



## Comments to ACER's hearing of ENTSO-E's *Proposal for a Methodology for calculating the Value of Lost Load, the Cost of New Entry for generation, or demand response, and the Reliability Standard*

**Office/department**

Centre for Utilities and Supply

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### **Introduction**

ACER holds a consultation on ENTSO-Es *Proposal for a Methodology for calculating the Value of Lost Load, the Cost of New Entry for generation, or demand response, and the Reliability Standard in accordance with Article 23 of the Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (recast)* issued on 22 April 2020.

These are the comments from the Danish Energy Agency (DEA; Government body under the Ministry of Climate, Energy and Utilities).

### **Security of supply - a national competence**

In general, the DEA wishes to stress the fact that, while harmonized methodologies across Europe are very welcome, security of supply is a national competence and Member States should have the freedom to set their own desired level of security of supply as stated in *Regulation (EU) 2019/943*. In many Member States, the level of security of supply is a matter of significant political importance. As far as the security of supply target is a political matter, other aspects might be relevant to a Member State when setting a Reliability Standard than simply the CONE/VoLL-ratio.

### **On the VoLL methodology**

Regarding the VoLL methodology as described in article 6, the DEA believes it is positive that the use of different methodologies is encouraged. Though one aspect we question is that it is stated that the Direct Worth method for surveys should be used for the central estimate. It is also stated that the Direct Worth method should include at least the loss of leisure time, the loss of comfort (light, cooking, heating, ...). We believe that contingent valuation might be more appropriate for the estimation of VoLL, and should therefore be possible to use as the central estimate, but also that loss of leisure time and comfort fall more under the scope of contingent valuation methods. If the interpretation of the methodology proposal is such that the MS can choose to apply the contingent valuation method for the central VoLL estimate, we find it acceptable.

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**On the CTR criteria**

Regarding the CONE calculation, the criteria for a candidate Reference Technology, as described in article 10.3, significantly reduces the number of generation or DSR technologies that can be considered for the calculations. By our interpretation, it means that at the current level of technological advancement, the only new potential entrants in a Danish setting are wind turbines and solar PVs. Those technologies have low levels of De-rated Capacity in a Danish context. Other technologies are restricted politically or still not standard. We believe that in order to end up with an appropriate Reliability Standard for evaluating the need for a capacity mechanism, there should be room for considering technologies that could participate in a capacity mechanism.

The CORP expansion in annex 2 might to some extent mitigate this issue. Denmark could have to resort to this solution very quickly in order to find a meaningful Reliability Standard.