

ACER
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Slovenia

Brussels, 8 August 2013

Subject: Comments to ENTSO-E Draft Load Frequency Control & Reserves Network Code (Version of 28 June 2013)

Dear Madam, dear Sir,

EURELECTRIC, the sector association representing the electricity industry at pan-European level, welcomes the opportunity to send comments on the Network Code on Load-Frequency Control and Reserves (NC LFCR) before ACER provides its reasoned opinion.

1. General comments

This code aims at establishing basic principles for cross-border trade of balancing reserves. We appreciate this intention, as it allows efficient allocation of balancing reserves in the European system. As mentioned in our response to the ENTSO-E consultation in April 2013, we believe that this code needs **to both facilitate and maintain the integrity of intraday electricity markets**. We believe that intraday markets can realize most of the expected gains from integration. This code should thus primarily **give incentives to TSOs to facilitate an efficient utilization of resources** by defining the technical standards that will allow the TSOs to ensure secure operation.

Having said that, we noticed that the NC LFCR still allows for **multiple circumstances where TSOs may unilaterally interfere in commercial decision making and in the market** for balancing energy and reserves. This is not acceptable or desirable in a code that is supposed to be facilitating and reinforcing the internal market. These sections - in particular open ended possibilities for TSOs to restrict ramping of generation plant (Art. 26-28), to introduce ill-defined “mitigation” measures (Art. 29) and for ad hoc intervention in the event of “exhaustion” (Art. 42) - should be either removed or alternatively revised to ensure that market participants are always compensated for such interventions. In particular:

- The restriction of export of balancing reserves between neighboring LFC-blocks (Art. 42 LFCR) is objectively irreproducible, as potentials are not fully used, i.e. as it creates inefficiencies. The purpose of this restriction should be explained and alternatives presented. If necessary, it might be sufficient not to categorically restrict exports, but to stipulate restrictions for well-defined, exceptional circumstances.
- Art. 29 should include consultation with stakeholders, and a route for appeal, in relation to recommendations and mitigation measures suggested by TSOs, to ensure there is no undue commercial impact on or discrimination against Providers.

Furthermore, the NC LFCR sets out a process for exchange of both balancing energy and of reserve based on the concept of TSO-TSO relationship. In the absence of a CMO based model (i.e. multilateral TSO-TSO model with common merit order list), we believe that the NC LFCR should further elaborate a simple TSO-BSP model which ensures consistency with the basic EU freedoms to exchange services across border. If we do not proceed like this, **there will be no incentive on TSOs to develop the CMO.**

We welcome increased regulatory oversight throughout the document, but believe that there should still be stronger and more coordinated regulatory oversight. **There are still too many areas where NRAs are not involved or where decisions are envisaged at national level.** In particular, it would be beneficial if this were extended to Art. 43.4 and Art 43.5. We also believe that there should be a route to appeal for those Reserve Provider excluded from participation by the TSO. Regulatory oversight is currently included, but the representation of Providers whose route to market has been removed – and who are therefore commercially impacted – should also be codified. (Articles affected: Art. 43.5, Art 44. 3, Art 47.4 and Art 49.4. Equally, reserve providers also need an appeal route and involvement in the process should they be excluded from participation by the DSO and/or TSO. NRAs should be able to ensure that system users will have adequate routes to appeal if they consider that they have been treated in a discriminatory way.

2. Key concern: time period for Frequency Containment Reserve full activation (Art. 45.6)

We would also like to raise your attention to one key concern we have with respect to ENTSO-E proposed Article 45 on FCR provision (. Art. 45.6 stipulates that *"For the Synchronous Area CE and NE, a FCR Providing Unit [...] shall be able to fully activate its FCR continuously for a time period of not less than 30 minutes and for an equivalent longer time period in case of Frequency Deviations smaller than the FCR Full Activation Frequency Deviation"*. However, in some countries the upholding of FCR full activation is currently required for a period not exceeding 15 minutes.

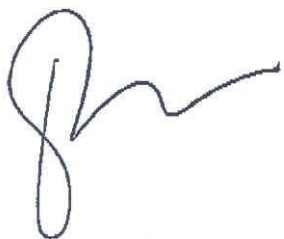
From a market perspective, we would like to point out that this level of requirement represent an over-specification of FCR product: indeed, FCR providing Units shall be able to fully activate their reserve until the activation of FRR, i.e. for a period of not less than the Time to Restore Frequency (15 minutes for CE). Such a proposal is consistent with the fact that FRR shall be designed to progressively replace the activated FCR, in line with the requirements defined in Network Code Requirements for Generators (Article 10.2.c.6).

It is important to outline that this **proposal of a '30 minutes' threshold sets new unnecessary requirements that are technically not possible and that will entail extra costs** both on the part of FCR providers and the overall system -since it will restrict the pool of potential FCR providing units-. Furthermore, this would **go counter ACER Framework Guidelines on Electricity Balancing** as such a standard would be **in breach of the Guidelines' objective to have a non-discriminatory reserve procurement** that *'is set to foster liquid balancing markets and avoid undue entry for new entrants'*. Last but not least, it would **negatively affect a major part of FCR providers** who are currently compliant with to-date FCR requirements and have **a knock-on effect on the functioning of the market**. Striving for gate closure closer to real time (15 minutes) with a 30 minute threshold leads to a systematic market intervention of TSOs.

Those comments have already been raised to ENTSO-E during the public consultation process by EURELECTRIC and are sent to you in attachment for your convenience. Please note that specific DSO concerns will be addressed to you in a separate letter.

We do hope that such concerns could be taken into account before ACER provides its reasoned opinion on the code. Should you have any questions, please do not hesitate to contact Charlotte RENAUD (Advisor Markets Unit – crenaud@eurelectric.org) or Olga MIKHAILOVA (Advisor Markets Unit – omikhailova@eurelectric.org.)

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Hans ten BERGE', with a stylized, flowing script.

Hans ten BERGE
EURELECTRIC Secretary General

A handwritten signature in blue ink, appearing to be 'Juan Jose ALBA RIOS', with a stylized, flowing script.

Juan Jose ALBA RIOS
Chair of EURELECTRIC's Markets Committee