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Dear Mrs. Geitona

Draft Revised ERGEG Guidelines of Good Practice for Electricity Balancing Markets Integration

National Grid welcomes the opportunity to comment on the revised ERGEG Guidelines of Good Practice for Electricity Balancing Markets Integration.

National Grid owns and maintains the high-voltage electricity transmission system in England and Wales, together with operating the system across Great Britain (England, Wales and Scotland), balancing supply with demand on a minute by minute basis.

National Grid supports the comments made in the ETSO response to this consultation. The following should be considered as complementary comments to the ETSO response which are specific to our experience of operating an "island" system.

A: General comments

- ***Security.***

It is a key principle that cross-border exchanges of balancing services can only take place in so far as security in each control area is ensured. In addition to this, the certainty of availability of cross border balancing services for a period of time (which may extend over a number of hours) is considered important.

- ***Imbalance Settlement***

National Grid would highlight that effective balancing market integration requires effective market coupling with common imbalance settlement. This is required to avoid balancing responsible parties transferring imbalance exposure to the TSO with the lowest settlement costs.

- ***Reservation of interconnection capacity***

National Grid agrees with the general principle that interconnection capacity shall not normally be reserved for cross-border exchanges of balancing services. However, National Grid's operational experience of cross border balancing is that there are opportunities for economic procurement of balancing services that ultimately bring benefits to end consumers. The mechanism for allowing this to occur requires further discussion and debate.

- **Cross-border balancing models**

Certainty of cross border balancing services (as described earlier) can minimise costs and emissions. For example, securing cross border reserve for 2–3 hours could avoid the need to synchronise additional generation. Ultimately this requires the neighbouring TSO having confidence that it can provide the balancing service for the requested period while maintaining its own security. Information transfer between TSOs (about current and future system conditions) is important for effective and efficient cross border balancing models.

B: Specific comments

3. Benefits of efficient electricity balancing markets and their integration

On island systems where frequency control is more volatile, certainty of service availability is important in providing security. Therefore the ability to plan ahead to secure reserves becomes important for minimising balancing costs and emissions. We would like to see certainty of availability of cross border balancing services given more emphasis in the document.

8.0 Design of balancing markets (p.29)

“Balance responsible parties must have the right incentives to manage their own balance already on a day-ahead timescale, as the essential part of security studies relies on day ahead scheduling programmes.”

With increasing levels of intermittent wind generation, National Grid anticipate that in the future it will be more difficult for balancing responsible parties to balance at day ahead timescales due to the inherent error in wind forecasting. This may lead to increased within day activity by balance responsible parties which in turn will make the role of appropriate, responsive and efficient Intraday and Balancing arrangements ever more important closer to real time operational timescales.

9.2 Monitoring by regulators

National Grid agrees with appropriate monitoring by regulators and would suggest a common structure of information across all TSO's in order to allow a like for like comparison.

We hope that you will be able to take these comments into account in the future development of the Guidelines of Good Practice.

Yours sincerely,

Graeme Steele.