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**GDF SUEZ**

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Dear Sirs,

GDF SUEZ welcomes the updated version of the LFCR draft Network Code, published on the 30<sup>th</sup> of April 2013, which has improved considerably on several points compared to the consultation version of January, 17<sup>th</sup> 2013.

However, this update has introduced fundamental changes to the draft Network Code. Almost none of the articles have remained unaltered, and no less than ten articles have been added. In our opinion, such wide-ranging changes – beyond basic clarifications and corrections – necessitate that the draft Network Code is submitted again to all stakeholders.

We also 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, **but on condition that both Network Codes commonly pass through the decision process of comitology**. Both Network Codes represent a delicate balance and should thus not be evaluated or decided upon separately.

In the annex, we have outlined some elements in support of our view that an additional round of consultation and feedback is necessary to further improve the LFCR draft Network Code.

Our experts are available for further clarification and discussion, either bilaterally with ENTSO-E and ACER or through industry associations like EURELECTRIC and EFET, which have similar concerns.

Yours sincerely,

  
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## Annex A : GDF SUEZ main issues on the updated LFCR draft Network Code (version 30 April 2013)

We welcome the addition of article 4 regarding Regulatory Approval. However, the proposed article 4 does not provide confidence to market players as **market consultation is missing**. Additionally, there are apparently several topics not listed that should require regulatory approval. In annex B, we make a (not exhaustive) list of possible topics. Article 4 also needs to clarify whether the **approval is on a NRA common basis**, at least on synchronous area level. Most of the frequency quality issues are linked to the synchronous area thus needing a common approach throughout the area.

The **same concern for a lack of market consultation** is applicable to the different multi-TSO agreements under article 9 and 10. In addition, these articles also lack regulatory approval, although the content of these agreements affects services offered by market players.

More detailed, some of the methodologies in articles 9 and 10 refer to "procedures" (like in articles 44.3g, 45.3c, 50.4f, ..) that in the current drafting do not require either regulatory approval nor market consultation. This makes the Network Code a rather empty document, that grants too much freedom to TSOs to define essential features without taking into account market needs.

In particular, we would like to protest against article 11.6 b that allows a TSO to modify values of the Frequency Quality Defining Parameters based solely on an "investigation" of the impact on stakeholders. In order to avoid that such an investigation ends up as a one-sided process, the article should require that for such an essential modification a consultation with – instead of an investigation of – stakeholders would be organized prior to requesting regulatory approval, as provided for under article 4.4a.

GDF SUEZ agrees that the **Imbalance Netting Process** is a fast track to reduce balancing services. However, the implementation of this process is not fully transparent. Article 32 provides for an implementation notification of only 3 months, while this implementation will affect commercial positions – taken by market players when they are contracted for FRR and RR services – for a duration that would exceed these 3 months.

We also have questions about how precisely an Imbalance Netting Process can be made operational, especially when organized under the terms of article 31.5, where it is allowed that a TSO has the right to participate in more than one Imbalance Netting Process. We have additional concerns about the lack of a regulatory approval process in this case – notwithstanding that it is provided for in article 4 – considering that such a combined Imbalance Netting Process will affect the balancing results of three markets.

In reference to the quality parameters under article 11.3 and Table 1, we would – as we did in our web based comments to the 17 January consultation document version – like to reiterate that a **definition of Standard Frequency Deviation is missing**. The argument used in the workshop of May, 7<sup>th</sup> 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 newly introduced definition of "Standard Frequency Deviation" in article 2 of the updated version is misleading, including the way it is used in article 13.2a, iv), as this wording does not at all conform with the generally accepted definition.

Some arrangements relating to the use of shared or exchanged reserves are **subject to the fact that "Operational Security" should not be endangered**. Examples are articles 40.4b and 42.4. GDF SUEZ agrees with the principle. However, we believe that conditionality might become very constraining and difficult to verify in reality, resulting in discretionary powers by the TSOs on their usage. We fully understand that TSOs, from time to time, need to make quick operational decisions to safeguard operational security. However, we believe that **restrictions in exchanging or sharing of reserves should be reported and justified** in publicly available documents. This will create transparency on how many times operational security has limited the common usage of reserves (and thus has affected the outcome of balancing market prices). It will also allow an objective evaluation on whether these operational decisions were indeed appropriate and justifiable.

Similarly, article 42.5 states that the TSO shall verify that "its Reliability Margin is sufficient". This creates an additional constraint to the common usage of reserves and offers further discretion to the TSO. This should at least be complemented with regular reporting.

Although article 36.2 is subject to regulatory approval, it is important to realize that this article allows the formulation of additional properties with regards to the FCR, which is done by means of a set of technical parameters and within the capabilities described in the RfG Network Code. Similarly, article 36.3 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.

Article 37.5 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" be clearly and commonly defined by all TSOs and be subject to regulatory scrutiny.

As similar problem with the term "as soon as possible" can be observed in article 37.6b 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 37.6b i). Requirements of this kind should be harmonized between different Synchronous Areas.

In relation to article 37.6b, GDF SUEZ already proposed an amendment to the provision that FCR Providing Units shall be capable to fully activate FCR continuously for a time period of no less than 30 minutes, while this requirement exceeds the connection requirements in the RfG Network Code. The (oral) answer given by ENTSO-E in the workshop of 7 May 2013 (i.e. this is needed to cover potentially successive incidents) is in our opinion not satisfactory, since the provision in article 37.6b implicitly increases the requirements provided in the RfG code, **not only for new power plants, but also for existing ones**, at least if a generator wants to supply FCR services to the TSO. Therefore, we reiterate our request that a derogation should be possible with regard to this requirement.

Similar, article 39.1i 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 extending "silently" the scope of the RfG code. We strongly oppose to **this hidden additional connection requirements**.

We regret the fact that in many articles **internal links do not refer to the correct location**. Examples are the link to article 11.15 in article 4.3, the link to article 35.7 in article 35.3, the link to article 52.7 in article 33.5a, the link to article 35 in article 70. In article 41 treating RR requirements, some erratic references to FRR are made. These errors do not enhance the transparency of the draft Network Code.

In article 50.6 it is stated that the facilitation of Exchange and Sharing of Reserves between Synchronous Areas shall be organized on TSO-TSO arrangements, **thus excluding TSO-BSP arrangements**. In our view a TSO-BSP arrangement should not be excluded as long as a transitional arrangement is allowed for in another Network Code (Electricity Balancing).

GDF SUEZ believes that the **information** on the Imbalance Netting Process (article 65.3), the needed FCR (article 66.1) and FRR (article 67.4) comes too late for market participants to act upon, at least in those cases where parts of these services are contracted on a much earlier date than 30<sup>th</sup> of November or where in general the terms have to be known by the balancing providers much earlier than one or three months ahead. The information provisions should be adapted to the market terms where these services are contracted.

## **Annex B: non exhaustive examples where Regulatory Approval is missing or questionable**

Article 12.2: The TSO shall agree on setting the value of the Frequency Restoration Control Error Defining Parameter for each LFC Block of the Synchronous Area at least every year. This affects the quality of services to be delivered by FRR and FCR providers and should in our view thus be subject to market consultation and NRA approval.

Article 18: all TSOs of each Synchronous Area with more than one LFC Area shall define rules for the calculation of the Control Program for the Netted Area AC Position with a common Ramping Period for ACE calculation. These technical aspects do indeed have to be defined by TSOs, but because they affect services to be provided by FRR providers, and influence the outcome of balancing markets, they should also be subject to NRA scrutiny.

Article 19.1: all TSOs shall have the right to define restrictions for the Active Power output of HVDC Interconnectors between Synchronous Areas [...]. Here, as well, regulatory approval is missing, in particular because this article is very important in the debate of the "Allocation Constraints" used in the CACM Network Code, in this way affecting also the market outcome.

Article 20.1: TSO shall have the right to define common restrictions for the Active Power output of HVDC Interconnectors. Here, also, Regulatory Approval is necessary and currently missing in the draft Network Code.

Article 20.2: this article allows all TSOs of a LFC Block to apply measures to support the fulfillment of Frequency Restoration Control Error Target Parameter of the LFC Block. This should only be possible for TSOs when NRAs monitor the process, since it impacts the outcome of the market.

Article 50.2: The Cross-Synchronous Area Agreement mentioned in this article seems to escape Regulatory Approval. Additionally, the rules set in the multi-party agreement of article 50.4 are also without any Regulatory Approval, and formulated quite open-ended with regards to "procedures to ensure that the Exchange or Sharing Reserves does not lead to power flows in violation with Operational Security Limits" (50.4f).

GDF SUEZ agrees that TSOs need autonomy in operating the system, but this should not lead to a situation where – or requires that – rules and procedures are defined without transparency or regulatory approval .