GDF SUEZ input to ACER on the LFCR network code.

GDF SUEZ welcomes the final version of the LFCR Network Code, published on the 28th of June 2013 and submitted now by ENTSO-E to ACER. GDF SUEZ has been an active and constructive participant in the consultation process that ENTSO-E has organized for this important Network Code. In particular, we also refer to our letter of 29 May 2013 addressed to ACER and to ENTSO-E at the end of the public ENTSO-E consultation process, hereto attached again for your convenience.

As a result of the consultation process, the Network Code as presented to ACER already contains important improvements over previous draft versions.

However, despite the numerous improvements, the Network Code still contains major issues that should merit serious consideration before the Network Code enters comitology. We would like to stress the importance of addressing these issues, since a well-balanced technical code forms a critical precondition for a well-functioning balancing market, as illustrated by ENTSO-E in their supporting document (p.10). Before detailing the main issues, we would like to also take the opportunity for two observations regarding the process of finalizing the LFCR Network Code.

> **First,** since the last public consultation during February and March 2013, fundamental changes have been introduced to the Network Code. Almost all articles have been fundamentally rewritten, and no less than 18 new articles have been added in two major revisions of the Network Code. We welcome ENTSO-E's willingness to revise large parts of draft Network Codes based on new insights. But in our opinion, such wide-ranging changes – beyond mere clarifications and corrections – necessitate that the draft Network Code is submitted again to the stakeholders in a public consultation. This question has already been put before ENTSO-E in our response to the previous draft version (April, 18th 2013) and we would like to re-iterate it again, see also the letter we mentioned above.
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> **Second**, we welcome the decision to separate the market aspects – which are dealt with in the Electricity Balancing Network Code – from the technical aspects in the LFCR Network Code. Both Network Codes are, however, closely interlinked and should thus pass in common through the decision process of comitology. Since they represent a delicate balance, they should not be separately evaluated or decided upon.

Regarding the LFCR Network Code itself, we would like to bring forward six main topics that remain important points of contention to GDF SUEZ. These are also widely shared within the industry, as we have learned in several forums and workshops.

A first point is a **general lack of dialogue and transparency provided for by the Network Code**. The Network Code leaves a long list of important elements open to later decisions by the TSO in no less than 9 different types of agreements (Articles 10 to 18). None of these agreements are subject to a formal consultation process. Furthermore, the same lack of a public consultation of market parties is to be found in the NRA approval process in Article 4. The result is that market parties are effectively shut out from the development of the technical foundations on which the balancing markets will be based.

This also makes the Network Code a rather empty document, granting too much freedom to TSOs to define fundamental features without taking into account technical and economical requirements and limitations.

At the same time, notification and information dissemination by the TSOs are allowed deadlines that are too late for market participants to be of any practical use. GDF SUEZ agrees that the **Imbalance Netting Process** is a fast track to reduce balancing services. However, Article 40(1) provides for an implementation notification of only 3 months, while such implementation could affect commercial positions – taken by market players who would have already been contracted for FRR and RR services – for a duration that would exceed these 3 months. Additionally, the **information on the Imbalance Netting Process** (article 70(1)), the needed FCR (article 74(1)) and FRR (article 75(1)) comes too late for market participants to act upon. The information provisions should be adapted to the market terms where these services are contracted.

A second, related point is the fact that the LFCR Network Code leaves **unacceptable broad scope for arbitrary intervention** by TSOs in the commercial operations and property rights of market participants. Specifically, there are open-ended possibilities for TSOs to restrict ramping of generation plants (Art.26 to 28), ill-defined "mitigation" measures (Art.29) and the possibility of ad hoc intervention in the event of "exhaustion" (Art.42). Such arbitrary actions have no place in a network code that is supposed to form a stable and predictable foundation for competition and the internal market.

The third point is regarding NRA-approval. GDF SUEZ welcomes the fact that the different elements that require NRA-approval are listed in Article 4, giving a clear overview. At the same time, we regret the fact that the **Operational Agreements themselves are not subject to NRA-approval**, given their central importance in defining properties, methodologies, restrictions, responsibilities, procedures and requirements. We feel strongly that, in order to ensure balanced Operational Agreements, NRA-oversight – together with a consultation process – should be included.

Article 4 also needs to **clarify that NRA-approval is on a common basis**, at least on synchronous area level (Article 4(4)). Most of the frequency quality issues are linked to the synchronous area thus needing a common approach throughout the area.

A fourth point refers to the fact that FCR Providing Units or Groups with an energy reservoir have to be able to **fully activate its FCR continuously for a time period of not less than 30 minutes** (Article 45(6)). On our previous proposed amendment, arguing

that this requirement exceeds the connection requirement in the Requirement for Generators (RfG) Network Code, ENTSO-E provided 3 arguments to retain the 30 minutes:

> *1) possibility of a subsequent outage/imbalance;*
> *2) not sufficient activation of FRR within 15 minutes for whatever reason; and*
> *3) possible continuous activation of FCR prior to the outage due to a mean value of frequency deviation deviating from zero over a remarkable period of time (result can be some gradual exhaustion of storages); current observations of frequency as well as respective simulations support this requirement.*

In our view, these arguments do not justify such an arbitrary doubling of the current 15 minutes common in several markets, to 30 minutes. For example, the last two points deal with FRR characteristics and objectives that should not impact the requirements for FCR Providing Units. The observation of ENTSO-E that current observations and simulations support this requirement sounds hollow without any published results to substantiate this. A request made during the 4th ENTSO-e workshop on the LFCR Network Code (on May 7th) for a study on the additional risk that could represent a full FCR activation during 15 minutes instead of 30 minutes has similarly remained without any answer. Therefore, we again reiterate our request that at least derogation should be possible with regard to this requirement since it would honor current working practices and keep this additional source of balancing capacity on the market.

The fifth point is the fact that the LFCR Network Code in several instances extends the scope and tightens the requirements of the RfG Network Code. A first example is the requirement for FCR provided from an energy reservoir to be able to activate for minimum 30 minutes (Article 45(6)), mentioned in the previous comment, while the RfG Network Code only requires 15 minutes. Similarly, Article 44(3) gives TSOs the right to define additional requirements to those mentioned in the RfG code. Both articles ignore the fact that the **RfG Network Code is essentially set up for newly connected power plants**. The wording of the new drafting implies however that additional properties can be imposed on all power plants, in this way extending the scope of the RfG Network Code.

Another example is article 47(1)i, which provides that a FRR Providing Unit shall fulfill the ramp rate requirements of the LFC Block. This provision implies that the **ramp rates for different LFC Blocks can be different**, which could potentially be an additional requirement imposed on new power plants wanting to connect to the grid, thus again implicitly and stealthily extending the scope of the RfG code. We strongly oppose to these hidden, additional connection requirements.

The sixth and last major point of contention is the use of erroneous or vague expressions. In reference to the quality parameters under article 19(3) and Table 1, we would – as we did before – like to reiterate that a **quality requirement for the Standard Frequency Deviation is missing**. The argument used in the workshop of May, 7th (that the distribution of frequency is not “normal”) is in our eyes not an argument for not using a Standard Frequency Deviation. This statistical notion also exists for “skewed”

distributions and it remains an essential feature to express that “large tails” in the frequency deviation are not acceptable. We also believe that the definition of “Standard Frequency Deviation” in Article 2 is misleading, including the way it is used in Article 21(2)a.iv, as this wording does not conform to the generally accepted definition.

Article 45(5)a.iii creates **potential for divergence between markets** when it states that a FCR Providing Unit, becoming unavailable due to a forced outage, has to be replaced ‘*as soon as technically possible’* according to the conditions of the Reserve Connecting TSO. However, since this article is not listed under Article 4 (Regulatory Approval), the term ‘as soon as technically possible’ is open for different interpretations by different TSOs. Therefore, in order to avoid divergent interpretations in different markets, we would suggest that terms like ‘as soon as technically possible’ are replaced by more measurable terms or clearly and commonly defined by all TSOs and subject to regulatory scrutiny.

As similar problem with the term ‘as soon as possible’ can be observed in article 45(6)b.ii. For the Synchronous Areas where this provision applies, there is no regulatory approval needed, while the opposite is true for GB and IRE as stated under the article 45(6)b.i. Requirements of this kind should be harmonized between different Synchronous Areas through clearly defined terms.

We believe that, by addressing these six critical elements, the LFCR Network Code could provide a more solid technical foundation for the balancing market by better including the market parties, providing more transparency (both in information dissemination and unambiguous interpretation of the Network Code) and adequate regulatory oversight.

Our experts are, as always, available for further clarification and discussion, either bilaterally or through industry associations such as EURELECTRIC and EFET, which have similar concerns.

Attachment: GDF SUEZ letter of 29 May 2013 addressed to ACER and ENTSO-E