

European Regulators Group for Electricity and Gas (ERGEG)

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**Date:** August 02, 2006  
**Reference:** RZA/06070378  
**Subject:** Response APX to the ERGEG Guidelines of Good Practice for Electricity Balancing Markets Integration (ref: E05-ESO-06-08)

Dear Sir/Madam,

On 8 June 2006, ERGEG launched a public consultation on the Guidelines of Good Practice for Electricity Balancing Markets Integration (with reference E05-ESO-06-08). These Guidelines set out ERGEG's recommendations on the need and method for integrating electricity balancing markets. ERGEG has invited stakeholders to express their views on this subject. Below you will find APX' response to the Guidelines.

The balancing mechanism was mentioned earlier in the ERGEG's public consultation on Guidelines for Good Practice on Information Management and Transparency in Electricity Markets. This public consultation was launched on 15 March 2006 and APX already delivered input on this paper. There might be a possible overlap between both responses.

First of all, it is necessary that the market should do its work: market participants should be able to bring their position in balance as far as possible on market places. Market parties are responsible for balancing their positions. To enable them to act in accordance with this responsibility a liquid balancing market should be established. Currently, members have to rely on balancing regimes to close their position during the day. Therefore there should be a clear focus on the development of liquid balancing markets.

Both in the ‘Pentalateral Forum of energy ministers’ as in the ‘North Western European Market Parties Platform’ as in some other bodies, integration of electricity balancing markets was mentioned earlier. It is imperative for market development that, eventually, balancing markets are on equal footing in all Member States’ electricity markets. Having balancing market functioning on the same basis in each Member State of the European Union is a useful leg up to a single European electricity (balancing) market.

On the other hand, the need for integrating electricity balancing markets should not be at the expense of integrating the day-ahead market. The development of a well-organized day-ahead market coupling between the Member States of the European Union is at this moment a very high priority. As the traded volumes in the day-ahead market are much higher compared to the volumes in intra-day markets or balancing mechanisms; the integration of the day-ahead markets – through market coupling – will definitely be more important for the integration of the internal European market. This should be given priority.

Even the Scandinavian countries do not even have a common electricity balancing market and they have integrated their market the most. These Guidelines are a step forward towards an European electricity balancing market. Nevertheless, the aim with these Guidelines is ambitious and long-term.

At this moment it is far more important to get the full support from institutions in Europe and at a national level to start and develop an intra-day market and subsequently an intra-day market that allows to trade cross-border-capacity. This would already be a step towards the cooperation between the different European countries and their power exchanges.

As a final remark APX considers the given options on page 14 of the Guidelines not to be limited to the three options. The market is continuously changing and will only change more in the future, amongst others because of the market coupling and other market developments. In that respect new options could be added to the list, like intra-day markets organized by power exchanges.

As already stated, these Guidelines could be a step forward in starting a single European electricity market.

I hope to have informed you sufficiently. Should you have any questions, do not hesitate to contact Robbin Zandvliet at the following telephone number: 0031 20 305 4000.

Yours sincerely,

APX B.V.

Bert den Ouden

CEO