

Eurelectric reaction to ENTSO-E's ISHM assessment

EBSG – 28 October, Brussels

Why more harmonisation, beyond ISHM, will improve balancing market functioning



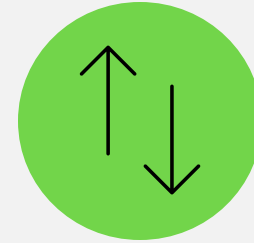
A common rulebook for market access

- ✓ BSPs competing cross-border should be subject to the same level of requirements.
- ✓ Conduct a comparative assessment of prequalification and ex-post verification rules.
- ✓ Establish harmonised principles for PQ at EU level.



Transparency of market inputs and outputs

- ✓ Lack of information on national balancing markets harms market integration.
- ✓ Better market participation requires harmonised and orderly publication of all relevant information.



Fair competition on wholesale markets

- ✓ Imbalance prices influence BRP activity on wholesale markets.
- ✓ Provide comparable incentives to BRPs competing on wholesale markets.
- ✓ Near-real-time publication of imbalance prices.

Conduct an assessment that fully considers imbalance settlement harmonisation potential



While it provides a good basis, the ENTSO-E and CL analysis is incomplete:

- Does not provide a sufficient basis to explain imbalance levels in different bidding zones,
- Lacks an assessment of possible distortions due to non-harmonisation (Art. 12 ISHM).



The analysis lacks sufficient evidence to reject further harmonisation:

- Relevant system characteristics (generation mix, congestion levels, market size) are not considered.
- Pro-active vs. reactive activation strategies, the continued reliance on specific balancing products, imbalance price formation, or BSP remuneration, all influence trading dynamics and incentives faced by BSPs/BRPs. Their relationships and interdependencies should be clarified.
- Incompatibility of a more harmonised imbalance pricing approach with different balancing philosophies has not been demonstrated.



The current “toolbox approach” is incompatible with a level playing field and further electricity market integration:

- Patchwork of rules disincentivises cross-border activity and leads to different incentives for BRPs to adjust trading positions on coupled markets.

Consider stakeholder views when aligning interpretations under ISHM

Different interpretations of the terms of the ISHM undermine its objective. Their alignment needs to consider stakeholder preferences and efficient market functioning.

- **Volumes considered for imbalance prices:** in dialogue with MPs, TSOs should swiftly work towards a way forward that aligns imbalance prices with the actual cost of balancing the system and ensures consistency.
- **Value of avoided activation (VoAA):** should not suppress genuine scarcity signals (e.g. Cap/floor approach).
- **Reliance on VoAA in limited circumstances:** requires (a) alignment of calculation principles, and (b) transparency on VoAA triggers (ex ante and in the event of activation).

Our proposal for imbalance settlement harmonisation

Eurelectric believes that a future framework for imbalance settlement harmonisation should work towards a **single imbalance price**, based on **balancing energy prices solely** and calculated as the **volume-weighted average of different balancing products**.

Single pricing

- Same imbalance price in case of system shortage and surplus.
- **Single pricing improves predictability** for BRPs.
- Only the current possibility of applying dual pricing under criteria in force should remain possible and, in any case, it should be regularly assessed in scope and time by the NRA.

Balancing energy prices

- The imbalance price should reflect **balancing energy prices only**.
- **Additional components only** where necessary to ensure TSO financial neutrality.

Volume-weighted average

- Prices of different standard/specific balancing products should be **weighted according to their proportion in balancing costs**.
- **Consistency in volumes considered is essential**: involvement in choice between either 'activated BE volumes' or 'satisfied BE demand' is essential.



Benefits of more harmonised imbalance pricing

- ✓ **Consistency of incentives for BRP balancing on spot markets.**
- ✓ **Better level playing field on the coupled markets.**

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