

Annex: ACER's considerations related to ENTSO-E's submission of Winter Outlook 2021/2022

Introduction

ENTSO-E carries out seasonal adequacy assessments to alert Member States and transmission system operators to risks related to the security of electricity supply that might occur in the following six months.¹

On 1 December 2021, ENTSO-E published its Winter Outlook 2021/2022² (the 'Outlook'). In it, ENTSO-E concluded that the current surge of gas prices in Europe should not pose adequacy risk under normal and severe weather conditions; and that overall, there is no risk to electricity security of supply this winter.

- 1) ACER broadly concurs with the results of the Outlook insofar as the high energy price environment likely do not have a direct impact on the short-term security of electricity supply, subject to adequate gas supplies during the winter season.
- 2) ACER observes that, as part of the common European risk-preparedness framework in the electricity sector, the Outlook effectively serves its purpose in detecting possible adequacy related problems for the winter season, complementing shorter-term regional and national assessments.
- 3) Finally, considering ACER's involvement: first in the approval and then in the implementation of the underlying methodology (i.e.: through prior opinions), an opinion on the Outlook would not bring significant new information.

As such, ACER does not intend to issue an opinion on the Outlook.³ However, given the importance of the seasonal assessments and considering the increased public attention, also triggered by the high energy price environment, ACER hereby shares with ENTSO-E and other stakeholders⁴ its considerations related to the Outlook.

1. The Outlook considers the impacts of the gas supply context

Europe's energy prices have reached unprecedented heights, drawing significant political attention at both national and EU level. ACER welcomes ENTSO-E's effort to consider the gas context in the Outlook.

ENTSO-E acknowledges that the current surge of prices on the gas market has an impact on

¹ Pursuant to Article 30(1)(m) and Article 32(2) of Regulation (EU) 2019/943, ENTSO-E shall carry out and adopt seasonal adequacy assessments, and submit them to ACER for an opinion.

² [Winter Outlook 2021/2022](#)

³ Pursuant to Article 4(3)(b) of Regulation (EU) 2019/942, ACER may provide opinions on ENTSO-E's seasonal adequacy assessments.

⁴ The content of this Annex will be available on ACER's website.

electricity prices in Europe. This is in line with ACER's preliminary view⁵ that gas prices have driven EU electricity wholesale prices in recent years to a significant extent.

On the other hand, the Outlook concludes that the high gas price environment should not pose adequacy risks for the power system under normal and severe weather conditions. Referring to ENTSO-G's Winter Supply Outlook 2021/2022⁶, ENTSO-E does not consider a risk of gas availability for this winter.

ACER concurs that high electricity prices, also driven by developments on the gas markets, do not necessarily directly translate into heightened electricity adequacy risk. However, this assessment is subject to adequate gas supplies to Europe. ACER has analysed in detail ENTSO-G's gas supply assessment and emphasized in its opinion, among others, the value in including additional scenarios based on expected gas supplies. (See more below in the grey box.)

Figure 1 ACER assessed ENTSO-G's gas supply outlook for this winter

ACER's considerations include:

- ACER identifies the existence of specific risk factors for the upcoming winter season, such as the uncertainty on the availability of additional volumes from major sources of gas imports going beyond the contracted volumes.
- ACER encourages ENTSO-G to consider using a complementary scenario based on expected gas supply and booked capacities in addition to the current scenarios based on historical values of gas supply.
- ACER calls on ENTSO-G and all actors with responsibilities related to gas supply continuity and price monitoring to remain vigilant for the upcoming winter in regards of those risk factors.

Read more: [Opinion on the ENTSO-G Winter Supply Outlook 2021/2022](#)

Given the interdependence of gas and electricity prices in Europe, ACER highlights that coordination between ENTSO-E and ENTSO-G - related to their respective seasonal adequacy assessments - increases the robustness of the results and helps to draw a consistent picture across the two sectors.

ACER notes that the data collection for the Outlook was closed two month before its publication⁷. In such a fast paced environment, the more up to date the model input is the better it can inform the final results. Thus, in the next assessment ENTSO-E may consider extending the data collection timeline while not impacting the publication date.

⁵ See [ACER's Preliminary Assessment of Europe's high energy prices and the current wholesale electricity market design](#)

⁶ [ENTSO-G Winter Supply Outlook 2021/2022](#)

⁷ [The information collected represents the best available data from August to September 2021.](#)

Finally, ACER concurs with ENTSO-E that the situation should be monitored closely by both gas and electricity TSOs as well as the ENTSOs, as adequacy risk may manifest in the event of prolonged gas supply route disruptions combined with severe weather conditions.

2. The Outlook works effectively within the short-term adequacy framework

The Outlook fits into a coordinated framework of short-term adequacy assessments working on different time and geographic scale. The seasonal outlook - delivered on a European level - complements assessments done on regional and national level up to week-ahead or day-ahead timeframes.

Late December 2021, after the publication of the Outlook, following an additional unplanned outage of 4.5 GW of nuclear capacity⁸, the French transmission system operator (RTE) re-assessed the short-term adequacy of the French power system and found that cold weather combined with low wind supply could strain supply margins during January and February 2022.

ENTSO-E updated its Outlook to give a view at pan-European level. The updated assessment⁹ broadly reconfirmed the findings of the initial Outlook, which already indicated limited adequacy risk for the same period. Compared with the initial Outlook, the additional nuclear outages slightly increased the probability of these adequacy issues. The new analysis also confirmed that the updated information for the French system had no anticipated adverse impact on neighbouring countries. On the contrary, neighbouring power systems had the capacity to support adequacy in the French power system.

ACER closely follows the European adequacy situation this winter and observes that due to the common framework of rules and coordinated procedures, the Outlook interacts and effectively complements regional and national short-term adequacy assessments with a European seasonal view.

3. The Outlook relies on a robust methodology

The Risk-Preparedness Regulation laid down requirements for preventing, preparing for and managing electricity crises. These requirements include the development of a methodology¹⁰ for short-term and seasonal adequacy assessments ('STSA methodology'¹¹). In March 2020, ACER approved this methodology developed by ENTSO-E.

To facilitate the implementation of the STSAA methodology, ACER issued opinions¹² on the subsequent ENTSO-E seasonal assessments. ACER's opinions, repeatedly found that these assessments were broadly consistent with the objectives of non-discrimination, effective

⁸ [Niveau de vigilance sur l'approvisionnement en électricité rehaussé pour le mois de janvier, mais conditions météorologiques favorables sur le début du mois à minima](#)

⁹ ENTSO-E shared its main results with the European Commission in a letter dated 10 January 2021

¹⁰ Article 8 of Regulation (EU) 2019/941 on risk-preparedness in the electricity sector

¹¹ ACER Decision 08/2020

¹² See ACER Opinion No 07/2021 on the ENTSO-E Summer Outlook 2021, ACER Opinion No 01/2021 on the ENTSO-E Winter Outlook 2020-2021, ACER Opinion No 07/2020 on the ENTSO-E Summer Outlook 2020. All ACER opinions on ENTSO-E's seasonal assessments are available on [ACER's website](#).

competition and efficient and secure functioning of the internal market for electricity. These opinions also suggested improvements.

ACER's comments and recommendations contributed to the evolution of ENTSO-E's seasonal assessments and fostered their compliance with the STSAA methodology. ACER, in its previous opinion¹³, took stock of the outstanding recommendations and suggested to complete the implementation of the STSAA methodology with the upcoming Summer Outlook 2022¹⁴. Consequently, ACER understands that ENTSO-E is aware of ACER's key expectations for the finalisation of the implementation of the STSAA methodology.

Conclusions

ACER is not tasked with, neither is in the position to repeat or replicate ENTSO-E's seasonal adequacy simulations. However, it agrees with ENTSO-E that a high price situation may not a priori imply electricity adequacy risk on a seasonal horizon. However, due to the interlinked nature of wholesale gas and electricity prices in Europe, it is important that ENTSO-E deepens the coordination with ENTSO-G to ensure that inputs and assumptions to the seasonal assessments are consistent and reflective of cross-sectoral impacts.

Exemplified by the interactions following the nuclear outages in France during December, ACER observes that the Outlook serves its purpose within the coordinated short-term adequacy framework. ACER recommends that these events are reflected in the Winter Review 2021/2022 published along with the next seasonal assessment. Such an ex-post comparison would give meaningful insight with respect to the completeness and accuracy of the ex-ante assessment.

The Outlook represents ENTSO-E's fourth seasonal adequacy assessment delivered based on the STSAA methodology. ACER has supported the implementation of the methodology by following up on the previous outlooks with subsequent opinions containing a set of recommendations. As outlined in its last opinion¹⁵, ACER expects that the next seasonal assessment (Summer Outlook 2022) will fully comply with the STSAA methodology.

ACER, in close coordination with ENTSO-E and national regulatory authorities, will continue to follow closely potential adequacy risks manifesting in the European electricity system.

¹³ ACER Opinion 07/2021

¹⁴ Because ENTSO-E failed to fully implement the STSAA methodology by March 2021, as required by this methodology.

¹⁵ ACER Opinion 07/2021