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Finnish Local Power Association's answer to ENTSO-E's open consultation: Cost Benefit Analysis for Imbalance Settlement Period Harmonisation

This paper represents the view of Finnish Local Power Association. Local Power Association's members are 45 local energy companies in Finland. Our member companies are DSOs, power and heat producers and suppliers, and have 0,5 million customers altogether (ca. 15% Finland's total). The association is registered in the EU Transparency Register (ID number 109601212076-63).

Some of the association's members have delivered their own contributions with more technical details. In this paper, we focus on the most urging issues in a more general level. Finnish Local Power Association also fully supports the consultation answer of Finnish Energy Industries.

Finland is a forerunner in smart metering

The current practices of imbalance settlement period diverge remarkably between EU Member States. The length of imbalance settlement period is different in Member States, and in most Member States load profiles are still applied to small consumers. For the moment, Finland is the only Member State where the balance settlement is on a large scale based on hourly metering (over 97% of points of consumption).

In accordance with EU objectives, Finland has installed smart meters in nearly all points of consumption. The cost of implementation of hourly registering meters on all 3,5 million locations has been between 600-900 million euros.

Negative effects: stranded costs and increased complexity for the customer

At this stage, the switch to quarter hourly balance settlement period would have negative effects on Finland for being a forerunner in the implementation of smart metering. The switch, if carried out through the whole chain of power generation and consumption, would entail remarkable costs for DSO's, electricity producers and energy market due to the changes required concerning meters, meter reading systems, meter data management systems etc.

As the Finnish Energy Industries has pointed out, the 15-minute metering resolution could be reconfigured to some of the meters, via a remote update, but most of the meters would need to be

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updated on the spot or even prematurely and entirely replaced.
Ultimately the end users would pay for the necessary changes via higher transmission, distribution and energy costs in their electricity bill.

The shared goal in the EU is to incentivize electricity users to limit their consumption during peak demand, when electricity price is high. In Finland we have seen positive development with increasing number of customers being sensitive to price signals as they are buying more and more electricity based on spot-pricing. From the customer point of view, electricity market could appear more complex if the trading is switched to quarter hourly consumption instead of hourly usage. Here the effect on customer behaviour is quite unclear. It is likely that demand response would be weakened if electricity market becomes too complex to follow.

Restricting to production balance and transition period needed

Local Power Association is not against further development of the European internal electricity market. However, at this point, switch to quarter hourly imbalance settlement period would entail unjustified costs in relation to expected benefits, especially if shorter settlement period was applied on both production balance and consumption balance. By applying shorter period only on production balance, much of these costs could be avoided.

In any case, it is important that the possible regulatory change is made with a sufficient transition period for Member States. If the shorter period would apply through the whole “value chain”, i.e. also on consumption balance, appropriate transition period would be 10 to 15 years in order to avoid the investments already made to wasted.

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