

European commission
DG TREN
B 1049 Brussels
Belgium



Social Welfare aspects of capacity reservation for trade of balancing services

The European Commission and ERGEG held a workshop regarding Cross-border Balancing Integration on May 15th 2009 in Brussels.

Important issues concerning balancing market design, transmission capacity allocation and reservation, and their impact on competition and social welfare are under discussion. EBL welcomes and supports the current development of a governance framework and several propositions for generic roadmaps that will lead to further market integration.

In our view the social welfare aspects are important and should be taken into consideration when developing these rules and regulatory framework for balancing markets integration and transmission capacity allocation and reservation. In order to shed light on these issues EBL engaged Frontier Economics to study aspects regarding social welfare of reserving interconnector capacity for trade in balancing products, the report is enclosed.

The Frontier report concludes that there is no conceptual justification for prohibiting reservation of interconnector capacity for balancing purposes. The study shows that reservation of capacity for balancing purposes can give substantial welfare gains, and that the common view that day ahead trade should take priority over balancing exchange will not lead to a welfare maximising outcome. We believe the impact on competition in the day ahead market will be small or negligible as only a small part of the total capacity would be needed for reservation.

On this basis we believe it is important that regulation and guidelines are developed in order to increase competition and social economic welfare by allowing reservation of capacity and trade in balancing and system services.

We hope our contribution can contribute in a positive way when forming the future regulation of balancing markets integration.

Please do not hesitate to contact us for any additional information concerning our work on the above mentioned issues.

Best regards,
EBL - Norwegian Electricity Industry Association

A handwritten signature in blue ink that reads 'Einar Westre'.

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Enclosure: Frontier Economics report “The economic welfare impacts of reserving interconnector capacity for trade in balancing products”

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