



Publishing date: 29/01/2013

Document title:

We appreciate your feedback



Please click on the icon to take a 5' online survey
and provide your feedback about this document

**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY
REGULATORS No 02/2013**

of 28 January 2013

**ON THE ENTSO-E
DRAFT ANNUAL WORK PROGRAMME 2012 THROUGH 2013**

THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

HAVING REGARD to Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators¹ (the Agency), and, in particular, Articles 6(3)(b) and 17(3) thereof;

HAVING REGARD to Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003², and, in particular, Article 9(2) thereof;

HAVING REGARD to the favourable opinion of the Agency's Board of Regulators of 25 January 2013, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

WHEREAS:

- (1) On 28 November 2012, the European Network of Transmission System Operators for Electricity (ENTSO-E), with reference to Article 9(2) of Regulation (EC) No 714/2009, submitted to the Agency for opinion its draft annual work programme 2012 to 2013 as approved by the ENTSO-E Assembly on 27 November 2012 (the WP), a summary of the consultation process and of the responses received (the Summary of Responses) and an appendix explaining how those responses have been taken into account (the Treatment of Submissions).
- (2) The Agency assessed the WP on the basis of the following main criteria: (i) the annual work programme's essentials as specified in Article 8(5) of Regulation (EC) No 714/2009, and (ii) the objectives set out in Article 6(3)(b) of Regulation (EC) No 713/2009 and Article 9(2) of Regulation (EC) No 714/2009. The Agency also took into account the tasks assigned by Regulation (EC) No 714/2009 to ENTSO-E,

¹OJ L 211, 14.8.2009, p.1

²OJ L 211, 14.8.2009, p.15

HAS ADOPTED THIS OPINION:

1. General remarks

The Agency considers that the WP is formally in line with the requirements of Article 8(5) of Regulation (EC) No 714/2009, as well as with the objectives of Article 6(3)(b) of Regulation (EC) No 713/2009 and Article 9(2) of Regulation (EC) No 714/2009: it contains a list and description of the network codes (the NCs) to be prepared, observations on the envisaged coordination of operation of the network, a plan on the research and development activities to be realised, and an indicative calendar of deliverables. Furthermore, the WP implies continued contribution to non-discrimination, effective competition, efficient and secure functioning of the market, as well as a sufficient level of cross-border interconnection open to third party access.

The scope of the WP involves an impressive workload, encompassing tasks required under the Third Energy Package (Third Package), as well as tasks envisaged by the forthcoming Energy Infrastructure Package, and in particular by the proposed Regulation on guidelines for trans-European energy infrastructure (TEN-E Regulation). Therefore, in the Agency's opinion, the success of ENTSO-E's mission will greatly involve balancing the level of detail for each activity and the cost of its implementation with the resources of ENTSO-E and of its transmission system operator (TSO) members.

Given this broad scope, the Agency appreciates that the WP focuses on high priority issues, like the network codes and the ten-year network development plan (the TYNDP). Nevertheless, it remains essential that an annual work programme provides appropriate information on all the deliverables defined in Article 8(5) of Regulation (EC) No 714/2009. In this respect, the Agency considers that the WP could elaborate further; in particular, the NCs section and the indicative calendar could have provided more details on each NC, including insight into the type of requirements to be developed, and on the overall set of deliverables prepared and activities carried out by ENTSO-E (for specific examples see section 2 below).

Regarding the extent to which the WP reflects the latest available information, it can be noted that in some cases the information provided does not include more recent developments. For instance, the WP states that the NC on Requirements for Generators (RfG) is to be submitted to the Agency by end June 2012 (WP p. 5), although it was actually submitted in mid-July and the Agency has already issued its opinion on this NC on 13 October 2012. Information which is not up to date could cause misunderstandings and should be avoided. The Agency is aware that there are inherent constraints on the accuracy of the WP, caused in part by the required public consultation and ENTSO-E Assembly approval processes. However, these processes should not exclude the appropriate revision and updating of the consulted and approved work programme where necessary.

Furthermore, the WP takes some issues for granted when in reality the situation is still unclear; for example the WP assumes that the NCs shall be adopted as annexes to Regulation (EC) No 714/2009 (WP p. 4), yet it is possible, and in fact likely, that they may result in separate regulations. Such unwarranted assumptions could cause misunderstandings and should be avoided.

2. Specific remarks

2.1 ad 2.1 WP “Introduction”

In the area of NCs, the WP indicates that a very significant part of ENTSO-E’s work remains to be delivered and highlights the strong need to effectively coordinate work between the various NCs.

The Agency fully agrees with this assessment; the various NCs must be coherent with one another in order to better realise the targets of the Third Package. The more transparent this coherence is, the easier it would be to understand the interrelations between the NCs. Thus, it would be appreciated if ENTSO-E could develop a “grand design paper” of the future European electric power system, also clarifying the interrelations between the different technical NCs.

The drafting work on NCs is fundamental. It has to ensure not only coherence between the NCs, but also warrant equitable treatment of all involved parties through sufficient details and criteria set in the NCs to ensure adequate harmonisation of methodologies applied in system operation and efficient, as well as effective, use of significant grid users’ capabilities. The drafting will also have a significant impact on whether an effective NC implementation monitoring is possible, on how NCs facilitate the implementation of the research and development plan, and in the end, on how NCs can contribute to the functioning of the Internal Energy Market.

2.2 ad 2.2 WP “The importance of stakeholder engagement”

The WP qualifies stakeholder engagement as a priority activity for ENTSO-E when developing NCs and announces the appointment of a Consultation Manager.

Such commitment to public consultation is strongly supported by the Agency. Transparent and effective involvement of stakeholders is indispensable for establishing sound NCs. It requires both involving stakeholders as early as possible and seeking a second feedback when the consulted proposal is changed substantially.

2.3 ad 2.3 WP “Connection related NCs”

For the NC RfG, the WP announces that in the final months of 2012 and in 2013, ENTSO-E will work closely with the Agency and the European Commission to promote a common understanding towards stakeholders, and especially the Comitology Committee, on the unique quality of the NC RfG for providing secure, sustainable and economic electricity to EU citizens.

Considering the Agency’s opinion on the draft NC RfG, which was issued in the meanwhile and which requests amendments from ENTSO-E, such cooperation with ENTSO-E will become even more valuable. Therefore, the Agency highly welcomes and appreciates such a clear commitment to cooperation.

2.4 ad 2.5 WP “System operations-related NC”

For the NC on Operational Procedures in Emergency, the WP indicates the start of the scoping work during 2013 and that this work will not have the same priority as the work on the three NCs which are currently being developed, i.e. on Operational Security, on Operational Planning and Scheduling, and on Load Frequency Control and Reserves.

While the finalisation of all these three NCs is indeed very important, it is equally crucial to progress substantially on the NC on Operational Procedures in Emergency. The NC on Operational Procedures in Emergency is interlinked with other NCs, mainly system operation-related, and is therefore essential for a comprehensive understanding of the respective interrelations and full assessment of the compliance with the relevant Framework Guidelines. Therefore, the Agency recommends that work on the NC on Operational Procedures in Emergency starts immediately after finalisation of the NC on Operational Security and should proceed beyond the scoping phase by the end of the period covered by the WP.

2.5 ad 2.6 WP “NC summary”

With regard to NC implementation monitoring, the WP foresees that the implementation monitoring system and processes, including an Implementation Monitoring IT-tool, will be fully operational by the end of 2013.

In this context, it should be noted that there are strong interdependences between the monitoring duties of ENTSO-E and those of the Agency. In the past ENTSO-E already sought coordination with the Agency in this area. Such coordination should be continued and intensified, both for the work on the set of data and indicators that will allow an efficient monitoring exercise and for the development of the relevant IT-tool.

2.6 ad 3.2 WP “Delivering further improvements in the 2014 TYNDP”

The WP identifies the TYNDP as the reference tool for driving policy and investment decisions in electricity infrastructure, and indicates the need to evolve it.

This is a very important conclusion, shared also by the Agency. It is fundamental that ENTSO-E continues to improve the TYNDP, including its data, scenarios, and methodology.

With a view to the forthcoming assessment of projects of common interest, the WP also anticipates the delivery of a cost-benefit-analysis (CBA) methodology by “Q1/2013” (as per the indicative calendar) and its full incorporation into the TYNDP in 2016.

The role of a sound and consistent CBA for infrastructure planning and decision making cannot be valued highly enough. In the Agency’s opinion, this entails also the following two implications for ENTSO-E’s planned CBA activities:

- First, as indicated in the Summary of Responses and the Treatment of Submissions, ENTSO-E should strive to achieve the maximum consistency between the TYNDP 2014 and the CBA methodology, and the TYNDP 2014 should incorporate as much of this

methodology as possible. Though the Agency would expect the development of the CBA methodology to take longer than the indicative date of “Q1/2013”, it still believes that the incorporation of the CBA methodology only in the TYNDP 2016 (as still indicated in the WP) is not appropriate and not in line with the forthcoming TEN-E Regulation.

- Second, there should be clarity with regard to the significance of CBA for the allocation of infrastructure costs. In the Summary of Responses, ENTSO-E agrees with one respondent’s comments on the role of CBA in the identification of benefits and allocation of costs of new infrastructures, sharing the view that an appropriate cost allocation principle is essential; however, the Agency sees that more detailed and substantiated evidence on this issue is necessary. ENTSO-E should therefore further investigate the role of CBA as an input for cross-border cost allocation.

The WP indicates an enhanced process for determining the inclusion of third party projects to be consulted upon early in the TYNDP 2014 process.

This is an important and welcomed plan for ensuring equal treatment of TSOs' and third party projects, as already emphasised by the Agency in its opinion on ENTSO-E’s TYNDP 2012. To implement this plan, a draft procedure for including third party projects has been launched by ENTSO-E. Yet, as it stands, neither the text of the WP nor its indicative calendar of deliverables takes note of this procedure. In order to duly reflect the relevance of such a procedure, the Agency would recommend its inclusion at least in the indicative calendar of deliverables.

2.7 ad 3.3 WP “System adequacy& outlook reports”

Among the system adequacy and outlook reports to be produced, the WP lists also the System Adequacy Retrospect.

This document contains highly relevant information for stakeholders, but has not been included in the indicative calendar of deliverables. To give due consideration to its importance, the System Adequacy Retrospect should therefore also be entered in the calendar. In addition, in its recent reply to the Agency’s opinion on ENTSO-E’s Summer Outlook Report 2012 and Winter Review 2011/2012, ENTSO-E explained that consolidated retrospect data on adequacy is published yearly in the Statistical Yearbook as well. Accordingly, this fact should be indicated in the text of the WP and in the indicative calendar of deliverables.

2.8 ad 3.5 WP “The challenges of financing infrastructure”

The WP plans to further tackle the challenges related to the financing of infrastructure through work towards binding Europe-wide rules on investment incentives, aiming at an appropriate regulatory framework for investors.

Infrastructure investments require a stable and clear regulatory framework. In this respect, Europe-wide harmonisation of the relevant rules could be a possible solution, but other approaches exist. There are examples of cross-border investments for which heterogeneous regulatory regimes do not appear to hamper investments. Thus, the existence of clear and

reliable regulatory regimes seems to be more important than a unified set of rules. Therefore, the Agency considers that ENTSO-E could more usefully focus on assessing the risks of different types of projects and the barriers found in practice, before proposing solutions.

2.9 ad 4.2 WP “Ensuring coordinated regional market development”

The WP rightly underlines the significant regional activities foreseen for 2013 to develop regional markets in line with the cross-regional roadmaps developed by the Agency and national regulatory authorities. The description of this intense work mentions three different market timeframes (day-ahead, intraday and balancing) and the flow-based allocation method.

In addition to this work, the Agency also expects developments in the long-term market timeframe in line with the related cross-regional roadmap, such as the drafting of a European set of allocation rules and the investigation of long-term related issues. The Agency therefore considers it important that ENTSO-E also engages in this work on the long-term timeframe and timely takes relevant preparations.

2.10 ad 6.4 WP “Power systems data, IT development and relationships across borders”

Regarding technical cooperation with third countries, the WP highlights that technical evaluation and synchronous trials will be continued with the Russian and Turkish system operators and probably also extended to Belarus.

These are significant initiatives towards ensuring operational security for EU electric power systems which are synchronously interconnected with Russia, Belarus and other countries of the IPS/UPS system, as well as with Turkey. However, synchronous interconnection of EU transmission systems exists also with most Energy Community Contracting Parties (Albania, Bosnia and Herzegovina, Croatia, FYR of Macedonia, UNM in Kosovo, Montenegro, Serbia), with the Western Ukraine system, Morocco, Algeria and Tunisia, as well as ENTSO-E members Norway and Switzerland. Furthermore, an ENTSO-E system extension project group “Ukraine/Moldova” has been set up and other non-EU countries are interested by at least one proposed electricity interconnection project of common interest: Egypt, Israel, and Libya. The Agency raises ENTSO-E’s attention to the fact that these countries should not be neglected when it comes to technical cooperation for operational security and for interconnection development. In addition, Article 8(3)(c) of Regulation (EC) No 714/2009 requires ENTSO-E to adopt recommendations relating to the coordination of technical cooperation between Community and third-country TSOs. To date, no such recommendations have been adopted and therefore work in this particular field should not be ignored.

Done at Ljubljana on 28 January 2013.

For the Agency:


Alberto Pototschnig
Director



Publishing date: 29/01/2013

Document title:

We appreciate your feedback



Please click on the icon to take a 5' online survey
and provide your feedback about this document