

Paris Session 2022



Paper 10350: Are Imbalance Price Incentives to Balance Responsible Parties effective in a system with higher volatile RES integration?

SC5: Electricity Markets and Regulation

PS2: Changes to markets and regulation to enhance reliability and resilience

Q4: Will a differentiation between the generation and consumption in imbalance settlement create incentives for BRPs to take actions for better balancing their systems?

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Group Discussion Meeting

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Discriminatory Imbalance Pricing not allowed in EU Regulations context:

- Self Dispatching Model (preferred model; imbalance based on trade schedules)
- Zonal markets (Bidding Zone = Imbalance Price Area)
 - Universal Balance Responsibility (no exemptions)
 - Uniform Imbalance Pricing per Imbalance Settlement Period of 15 minutes (single pricing preferred)
 - Imbalance prices *minimally* bounded by Balancing Energy prices
- The reductions of System Imbalance = TSO Balancing Energy Demand for Netherlands and Belgium occurred in this context

Effects of Discrimination between generation and consumption:

- Introducing Discriminatory Imbalance Pricing for generation and consumption would create:
 - administrative complexities and barriers for BRPs:
 - portfolio splitting
 - administrative complexities for TSOs:
 - batteries? or pure traders?
 - vRES vs. conventional generation?
 - Additional price differences between imbalance and balancing energy prices

Self Dispatching Model systems applying discriminatory Imbalance Pricing (Nordics) between generation (dual imbalance pricing) and consumption (single imbalance pricing) did so to *discourage* their large (hydro)-generators to deviate from their 1 hour schedules

Imbalance Price incentives are correlated with ISP length:

- Imbalance price spreads are considered to represent incentives to keep own balance/to support system imbalance
- ISP length dominant key to Imbalance Price incentives to be effectively reducing Balancing Energy Demand TSO
- We expect reductions of System Imbalance (= Balancing Energy Demand TSO) to occur in Nordics (and in Iberia) once 15 minute ISP is implemented there

