

**ACER Invitation to express views on
the Network Code on Load-Frequency
Control and Reserves**

Evaluation of responses

8 October 2013

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1 Introduction

On 28 June 2013, the Agency for the Cooperation of Energy Regulators (the 'Agency') received from ENTSO-E the Network Code on Load-Frequency Control and Reserves ('NC LFCR'), including its supporting document.

Pursuant to Article 6(7) of Regulation (EC) No 714/2009, the Agency had to provide a reasoned opinion on the NC LFCR within a period of three months. This opinion had to assess the compliance of the NC LFCR with the Framework Guidelines on Electricity System Operation adopted by the Agency on 2 December 2011¹.

In order to ensure transparency and involvement of stakeholders in the process, the Agency invited on 1 July 2013 all interested stakeholders to express in writing (LFCR_NC@acer.europa.eu) their views on the NC LFCR before 8 August 2013.

2 Responses

By 8 August 2013, the Agency received views from 14 stakeholders. Those views are published on the Agency's website².

The Agency recognises the diversity in nature of stakeholders' responses on the NC LFCR, including positions, requests and alternative proposals.

By inviting stakeholders to express views on the NC LFCR, the Agency aimed at informing the opinion drafting. The purpose of this document is to respond stakeholders on the main policy option issues taken in the development of the NCs and in particular in the NC LFCR. The Agency limited its answers to major concerns on the NC LFCR on which the NC LFCR supporting document was lacking clarity or details. Moreover, the Agency abstained from commenting mere statements of position from stakeholders or minor drafting issues. Where relevant, the Agency asked ENTSO-E to provide further explanations and/or justifications on detailed technical issues. Bilateral discussions were held with ENTSO-E and where relevant ENTSO-E provided written contributions. The latter can be understood as supplements to the NC LFCR supporting document. These further justifications are annexed to this document.

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http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Framework_Guidelines/FG%20on%20Electricity%20System%20Operation/FG-2011-E-003_02122011_Electricity%20System%20Operation.pdf

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http://www.acer.europa.eu/Media/Events/Invitation_to_the_expression_of_views_on_the_Network_Code_on_Load-Frequency_Control_and_Reserves/default.aspx?InstanceID=1

Respondents' views	ACER's view
<p>Several respondents raised views with regard to the regulatory regime of the NC LFCR.</p> <ol style="list-style-type: none"> 1. First, some respondents pointed out the absence of regulatory approvals of certain terms and conditions or actions necessary to ensure Operational Security to be developed pursuant to the NC LFCR, such as for instance the operational agreements under Chapter 2 of the NC LFCR. Few respondents questioned the wide margin of appreciation left TSOs for the establishment of terms and conditions or actions necessary to ensure Operational Security or the methodologies to establish them. 2. Some respondents raised the lack of transparency and of market consultation, especially of LFCR units' owners and generation technology manufacturer. The importance of consultation was particularly raised for mitigation measures. 3. A few respondents asked for the introduction of an appeal route in the NC LFCR, notably with regard to mitigation measures. 	<p>Partly agree.</p> <ol style="list-style-type: none"> 1. The regulatory regime provided in the NC LFCR is to be read in line with Directive 2009/72/EC and Regulation (EC) No 714/2009. Furthermore, Recitals (7) to (9) and Articles 4(1) to (4) of the NC LFCR, as amended by ENTSO-E's letter of 10 September 2013 clarifies that the NC LFCR does not preclude Member States from providing for the approval or fixing by national regulatory authorities of other relevant terms and conditions or actions necessary to ensure operational security other than the ones already provided in the NC LFCR. The NC LFCR ensures the transparency for all methodologies and system operation agreements, thus allowing NRAs to intervene, if needed. 2. The NC LFCR does not prevent the development of consultation provisions at the national level, such provisions being left by the NC LFCR to subsidiarity. 3. As to the provision of an appeal route in the NC LFCR, such route is already ensured by Directive 2009/72/EC. Specific provisions with regard to mitigation measures furthermore do not appear necessary as they are already subject to regulatory approval pursuant to the NC LFCR.
<p>Several respondents expressed their concerns with regard to (excessive) real-time monitoring or redundancy of requirement for real-time communication channels with the Network Code on Operational Security ('NC OS').</p>	<p>Agree.</p> <p>The provisions of the NC LFCR on real-time exchange of information may potentially appear excessive considering the provisions already introduced in the NC OS.</p> <p>The regulatory approval of the data exchange provisions in the NC OS, in line with the Agency's Opinion No 10/2013 of 28 May 2013 shall allow ensuring the necessary balance between the NC LFCR and the NC OS.</p> <p>In addition, the balance of real-time exchange provisions in the NC LFCR and NC OS is a subsidiarity issue, highly depending on the definition of Transmission System at the national level.</p>

Respondents' views	ACER's view
<p>Most of the respondents raised comments with regard to activation time for Frequency Containment Reserves ('FCR').</p> <ol style="list-style-type: none"> 1. The majority of respondents noted that the activation time of 30 minutes for FCR, pursuant to (Article 45(6) of the NC LFCR), deviates from current practice. Respondents argue that the change of the activation time for FCR to 30 minutes will imply extra costs and will limit the liquidity. Respondents accordingly proposed to limit the activation time for FCR to "not less than 15 minutes". 2. One respondent reported that the droop requirements were unfeasible for current FCR providers. 3. Yet another respondent questioned the time limit for recovery of energy reservoir, as well as, if the limit of 5% of the total FCR capacity shall stay the same for the generation and the demand. 	<p>Partly agree.</p> <ol style="list-style-type: none"> 1. Article 45(6), second paragraph, of the Network Code would be clearer if the words "FCR Providing Unit and FCR Providing Group" were replaced by the words "FCR Provider". Please also refer to the elaborated ENTSO-E feedback in "Explanation of FCR Energy Requirement for CE and NE as Defined in NC LFCR". 2. The comment on droop is unclear. 3. ENTSO-E emphasised that the requirements defined in the NC LFCR are designed to ensure an efficient and secure operation of load-frequency control. It is not appropriate to adapt them according to the needs of single customers (e.g. aluminium smelters). The limits are applied equal for both generation and demand. It is one of the key principles of the NC LFCR to have the same rules for all kind of Reserve Providing Units and to avoid any discrimination between technologies.
<p>One respondent questioned the Frequency Quality target criteria and parameters and made alternative proposals on the reference to identify significant degradation of frequency (75 mHz), as well as, on the maintaining of the UCTE reference Standard Frequency Range of 20 mHz.</p>	<p>Disagree.</p> <p>Please refer to the elaborated ENTSO-E feedback in "Frequency Quality Criteria".</p>
<p>Regarding the Frequency Restoration Reserves ('FRR') Dimensioning, one respondent asked TSOs to deliver technical justification when determining the ratio of automatic and manual FRR capacity.</p>	<p>Disagree.</p> <p>The FRR Dimensioning is part of the related methodology of Article 46(1) of the NC LFCR subject to NRA approval pursuant to Article 4(3)(i) of the NC LFCR.</p>
<p>Several respondents raised views with regard to balancing.</p> <ol style="list-style-type: none"> 1. With regard to FRR exchange, it was considered that rules for capacity reservation should be included. 2. Respondents highlighted that the TSO-TSO exchange model was prevailing in the NC LFCR and asked to take into account also the TSO BSP model and to allow TSO-BSP arrangements. 	<p>Disagree.</p> <p>The NC LFCR covers technical issues. Market related issues such as the rules for capacity reservation, and TSO-BSP arrangements, are part of the Network Code on Electricity Balancing ('NC EB').</p>

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One respondent asked to remove Chapter 10 on the Time Control Process.	Disagree. This was explicitly subject to ENTSO-E consultation and no feedback was provided at that time.
One respondent asked TSOs to publish an outlook of FCR and FRR activations and their individual contribution to reduce residual frequency deviations.	Disagree. It does not seem possible for TSOs to produce efficient and effective forecasts for FCR and FRR activations. Such forecasts could also lead to market distortions.
One respondent asked for the extension of some targets applicable to Great Britain to other Synchronous Areas.	Disagree. The harmonization is not the objective in itself, especially for this NC LFCR where the size of a Synchronous Area plays an important role.
A respondent proposed to introduce an escalation procedure in case of insufficient reserves. For significant quality breach, some info should be released by the TSO within a short time, i.e. 24 hours.	Agree. As the NC LFCR had to be developed under time constraints pursuant to Article 6 of Regulation (EC) No 714/2009, the escalation procedure can be introduced during the first revision of the NC LFCR.
One respondent stated that there is no definition of FCR.	Disagree. This must be misunderstanding, please refer to ENTSO-E's document " Standard Frequency Range "
<p>Several respondents commented the Imbalance Netting Process.</p> <ol style="list-style-type: none"> 1. The information on the Imbalance Netting Process (Article 65(3)) and the required FCR (Article 66(1)) and FRR (Article 67(4)) come too late for market participants. 2. Regarding the relevance to HVDC systems one respondent sought clarity in the notion "<i>Each TSO shall have the right to implement the Imbalance Netting Process...</i>" and with regard to availability of the technology. 	<p>Disagree.</p> <ol style="list-style-type: none"> 1. ENTSO-E explained that the transparency requirements in the NC LFC&R refer to technical aspects relevant for system operation and refer to TSO-TSO communication. All articles including the relevant time lines have to be understood in this sense. The transparency of the tendering requirements for market participants falls under the scope of the NC EB. 2. HVDC Operators cannot be compelled to implement Imbalance Netting if the

Respondents' views	ACER's view
	<p>technology is not available. It seems to be mainly a question of cost recovery, which is out of the scope of this NC LFCR.</p>
<p>With regard to “<i>Maximum combined effect of inherent frequency response insensitivity and possible intentional deadband</i>”, one stakeholder called for consistency between the NC LFCR and the Network Code for Requirements for Grid Connection Applicable to all Generators. Additionally, the FCR full activation frequency deviation for Ireland is unclear and terms not defined.</p>	<p>Disagree.</p> <p>Please refer to ENTSO-E document “FCR Deadband”.</p> <p>Furthermore, the FCR full activation frequency deviation is explained in Annex D of the Supporting Document.</p>
<p>One respondent raised the need to address the existence of several TSOs in one Member State.</p>	<p>Agree.</p> <p>The European Commission, ENTSO-E and ACER in the frame of finalising the Network Code on Capacity Allocation and Congestion Management ('NC CACM') are dealing with the issue of multiple TSOs in one Member State. The same solution should apply to all network codes to be developed pursuant to Article 6 of Regulation (EC) No 714/2009.</p>
<p>One respondent considered that DSO should have the right to set limits if the quality of supply or the security of Distribution Networks is endangered.</p>	<p>Disagree.</p> <p>ENTSO-E explained that the Article 68(5) already stipulates that the mentioned information need to be exchanged and agreed upon.</p>
<p>One respondent asked for a clearer definition of the Replacement Reserves ('RR').</p>	<p>Disagree.</p> <p>ENTSO-E explained that from the technical perspective only the Frequency Containment and Frequency Restoration Processes are absolutely necessary in order to achieve the required frequency quality. Although TSOs may rely on Replacement Reserves in order to support or replace FRR, the process itself is optional. Therefore, the NC LFCR leaves flexibility for NC EB to define requirements for the RR product(s).</p>

Annex 1 - ACER

The Agency for the Cooperation of Energy Regulators (ACER) is a European Union body established in 2010. ACER's mission is to assist National Regulatory Authorities in exercising, at Community level, the regulatory tasks that they perform in the Member States and, where necessary, to coordinate their action. The work of the ACER is structured according to a number of working groups, composed of ACER staff members and staff members of the national energy regulatory authorities. These working groups deal with different topics, according to their members' fields of expertise.

Annex 2 - List of Respondents

Organisation	Type
CEDEC, EDSO, EURELECTRIC, GEODE	Associations
Norsk hydro	Consumer
RWE	Energy company
VGB Powertech	Association
VIK	Association
BritNed	TSO
EDF	Energy company
EDF Energy	Energy company
EFET	Association
ENEL	Energy company
ESB	Energy company
EURELECTRIC	Association
EUTurbines	Association