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Ihr Zeichen

Ihre Nachricht vom

Unser Zeichen
TA/Sc

Bearbeiter, DW
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Wien, am
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ERI Convergence and Coherence Report
Draft Consultation Paper (Ref: E07-ERI-05-03)
Comment of the Austrian Electricity Sector (09/10/2007)

Dear Mrs. Fay Geitona,

we thank you for granting us the opportunity of commenting on the Consultation paper "ERI Convergence and Coherence Report" published by ERGEG and wish to provide the following information:

Ad pos. 6, 9 and 65:

Austria should be included in the regional Central West market. From a practical point of view, Austria has to be seen as a natural part of the Central West market, also nowadays.

Together with Germany, Austria constitutes such a cross-state market even today. Both countries together form a price zone, an important criterion – defined by the European Commission – for the functioning of the internal European electricity market. The Central West market disposes of the assets necessary for a market to work. Thus, there is one of the first combined grid operations in Europe between Austria and Germany (EU –CBT No. 1228/2003). As a result of the cooperation of the two countries in the energy sector over decades, there are no congestion regarding the cross-border transport connections. For Austria, Germany is the most important trading partner (in the electricity sector). Major German key players rely on Austrian pumped storage plants in order to ensure security of supply. Between both countries, the general conditions for the market liberalisation have been largely harmonised, and the French market model regarding the balance group system including balancing energy management was also established based on the experience gathered with the Austrian model.

In the strategy paper of the European Commission (Strategy paper "Medium term vision for the internal electricity market" 2004) Austria was – rightly so – part of the Central West

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group. It was only in the conclusions paper ("Creation of Regional Electricity Markets", 02/2006) prepared by ERGEG on the regional markets that Austria was included in the partial markets Central South and Central East – this came as a complete surprise to us.

The countries belonging to the regional Central West market (G, F, B, NL, LX) have now formed an initiative of its own accord - the "PENTALATERALE". Austria is invited to attend the forum. The Austrian policy and the Austrian regulator support and welcome this development.

Ad pos. 89:

Cross border balancing trade depends on the following success-factors:

- Parties being able and willing to bid (producers/consumers) and to open (TSOs, regulators, authorities) cross border balancing markets
- Subsidiarity
- Sufficient and harmonized market rules
- Sufficient technical framework (operational rules, etc. ...)
- A practical sharing of power packages should give also smaller producers the chance of balancing market participation and will improve market liquidity.
- Sufficient transmission capacity
- Coordination of gate closures (power exchanges, bidding platforms, cap. allocators)

It has to be analysed if it is also possible for foreign bidders (e.g. German ones) to take part also on Dutch, French, etc. ... markets.

In particular the polish reserve market does not exist yet, neither national nor cross border.

Currently there are no rules existing that allow cross border trade over control blocks. When arguing with producers in western part of Austria it has to be precised that this is in fact an inter-state-trade but also an intra-block-cross-border-reserve-trade. Moreover there is no exchange affected by lack of tie line capacities.

Ad pos. 90:

The subsidiarity principle and reciprocal access is already part of EU regulations and has been already a fact since the issue of regulation 96/92/EG.

Ad pos. 91:

As Austrian and German experience shows, the product definition of reserve product mainly depends on national tariff policy. It is a core question, how power costs can be transferred to marked participants.

Obviously, the most market relevant product definition is the one differing between capacity and energy, both relevant for production and consumption.

It will be one of the core questions to be solved by ERGEG how to make an exception for reserve products by defining allocation principles.

If system security has to be guaranteed by cross border reserve products in future,

- a) reserve capacity has to be allowed for transmission capacity allocation. There shall be no binding on the "use it or loose principle" for such products.
- b) Bidders of reserve products have to be responsible by themselves for transmission capacity allocation in the amount of their own bids.

Ad pos. 93 and 94:

Where ever it is possible, a maximum of flexibility and direct market access should be given to a new market system to be created. Direct contracting between buying and selling parties shall be the major goal (see fig. 1: Model 1). This shall be relevant for bidding and activation processes.

However: Within synchronous areas the TSO-TSO activation is important additionally and shall be considered as a reserve activation of last resort.

However, technical constraints – mainly DC-links between Scandinavia or GB or Ireland with the continent make the TSO-TSO-solution (See Fig. 2: Model 2) relevant in particular for automatic activated cross border reserve products.

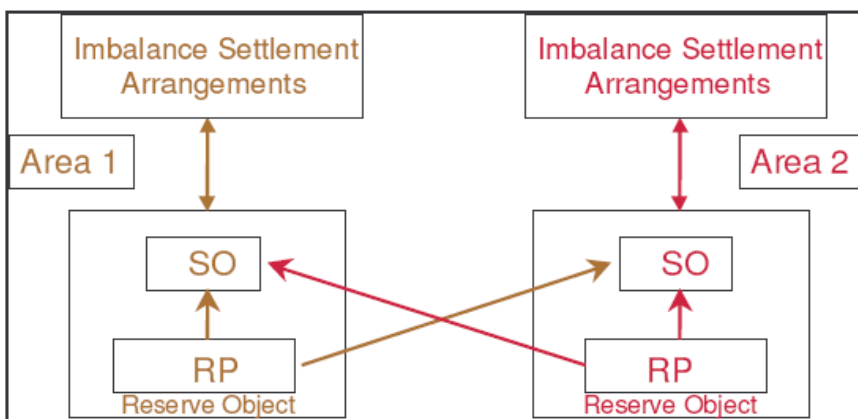


Figure 1: Contractual Arrangements for Trading Balancing Services Using Model 1

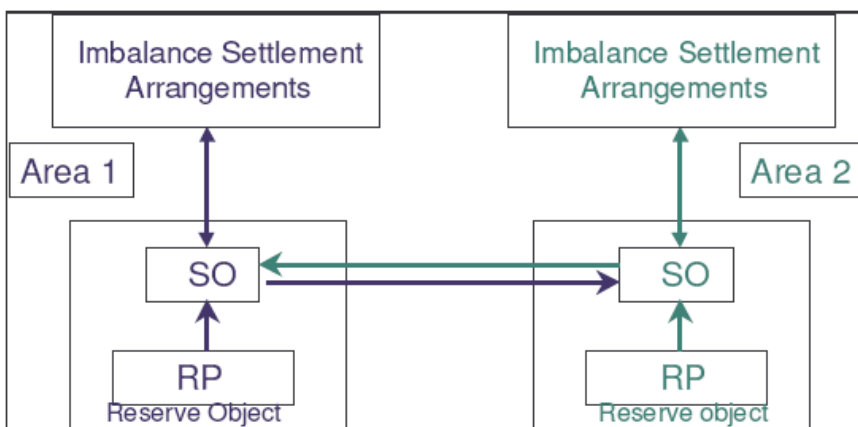


Figure 2: Contractual Arrangements for Trading Balancing Services Using Model 2

Bidding platforms

As it is an advantage for commercial trading to have a number of power exchanges available (different products, different gate closures to make bids after having failed on one market place, ...) it is also an advantage to have a number of bidding platforms for reserve-products.

Product definitions and business processes for bidding are very influenced by the imbalance settlement needs and the management of balance settlement responsible parties (security management, ...) .

Because of the complexity of the whole balancing system (bidding, activation, pricing, imbalance settlement, billing, ...) common international platforms for reserve product bidding, shall not be the main goal for the future.

Validation of physical fulfilment of reserve orders

It must be the responsibility of the connecting TSO (TSO with physical connection to the bidder's facility) to observe and validate continuously the physical fulfilment of reserve orders by the acquiring TSO. This basic problem is relevant for model 1 and model 2 as well.

Ad pos. 95:

Liberalisation of Nordic balancing markets should not be a leading example for the integration of central European balancing markets because

- a) NORDEL defines different products and procedures for system balancing
- b) Manually activated reserves are only a small part of existing reserves in the NORDEL system. Currently, only manually activated reserves are considered to be liberalised over the NOIS platform. Technically, it can not be understood why ERI argue, that a common bidding platform makes specific balancing efforts superfluous on interconnectors. As it is published in the NORDEL web-site in case of transmission problems the bidding and activation process may be reduced to the local control areas.

In addition we would like to note the following:

Ad pos. 131:

- Capacity calculation

Long term physical transmission rights are one possibility to reduce the risk for cross border business. Therefore, a long term capacity allocation should be available.

If a PTDF Model is used, the PTDF matrix should be published. The way how to calculate the PTDFs is in the responsibility of the concerned TSOs. If the PTDFs changes to often, the TSOs have to explain why the factors differs.

The PTDF model should be more accurate than the model of the NTC. By using the PTDF model we expect that the capacity for trading activity is closer to the real load flow and the reserve margin for loop flows can be reduced.

- Long and medium term capacity allocation

We would prefer to have only one auction office per region. All the procedures will be handles by one operator and the auction rules for all borders are similar. Harmonized auction rules make the cross border business easier und important to create a single market in Europe.

– Day ahead capacity allocation :

The advantage of the PTDF method is to get a more accurate model. In the PTDF model the difference between commercial flows and physical flows should be less. The NTC model is less accurate. The coexistence of a flow based and NTC based allocation makes no sense because this would reduce the advantage of the flow based allocation.

In the long run it makes more sense to have few power exchanges with a great number of market participants than to have in each area a power exchange with bad liquidity and only few participants.

There is a great need for harmonisation to realise the regional electricity market. The use of implicit auction emphasises this need.

“Volume coupling” is the first step to realise a implicit auction.

– Intra day :

Power exchanges should also be the platforms for commercial intraday products. On borders without congestions there should also be the possibility to do intraday trades without any platform. It's important that the service is non discriminatory and the service can be checked.

TSO's should make cross border intraday trading possible.

– Balancing

The harmonization of remuneration schemes for reserve products are not considered to be relevant as market drivers in a pan European sense
The harmonization of methods to determine the share of automatically and manually/schedule activated reserves are not considered to be a main market driving issue. This must be left to the operational principles of each TSO relating on the UCTE operational handbook.

However, markets shall be opened for both types of products.

Intraday trading products should be offered by power exchanges.

System balancing (bidding, pricing, activation, imbalance settlement and billing) is a close and complex system and completely different from commercial products and processes.

Therefore, these products have to be managed by different, independent institutions like the Austrian “Bilanzgruppenkoordinator”.

– Transparency :

A uniform, accorded and harmonised approach throughout all market participants and well coordinated rules and regulations within a price zone (of a regional market) are required.

There should be no national “going it alone” action regarding statutory and regulatory requirements, since this might be counterproductive for a fast development within the price zones and, under certain circumstances, discriminating for individual companies. An international harmonisation of definitions and of data collection as well as of the publication procedure has to be ensured.

All data must be made available to all market participants at identical conditions and be easily accessible.

All data and information published must be reviewed for their plausibility and always be published simultaneously.

It must be ensured that no liability claims of third parties (other market participants) may accrue for carefully prepared data and information.

All data and information within a price zone should be based on standard definitions and formats to the maximum possible extent and be harmonised across national borders, regulator areas and control areas.

data and information - based on a voluntary agreement and non-statutory obligation if possible - will be made available across a price zone and, in future, throughout Europe.

– Governance and regulation :

The owners of auction offices, should be market participant with commercial interests in the market. It seems to preferable if TSOs or public authorities are owner of auction offices.

With kind regards,

m. p. Dr. Barbara Schmidt
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