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MW/BW

**ERGEG consultation paper on guidelines of good practice for
electricity balancing market integration – REF: E05-ESO-06-08**

Dear Sir or Madam,

we welcome the opportunity to comment on the ERGEG consultation paper on guidelines of good practice for electricity balancing market integration.

The German Electricity Association (VDEW, Verband der Elektrizitätswirtschaft), represents more than 750 utilities (including most of the German energy trading companies) covering more than 90 per cent of the German electricity market.

The integration of intraday and balancing markets is certainly an important cornerstone towards a functioning and competitive single European market for electricity. Hence, we generally welcome that ERGEG has started a consultation process on the issues raised in their draft guidelines, which can serve as a good basis for further discussion. While important issues are addressed, we would like to point out that some further issues are not dealt with in the paper, especially regarding the general framework as well as the specific implementation of the addressed issues. The draft ERGEG guidelines lack a clear indication on the way forward.

We would like to point out that in order to achieve a single European electricity market, the integration of several other markets (term, spot and intraday) should be given a higher priority than balancing market integration at this stage.

Particularly, the further promotion of liquidity in the forward, day-ahead and intraday electricity markets will foster a process to

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promote reserve and balancing markets. Based on this, liquid cross border intraday markets have to be implemented first to bring cross border balancing markets together. Today, we can observe an increasing liquidity in the spot markets across the European wholesale markets but there is still a lack of liquidity in intraday trading as a basis for a balancing market integration. Therefore, the focus of regulators should now be on the further development and improvement of the functioning of intraday markets and the integration of these markets as the next step. Based on this process, regulators should then ensure that there is sufficient harmonisation between the European balancing markets, bringing these markets together. All in all, we advocate for a market-driven process.

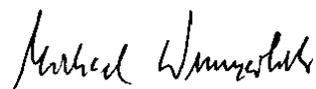
We note that the draft ERGEG guidelines are restricted to the procurement of manually activated power reserves by TSOs based on the services and products from market participants. Besides intraday markets, ERGEG explicitly excludes automatically activated power reserves (primary and secondary reserves) from the scope of the draft guidelines. However, in our opinion the automatically activated power reserves also need to be included into the scope of the guidelines.

Concerning the specific issues of the ERGEG consultation paper on guidelines of good practice for electricity balancing market integration, we strongly support the topics addressed by the Union of the Electricity Industry (EURELECTRIC).

We would very much appreciate if you could take our comments into consideration and would welcome to participate in any future discussions.

In case of any queries, please do not hesitate to contact Dr. Bernhard Walter (bernhard_walter@vdew.net; phone +49 30/726 147-470).

Yours sincerely



Dr. Michael Wunnerlich