is in general wide. On the other hand it is clear that each group has to fulfil its own tasks (e.g. TSOs to ensure operational

<b>I-13. VDN (Association of German Network Operators)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
				security and implement systems to run balancing markets, governments to set laws etc.).
4.	Principles and benefits	The imbalance pricing arrangements should be used to encourage balancing responsible parties to maximize their efforts to be in balance and minimize their costs. Balancing rules should be enhanced in that direction, because today's rules especially in Germany do not incentive optimal behaviour of balancing groups	N/A	EREGG remark: Imbalance pricing usually encourages actors to be balanced but must also lead to the whole integrated balancing market being balanced at the lowest cost.
5.	Principles and benefits	Prices for imbalances have to reflect the costs to the TSO of procuring the energy caused by imbalances are likely to be relatively high compared to the price which the generator might receive for production. This aspect should be clarified, as we would understand under "price which the generator might receive for production" market prices for long term products (e.g. year ahead).	Y	EREGG remark: clarification to be provided
6.	Principles and benefits	The costs of dealing with imbalances should follow a causation principle, so approaches of a fully distribution across all users is not preferable. A composition of socialisation and individualisation can be recommended. Imbalance arrangements should not only be simple and transparent, they also have to be fair according to the principle of causation. Balancing markets have to be adapted to the country specific	N/A	-

<b>I-13. VDN (Association of German Network Operators)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		markets.		
7.	Guidelines - Balancing mechanism	For the integration of balancing markets the harmonisation of products is essential. Following our understanding control area specific pre-qualification requirements are necessary when technical requirements have to be common in any participating control area (p.9 chapter 5). To avoid misunderstandings this statement has to be clarified. Harmonisation of technical requirements in different Member States would take much time and would delete country-specific flexibility. From single market-view (especially TSO-costs to procure balancing energy) it would be a great step forward when requirements for participating in the balancing market would be the same across all control areas. But still technical constraints (e.g. congestions) have to be taken into account. However each European control area has individual characteristics and each Member State has another legal framework. Therefore the harmonisation of requirements is an important but difficult task.	N/A	EREG remark: in line with the overall considerations in the GGP-EBMI
8.	Guidelines - Balancing mechanism	For the cross-border provision of balancing energy interconnector capacity must be available at any time. Balancing markets compete with wholesale markets for cross-border capacities and should allocate capacity to those who value it most,	Y	EREG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.

<b>I-13. VDN (Association of German Network Operators)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		irrespective of the purpose of the reserved capacity. The design should also make sure that no capacity remains unused or that cross border balancing is inhibited by clumsy procedures. Either the TSO has to allocate part of the capacity in advance to balancing markets or the providers have to purchase it by regular auction. This includes that generally there should not be a pre-defined, fixed capacity reservation of interconnection capacity for balancing but a flexible system, taking into account the cross border balancing reservation according to the results of the tendering process. Reserving capacity and leaving it unused if no cross border balancing reservation has been executed would impede wholesale markets including intra-day which are important to foster an integrated European market. The idea using cross-border capacities not nominated in the day-ahead market is not practicable.		
9.	Guidelines - Balancing mechanism	Payment of balancing participants should not only be based on delivering balancing energy (energy payment). Experiences show that an adequate hybrid payment (capacity and energy payments) increases bids and supports liquidity of balancing markets. Selection of bid should be based on capacity and energy.	N	ERGEG remark: Capacity payments might be useful in certain situations, but they cannot be considered as the only preferable approach.

<b>I-13. VDN (Association of German Network Operators)</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
10.	Guidelines - Transparency	On one hand the provision of market information in general is essential to guarantee a functioning market. On the other hand depending on the structure of the market some kind of information can lead to strategic bidding and therefore increasing prices at the disadvantage of all customers. These risks should carefully be analyzed in advance.	N	ERGEG remark: The transparency situation in many European markets seems to be “conservative”. Therefore ERGEG advocates for strong improvements regarding transparency. Furthermore, increased transparency helps the detection of, and hence discourages, anti-competitive behaviour.
11.	Guidelines - Transparency	Concerning the adduced table 1: “prices corresponding to global imbalance” and “information in the financial balance of the wholesale market” aren’t clear and have to be defined more in detail. “Market information on the type of balancing bids/offers” would not be necessary, following our interpretation/ understanding, when there is a tendering of standardized balancing products.	N/A	ERGEG remark: Possible open issues could be discussed with market participants within the framework of the Regional Initiative.

<b>I-14. Finnish Energy Industries</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	Finnish Energy Industries support the ultimate goal of creating integrated balancing markets in Europe. Balancing market is a key tool for TSOs to secure balance in electricity transmission system. We also see that integration of national balancing markets enhance security of supply and efficient use of balancing capacity.	N/A	-
2.	General	Market participants should be able to adjust their balance as close to real time as possible. This would minimize the need for balancing by TSOs. To achieve this existence of a well functioning intra-day market is essential. We wish that ERGEG would pay more attention to creating good conditions to enhance well functioning intra-day market.	Y	ERGEG remark: intra-day markets are closely related to manually activated reserve markets and need therefore to be considered in market design and integration in the future.
3.	Guidelines – Balancing mechanism	TSOs should firmly guarantee as high available transmission capacity as possible. Opportunity of using balancing market bids (also in neighbouring countries) in short term counter trading purposes gives a good tool for TSOs to maximise the commercially available transmission capacity in efficient and market based manner. Finnish Energy Industries see no need for any specific interconnection capacity reservation for balancing market needs. Interconnection capacity reservation would reduce available capacity for spot market and therefore weaken	Y, partly	ERGEG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.

<b>I-14. Finnish Energy Industries</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		functioning of electricity market.		
4.		ERGEG has presented three options for integration of balancing markets. Finnish Energy Industries support the latter option where market participants may enter the balancing market without need to acquire cross-border capacity separately. Finnish Energy Industries see no need for establishing a balancing market coordinating party.	N/A	



<b>I-15. TIWAG</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
1.	General	The main interest focuses on the possibility of market access for balancing products, which can only be guaranteed by wise procedures of capacity allocations. There are no arguments for discrimination of balancing markets in relation to other markets of energy products in respect to the allocation of transport capacities. Trade of balancing products has to be seen as commercial activity according to Regulation 1228/2003.	Y	EREGG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.
2.	Functioning of Balancing markets	Despite all efforts of market parties there will remain deviations between generation and demand in real time. Additional we call for attention for the deviations which are caused by the system as it works (e.g. ramped exchanges)	N/A	-
3.	Functioning of Balancing markets	Bids and offers of Balancing Power close to real time are bringing additional value if they are cost optimising additional offers. They are not able to be used instead of capacities made available by contracts for longer periods – and they can not represent the value given by these capacities for system stability.	N/A	-
4.	Functioning of Balancing markets	Instead of “Balancing mechanism” the term “Balancing activities” should be used. For Balancing should be included the time frame of the classical forward market which represents the secured procurement. This is important	N/A	EREGG remark: The existing generation capacities have proved to meet the demand on reserves. But existing generation units not participating yet could be encouraged by lowering

<b>I-15. TIWAG</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		to stabilise prices. The activities of “Balancing mechanism” should be undertaken by a neutral office.		entry barriers and possibilities to participate in adjacent markets. Moreover the statement presumes that TSOs might not act neutral. ERGEG thinks that all possible efforts should be made in order to have neutral TSOs. If dedicated tasks can be outsourced (e.g. for coordination between TSOs) that possibility can be evaluated.
5.	Principles and benefits	Deviations which are unavoidable by the system as it is established – and the respective costs – should be carried by socialisation via the grid fees. Clearly ascribable costs should be handled according the causation principle. Discrimination of e.g. generators within a control area – like established in Austria by the fee for system services – should be avoided.	Y	ERGEG remark: this could be one option for implementation (market design)
6.	Guidelines – options for integration	Procurement of balancing power by TSO should be enabled also with market player of other control areas and not only between TSOs.	N/A	ERGEG remark: in line with the objectives of GGP-EBMI
7.	Principles and benefits	Suppliers try to minimize risks of imbalance costs when operating outside the home market. To serve final customers as a supplier can be supported if the company has the possibility to act with its own generation assets in that area and minimise the costs of balancing energy.	N/A	ERGEG remark: in line with the objectives and position on market power in the GGP-EBMI
8.	Principles and benefits	Trade of balancing products has to be seen as commercial	N/A	ERGEG remark: Statement on acquisition of capacities

<b>I-15. TIWAG</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		activity. There exist best experiences and cooperation of hydro units in exchange for thermal base load. Cooperation based on this uses the comparative advantages of both and needs fixed transport capacities for balancing products and for base load delivery.		will be adapted in order to consider efficient use of capacity and market based allocation appropriately.
9.	Principles and benefits	Market rules shall be developed in a way that the resulting pricing – mainly for generation capacity availability –will lead as “market signal” to rational behaviour of market participants.	N/A	-
10.	Guidelines – Balancing mechanism	It is possible to contract as well Energy and Power (all kinds of balancing products). It is absolutely necessary that at the moment of contracting also the required transmission capacities are fixed. For balancing products the term use is also to be stated for pure power availability.	Y	ERGEG remark: Statement on acquisition of capacities will be adapted in order to consider efficient use of capacity and market based allocation appropriately.
11.	Guidelines – Balancing mechanism	In the sense of equal treatment TIWAG votes for using of the Market Clearing price. Any other procedure will introduce new disadvantages in competition because of better information of large market participants.	N/A	-
12.	Guidelines – Balancing mechanism	Costs of power availability have to be reflected also in the price building process, to reach the intended effects to guarantee system security and to stimulate investments by providing the market with the		ERGEG remark: Capacity payments might be useful in certain situations, but they cannot be considered as the only preferable approach.

<b>I-15. TIWAG</b>				
No	Chapter / section	Comment	Include (Yes/No)	Explanation
		required price signals.		
13.	Guidelines - Transparency	The demand of balancing power (as activated by TSOs shall be published close to operation hour. This enables market participants to react and support optimisation of the balancing market. This is important by possible information gain of large players by interpreting the activation of their offered reserves.	N/A	ERGEG remark: in line with the objectives and position on market power in the GGP-EBMI. The statement underlines that asymmetric information situations can exist and can result in unfair competition.