



Dear Mrs. Fay Geitona  
EREG - European Regulators' Group for  
Electricity and Gas

Milano, 23<sup>rd</sup> September 2010

### **EDISON'S COMMENTS ON ERGEG PUBLIC CONSULTATION ON PILOT FRAMEWORK GUIDELINES ON ELECTRICITY GRID CONNECTION**

#### **WHO WE ARE**

Born in 1881, Edison is one of Europe's oldest energy companies. In 2009, it reported sales revenues of 8.867 mln €, and is carrying out an ambitious investment plan in the electricity and gas sectors. Edison had to diversify its business, when the national monopoly on electricity was established in Italy in 1963. Thanks to the first wave of EU Directives in 1996, it could re-focus its business on energy once again, this becoming the largest new entrant on the Italian market.

With 50,3 TWh produced in 2009, it is now Italy's second largest electricity generator. Thanks to 7.000 MW of new highly efficient and low emission plants (CCGT thermo plants, as well as hydro and wind power plants), the Company has now a total installed capacity of 12.500 MW. In the hydrocarbons business, Edison has an integrated presence in the natural gas chain, from production to importation, distribution and selling, with sales of 13.2 billion cubic meters in 2009.

In 2009 the new LNG terminal in Rovigo started to contribute to the diversification of Italy's supply sources with its regasification capacity of 8 bcm of natural gas a year, equal to 10% of Italy's demand for natural gas. The start up of Galsi and ITGI pipelines will further connect Italy to Algeria and Caspian Sea, two areas rich in hydrocarbons.



## **GENERAL REMARKS**

Edison welcomes the opportunity to answer to ERGEG public consultation on Pilot Framework Guidelines on Electricity Grid Connection. We believe that the harmonization of connection rules at a European level is a primary step in the integration process of the European internal electricity market, since it would contribute to guarantee safe operations in an increasingly meshed electricity network.

As correctly highlighted in the Impact Assessment document, each national system has developed its own specific technical requirements for generators requesting connection and for system operations. This has turned out to be particularly critical when it comes to coordinate the operations of different neighbouring systems, especially in disturbed operating states (e.g. in case of tripping from the system of generation and consumption units etc.). Furthermore, the increasing role of intermittent and distributed generation requires new arrangements for network connection and system operations in order to guarantee the safety of the system and a non discriminatory treatment of generators from renewable energy sources. In this context, TSOs should assume clear-cut responsibilities in the adaptation of their infrastructures and operations to the new connection provisions and new generation units. Thus, the new challenges related to system operation due to the increasing penetration of intermittent and distributed generation need to be separately addressed, though in a general way, in the Framework Guidelines and in the European network code.

Nevertheless, we agree with ERGEG statement on the importance of carefully evaluating the impact of the compliance to harmonized grid connection rules for the existing grid users. We think that market players who have already undertaken investments in the electricity sector should be duly safeguarded, by avoiding sudden and unexpected changes of clauses in connection contracts. For this reason, a careful Cost Benefit analysis and the definition of a transition period with tailor made exceptions for existing grid users are fundamental to pave the way to an effective process of market integration. This is greatly needed in order to ensure the maintenance of a reliable investment climate without any retroactive action which could deter investors' confidence.



## ANSWERS TO QUESTIONS

### **1. Are there additional major problem areas or further policy issues that should be addressed within the Grid Connection Framework Guideline?**

Edison believes that ERGEG Framework Guidelines already cover a wide range of issues related to grid connections and system operation both at cross-border and internal level (e.g. distributed generation, demand response). Therefore, the actual transposition of these FG in the ENTSO-E European network code should be properly evaluated before considering a further extension to other problem areas.

### **2. What timescale is needed to implement the provisions after the network code is adopted? Is 12 months appropriate or should it be shorter or longer?**

We believe that a 12 month timescale for the implementation of the network code provisions can be adequate only for new grid users requiring connection to the system. On the contrary, for existing users and market players who have already started the application procedure for a new connection, a 12 month implementation period is too short to guarantee an effective implementation of the new provisions.

Thus, we propose to introduce a clear distinction between new and existing grid users for the implementation of network codes. If new provisions are deemed to be applied to existing grid users after an accurate Cost Benefit analysis, a transitional period with specific exceptions should be defined before new rules are fully implemented. That is necessary in order not to jeopardize investments remuneration and confidence on market functioning.

### **3. Should harmonization of identified issues be across the EU or, perhaps as an interim, by synchronous area?**

We think that the harmonization of the identified issues should be as wide as possible, ideally throughout the whole EU territory. Nevertheless, for unavoidable technical reasons, harmonization can be initially implemented in synchronous areas, taking into account that all continental Europe, except Northern countries, can count on a synchronously interconnected system.



**4. Should the requirements apply to existing grid users? How should it be decided? To which existing users should the requirements apply? How should timelines for transitional periods be set? Who should bear any costs of compliance?**

The harmonization of technical requirements for grid connection is aimed at guaranteeing safe and coordinated system operations throughout the interconnected European grid. Therefore, all network users, new and existing, should ideally comply with the new rules in order for the new code to be effectively implemented.

Still, as previously claimed, the application of new provisions to existing users and users with ongoing connection procedures should follow an accurate Cost Benefit analysis. Moreover, a specific timescale for compliance of this kind of network users to the new rules should be clearly defined, by establishing a transitional period. Finally, the way to implement the new provisions of the network code and the definition of exceptions for existing users should depend on the size and the costs of the interventions required.

Since the benefits of the harmonization of grid connection procedures is widespread throughout the electricity system, we deem advisable to socialize the related costs through well designed network tariffs.

**5. The framework guideline identifies intermittent generation, distributed generation and responsive demand as requiring specific grid connection guidelines. Is it appropriate to target these different grid users? How should the requirements for intermittent generation, distributed generation and responsive demand differ from the minimum requirements? Is there a need for more detailed definition / differentiation of grid users?**

The increasing role of distributed and intermittent generation and responsive demand in the European energy markets places additional burdens to system operations (e.g. balancing, load frequency control, reconnection after tripping etc.). For this reason, together with a higher level of European grids integration, specific grid connections guidelines for this kind of users are much needed in order to address their specific operational problems. Nevertheless, we wish to highlight that the standards included in the European network code should be general and as close as possible to the minimum requirements, since a



higher level of detail (e.g. specific standards for different technologies) should be reached at national level.

We believe that this section of Framework Guidelines should be focused on disturbed operating states when current rules are often discriminatory towards generators from renewable energy sources and not capable of entirely guaranteeing the safety of the system.

**6. Is it necessary to be more specific regarding verification, compliance and reinforcement?**

We think that ERGEG Framework Guidelines are specific enough as regards verification, compliance and reinforcement. Furthermore, we wish to highlight that the definition of roles and responsibilities of different market players in monitoring the compliance to network codes should be defined at national level, while the European network code should provide only general guidelines.

**7. What are the key benefits and types of costs (possibly with quantification from your view) of compliance with these requirements?**

Being general framework guidelines, this document doesn't allow quantifying ex-ante the benefits and the costs related to new requirements. Nevertheless, we wish to reiterate that benefits are equally distributed throughout the system, thus costs should be socialized through network tariffs.

**8. How should significant generation and consumption units be defined?**

In our opinion a common definition of significant production and consumption units should be included in the European network code on Grid Connection in order to clearly define its scope of application. We believe that this definition should refer to national provisions on dispatching services and to the related TSOs technical needs. Therefore, we suggest that production or consumption units can be considered relevant if their programs of injection/withdrawal are significant for TSOs in forecasting their needs of ancillary services, taken into account the network transport capacity and units' nominal power.



The application of European network code provisions to smaller production and consumption units should be subject to a Cost Benefit analysis on commercial impact of these new rules.

**9. For what real-time information is it essential to improve provisioning between grid users and system operators? Do you envisage any problems such greater transparency? What are the costs (or types of costs) and benefits you would see associated with this?**

Real-time information exchange is of paramount importance to guarantee safe system operations, especially in case of disturbances. Therefore, we think that the higher level of coordination and information exchange between TSOs and DSOs provided for in these Framework Guidelines goes in the right direction, given the importance of network related information.

As far as generators are concerned, in many European countries real-time control systems are already in place, allowing both system operators and market players to have full visibility of programs of generation units. Thus, we think that particular attention should be paid at network code level in order not to impose additional burdens to generators when fully functioning transparency requirements already provide the necessary information.