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Sent to

ERGEG

BY EMAIL

Your Ref.	Your Message dated	Our Ref.	Contact, DW	Vienna, 3rd August 2006
--			Martin OFNER, 500 email: m.ofner@veoe.at	

Re.: Guidelines of Good Practice for Electricity Balancing Markets Integration

Dear Sir/Madam,

With reference to the consultation on the "ERGEG Guidelines of Good Practice for Electricity Balancing Markets Integration", we would explicitly like to welcome the international opening of the regulating energy markets and allow us to pass on the following comments to the consultation paper on Guidelines of Good Practice for Electricity Balancing Markets Integration.

1. **Capacity reservation:** 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 ERGEG 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 in account that the contractual preparation (remonstrance) of regulating energy is already accepted as a use of the network.

In any 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.

2. **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.

3. **Transparency Criteria:** these should be developed analogous to the wholesale markets and be implemented harmonised for the respective relevant market regions.
4. **Product Harmonisation:** 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, here the options of arbitrage are preferably to be counteracted.
5. **Regionalisation:** another aspect concerns the, at least, 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.

We furthermore also want to point out our heavily interest of taking into consideration of what was especially mentioned in Point 1 above, since we consider this to be of crucial importance for the positioning of Austrian hydropower.

With best wishes

VERBAND DER ELEKTRIZITÄTSUNTERNEHMEN ÖSTERREICHS

[Austrian Association of Electricity Companies]

Martin OFNER

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