

Annex 7 – Reasons for the proposed amendments to the System Operation Regulation

Table of Contents

Annex 7 – Reasons for the proposed amendments to the System Operation Regulation	1
1. INTRODUCTION	2
2. GRID PREQUALIFICATION AND TEMPORARY LIMITS	2
3. DATA EXCHANGE BETWEEN SYSTEM OPERATORS AND BETWEEN SYSTEM OPERATORS AND SYSTEM USERS	2
4. INTEGRATION OF PROVISIONS FROM THE DC REGULATION RELATED TO DEMAND UNITS PROVIDING DEMAND RESPONSE SERVICES	3
5. TRANSITIONAL PROVISIONS FOR PREQUALIFICATION PROCESSES	4
6. AMENDMENTS FOR CONSISTENCY PURPOSES	4

1. INTRODUCTION

- (1) The proposed amendments to Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation, as amended by Commission Implementing Regulation (EU) 2021/280 of 22 February 2021 (hereinafter: the ‘**SO Regulation**’), directly result from the proposal for the establishment of the demand response network code (hereinafter: the ‘**DR NC**’) and the implementation of the relevant sections of the demand response framework guideline (hereinafter: the ‘**DR FG**’). More specifically, while the current structure of the SO Regulation remains, the proposed amendments aim to introduce new provisions on data exchange, to integrate certain provisions of Commission Regulation (EU) 2016/1388 of 17 August 2016 establishing a network code on demand connection (hereinafter: the ‘**DC Regulation**’) into the SO Regulation in accordance with paragraph 16.c of the DR FG and to align existing provisions of the SO Regulation with the proposed DR NC.
- (2) In this regard, the proposed amendments mainly aim to:
 - ensure that system operators have access to all necessary data to operate their systems;
 - integrate into the SO Regulation provisions related to technical requirements for demand units used by a demand facility or a closed distribution system to provide demand response services to system operators, that are removed from the DC Regulation;
 - align existing provisions of the SO Regulation with the proposed DR NC on grid prequalification and temporary limits; and
 - ensure consistency with the proposed DR NC.
- (3) The proposed amendments to the SO Regulation are assessed against the objectives of the network codes as set out in Article 59(2) and (4) of the Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity (‘Electricity Regulation’).

2. GRID PREQUALIFICATION AND TEMPORARY LIMITS

- (4) Article 182(4) and (5) of the SO Regulation includes provisions related to the rights of reserve connecting and intermediate distribution system operators (DSOs) to set limits to or exclude the delivery of active power reserves located in their distribution systems, during the prequalification process and before the activation of the reserves, based on technical reasons. Articles 58 and 59 of the proposed DR NC introduce provisions related to the rights of connecting and impacted system operators to set limits to or exclude the delivery of balancing or local services, to ensure secure operation of their systems. To ensure consistency between the SO Regulation and the DR NC, ACER proposes that paragraphs (4) and (5) of Article 182 of the SO Regulation are amended to include the impacted distribution system operators, as defined in the proposed DR NC (see ‘Annex 3a – Amended SO Regulation TC’).

3. DATA EXCHANGE BETWEEN SYSTEM OPERATORS AND BETWEEN SYSTEM OPERATORS AND SYSTEM USERS

- (5) According to Article 2(9) of the proposed DR NC, DSO observability area means the DSO’s own distribution system and parts of other system operators’ distribution and transmission systems, that the DSO requires information on to maintain secure operation of its own distribution system. Pursuant to Article 55 of the proposed DR NC, the DSO has the right to receive information related to its DSO observability area, for relevant parts of other system operators’ systems, necessary to

determine the condition of its own system, to solve congestion or voltage issues and to maintain its secure operation. Article 61 of the proposed DR NC further specifies this information and includes a reference to Article 40(10) of the SO Regulation.

- (6) Article 40(10) of the SO Regulation includes the right of a DSO with a connection point to a transmission system to receive relevant structural, scheduled and real-time information from the relevant transmission system operator (TSO). Article 51(2) of the SO Regulation includes the right of a DSO to obtain from a TSO the information available to the TSO pursuant to the relevant provisions of the SO Regulation, regarding significant power generating modules connected to the DSO system. ACER proposes to amend Articles 40(10) and 51(2) of the SO Regulation (see ‘Annex 3a – Amended SO Regulation TC’), to extend the right of DSOs to receive information beyond their connection points with other systems and in line with the DSO observability area and ensure alignment of the above provisions of the SO Regulation with the provisions introduced in the proposed DR NC in relation to data exchange between system operators.
- (7) The proposed Article 80(1), as reflected in the ENTSO-E and EU DSO Entity proposal for the DR NC, included requirements for distribution-connected demand facilities that are already included in the scope of the SO Regulation pursuant to Article 2(1) as significant grid users, to provide system operators with scheduled or baseline data on active power consumption and injection. As these data are additional to the data these system users are required to provide to system operators pursuant to Article 53 of the SO Regulation, ACER, for systematic and structural purposes, finds it beneficial that these additional requirements are moved and also integrated into Article 53 of the SO Regulation, with appropriate amendments to paragraphs (1) and (2) (see ‘Annex 3a – Amended SO Regulation TC’).

4. INTEGRATION OF PROVISIONS FROM THE DC REGULATION RELATED TO DEMAND UNITS PROVIDING DEMAND RESPONSE SERVICES

- (8) In Article 2(1) (Scope) of the SO Regulation, demand facilities, closed distribution systems and third parties providing demand response directly to the TSO in accordance with Article 27 of the DC Regulation, are included. The terms ‘demand response’ and ‘demand response services’ are used extensively in the SO Regulation, with reference to the services provided in accordance with Article 27 of the DC Regulation. Due to the removal of Article 27 from the DC Regulation as well as of all the provisions related to demand units providing demand response services, as recommended by ACER (see ‘Annex 8 – Reasons for the proposed amendments to the Demand Connection Regulation’), to ensure consistency of the SO Regulation, ACER recommends that the terms ‘demand response’ and ‘demand response services’ are replaced in the SO Regulation by the term ‘ancillary services and congestion management services’, which encompasses all demand response services referred to in Article 27 of the DC Regulation, or, where a particular demand response service is referred to, by the term used in the SO Regulation for the corresponding ancillary service, as appropriate (see ‘Annex 3a – Amended SO Regulation TC’). The proposed amendments encompass the provisions of Articles 2, 52, 53, 54, 81, 105, 107, 127 and 154 of the SO Regulation. ACER further proposes additional amendments to Article 156 of the SO Regulation, related to the removal of references to the relevant Articles of the DC Regulation.
- (9) As explained in paragraph (7) of ‘Annex 8 – Reasons for the proposed amendments to the Demand Connection Regulation’, ACER proposes that the requirements included in Articles 28 and 29 of the DC Regulation regarding frequency and voltage (points (a), (b) and (c) of Articles 28(2) and 29(2)) and regarding rate-of-change-of-frequency withstand capability (Article 28(2), point (k)), are removed and integrated into Articles 154, 158 and 161 of the SO Regulation. The proposed amendments to Articles 154(2) and 154(3) ensure that the requirements regarding frequency and

voltage, included in Article 12 (referred to in point (a) of Articles 28 (2) and 29 (2)), Article 13 (referred to in point (b) of Articles 28 (2) and 29 (2)) and in point (c) of Articles 28 (2) and 29(2) of the DC Regulation, are integrated, as appropriate, in the SO Regulation. The proposed introduction of paragraph (12) in Article 154 ensures that the requirements regarding rate-of-change-of-frequency withstand capability (Article 28 (2), point (k)) are integrated, as appropriate, in the SO Regulation. The proposed introduction of a reference to Articles 13 and 14 of Commission Regulation (EU) 2016/631 of 14 April 2016 for establishing a network code on requirements for grid connection of generators in Articles 154 (2) and 154 (3) ensures that the relevant ranges for power-generating modules are included for consistency with the reference to Articles 12 and 13 of the DC Regulation regarding relevant ranges for demand facilities. ACER's proposed amendments to Articles 158(3) and Article 161(3) ensure that the requirements integrated into Articles 154(2), 154(3) and 154(12), apply also to FRR and RR providing units and groups.

- (10) ACER proposes the introduction of paragraph (4) to Article 28 of the SO Regulation to ensure that the requirements included in Article 28(3) of the DC Regulation regarding voltage control with disconnection or reconnection of static compensation facilities are integrated, as appropriate, into the SO Regulation.
- (11) ACER proposes the introduction of paragraph (3) in Article 53 of the SO Regulation to ensure that the requirement included in point (a) of Article 32(6) of the DC Regulation, regarding the provision of locational information from distribution-connected demand facilities and closed distribution systems providing demand response services, is integrated as appropriate into the SO Regulation, as explained in paragraph (11) of 'Annex 8 – Reasons for the proposed amendments to the Demand Connection Regulation'.
- (12) ACER recommends the amendments to point (d) of Article 56(2) and to Article 57(1) of the SO Regulation to ensure that the provisions of Article 41(1) of the DC Regulation are integrated as appropriate into the SO Regulation, by extending the application of the operational testing performed by the transmission system operator in accordance with Article 56(1), to ensuring also the provision of congestion management services, as explained in paragraph (12) of 'Annex 8 – Reasons for the proposed amendments to the Demand Connection Regulation'.

5. TRANSITIONAL PROVISIONS FOR PREQUALIFICATION PROCESSES

- (13) In the newly introduced Article 191a, ACER proposes that the prequalification processes included in Article 155 (for FCR), Article 159 (for FRR) and Article 162 (for RR) of the SO Regulation should continue to apply for market-based procurement of reserves, for a transitional period of 12 months following the entry into force of the proposed DR NC to enable the establishment of the relevant processes based on the relevant provisions of the proposed DR NC.

6. AMENDMENTS FOR CONSISTENCY PURPOSES

- (14) Following the amendments proposed in paragraphs (4) to (13), ACER recommends changes to Articles 3 and 51 of the SO Regulation for consistency purposes with the proposed DR NC and changes to Article 3 of the SO Regulation to update references to the Electricity Regulation and to Directive (EU) 2019/944 of 5 June 2019 on common rules for the internal market for electricity and amending Directive 2012/27/EU and to include a reference to Commission Regulation (EU) 2017/2195 of 23 November 2017 on establishing a guideline on electricity balancing.