

IBERDROLA response to ERGEG Consultation on the Draft Advice on the Community-wide ten-year electricity network development

Brussels 25th of February 2010

A. General remarks

The two main objectives in the Energy field at European level and for the next decade are possibly to fulfill the Green Package objectives and to truly complete a real Internal Energy Market. Both objectives are closely related and both will require a great effort from all European stakeholders. In order to pave the way forward, it will be necessary to have, on one hand, and from a strategic point of view, a clear picture of how the electricity sector will evolve, and on the other hand, and from a physical point of view, what infrastructures will need to be developed. Both issues are dealt with in the Ten Year Network Development Plan (TYNDP), since adequacy of supply will be analyzed, a set of coherent scenarios will be developed, and a plan for network expansion will be approved by the Regulatory Agencies.

Timing is a very important issue when objectives are so demanding as the ones we have. Unfortunately, network development has longer lead planning/construction times than the corresponding to most of the generation technologies that will be installed in the near future. Therefore, it is crucial to start working on the planning as soon as possible, and in this sense, IBERDROLA welcomes this very early ERGEG initiative to facilitate the elaboration of the TYNDPs by ENTSO-E.

It is important to point out a couple of general comments on the TYNDP as it is conceived and described in the document under consultation. First of all, the very nature of a “non binding” Plan. The planned infrastructures, either at a Community-wide or at a regional and national level, will be necessary to connect new facilities to the grid in order to guarantee the supply. In order to make a kind of “enforceable”, and consequently more reliable Plan, monitoring the implementation at the three levels of the three connected Plans (National, Regional, and European levels) will be a key element. Deviations in implementation from existing Plans should be justified and amended in the issuing of the next Plan.

Another issue of relevance is the recognition of the enormous difficulty that the development of this TYNDP will have. It will not be only the technical difficulty of the task, but even more difficult will be the coordination tasks that will be required by ENTSO-E. It will have to coordinate, at national levels, issues like objectives; criteria; outcomes; information provided; timing; etc. Furthermore, ENTSO-E is required to build a Community-wide Plan, and not simply add all the national Plans. This will require clear criteria, confrontation of opinions; coordination of different sources, etc.

IBERDROLA is optimistic and believes that the effort will be worthwhile and the result of this process will come out with the required and expected results. The role of the

Agency will be crucial to foster, control and orient the work, in order to provide with a clear picture of how the future European electricity market will be.

B. Questions for public consultation

1. The document presents the regulators' view on the planning process to achieve a non-binding Community-wide network development plan. Does this view contribute to the objectives set in the Section 2 and especially transparency of planning? What should be added / deleted within the planning process in this respect?

We in general agree with the view, but we have some considerations:

- We share the objective of building a European electricity market, and consequently, the objective of increasing cross-border trade. This increasing in cross-border trade will be accomplished by building new needed infrastructure, but there are also other actions to be taken to foster this trade. In particular, the objective of eliminating any restrictions to cross-border trading that cannot be justified should be included in the planning effort.
- Taking into account that the TYNDP will build on national and regional plans, and that the Agency will revise and make suggestions to all plans, the scope of the TYNDP will have to take into account those national plans, not in detail, but at least it should analyze objectives, criteria, main outcomes; and not to deal only with cross-border infrastructures stemming from the plans.
- We agree that financing and cost-sharing should be out of the scope of this document, but in order to make a reliable plan, all regulatory (or other type of) barriers that could put at risk the implementation of the Plan, should be identify and passed on to the NRAs and the Agency to take the proper actions.

2. The document describes the contents of the Community-wide network development plan. Does it reflect the topics needed for the plan? What should be added / deleted within the contents of the plan?

We think the document includes all the necessary provisions for the TYNDP. It may be worthwhile to point out that the European electricity systems will be confronted, in the near-medium term, with a dramatic change in the generation mix, because of the political will to orient the electricity generation towards a carbon neutral situation. The development of binding energy efficiency and energy saving programs; the introduction of big amounts of renewable and intermittent energy in the networks; will make the system to evolve to a different generation mix and a different utilization of plants from what we are used to. More capacity installed compared to the peak demand will be needed; flexibility in operation of the plants will have a bigger value than today; new forms and types of generation and storage will be developed; new management of the grids will be needed (mainly distribution grids, but also transport networks will have to develop accordingly).

3. *The document addresses European generation adequacy outlook. What should be added / deleted in this respect when ERGEG gives its advice?*

- On this issue, the comment on the necessity of analyzing the regulatory framework in place as well as the incentives for investment is valid. It has no sense to conclude that there will be enough generation capacity to meet the forecasted demand in a system if there is not a clear view that the corresponding investments will be carried out by some agents because the proper incentives are there. We have seen cases where the TSO makes an adequacy statement under the assumption that somebody will install a certain capacity but knowing that it will not happen because there is no economic incentive to make it.
- We fully agree with the idea that the TYNDP should include a coordinated European generation adequacy outlook and not a mere compilation of the national ones, but criteria to develop it will have to be clear since the basic information to elaborate it will necessarily come from national surveys.
- New wind farms (and also some other intermittent technologies) will represent a big proportion of the future energy mix. TSOs will have to explicitly consider the characteristics of these technologies when assessing the system adequacy, including how these new plants will get access to the networks.

4. *The document describes the topics (existing and decided infrastructure, identification of future bottlenecks in the network, identified investment projects, technical and economic description of the investment projects) for the assessment of resilience of the system. Is this description appropriate? Should it be changed and if so, how?*

Although we consider that most of the elements are included, we have some further considerations:

- Network reinforcements will have to pass technical and economic analysis to be included in the Plan, but we consider that the facilities, necessary to meet the 10% interconnection capacity target approved by the European Council, should be included as a minimum, and construction of these facilities should have priority and even be mandatory.
- The economic analysis will be a difficult task since it will imply to decide if a solution is appropriate or not, and it will be based on a number of considerations difficult to evaluate and to incorporate into the economic evaluation. In particular transparency is a must here, because issues such as security of supply; contribution to political targets such as Internal Market and Renewables penetration; consideration of generation costs in order to make a optimization exercise, and many others, will be crucial to promote a particular facility. The Agency, in collaboration with the NRAs will be responsible for the supervision of the assumptions and the transparency of the analysis.

5. The document sets out criteria for regulatory opinion. Are these criteria clear and unambiguous? If not, how they should be amended?

- The Regulatory opinion set out in the document considers all criteria that should be taken in the analysis. Nevertheless, we must insist that the non-binding characteristic of the Plans should require a more careful look from ACER and the National Regulators, in aspects related to: regulation in force in each country; economic incentives for building the facilities; authorization processes; justifications for not implementing existing Plans.
- Plans developed at the national level will consider a number of requests from the agents (generators and distributors), but probably not all of them are accepted. Regulators should consider the criteria applied by TSOs to reject requests in order to ensure a non-discriminatory treatment all throughout Europe.
- The possibility for the Agency to include recommendations to amend the national Plans will provide proper incentives to build coordinated national Plans that will ease the task to develop the Regional and the Community-wide Plans.

6. Compatibility between the national, regional and Community-wide ten-year network development plans shall be ensured. How can this compatibility be measured and evaluated? How may inconsistencies be identified?

Economic planning criteria. Coordination at the three levels requires sharing common criteria for evaluating planning decisions. In this sense, Regulators have to make sure that these criteria are well known, transparent, and it is applied at all three levels: national, regional, and Community-wide level.

Compatibility would be ensured if national grid developments do not create congestions on new cross-border interconnectors. National Plans should consider expanding the network to be sure there is no bottleneck that could create barriers to cross-border trade. A country should not solve internal congestions limiting interconnectors capacity.

7. The Agency monitors the implementation of the Community-wide ten-year network development plan. Are there any specific issues to be taken into account in monitoring besides those described in the document?

In general all relevant aspects are covered, including the obligation on the TSOs to prepare a monitoring report; obligation for providing reasons for deviations and inconsistencies; recommendations from the Agency to TSOs and NRAs to implement the investments according to the TYNDP; and finally, the monitoring of the national investments Plans by the NRAs and the reporting on these issues. The review from ACER is of great relevance, since it will be the guarantee of having a harmonized Plan, but the review from NRAs is also especially relevant since there has no sense to develop Community-wide Plans and Community-wide system adequacy if national

Plans are not implemented which in turn will make impossible to reach the European objectives.

Two valuable tools that are included in the Electricity Regulation (EC 714/2009) at the same level of requirement for ENTSO-E as the TYNDP (article 8.2.d and c) are the annual work program and the annual report. These two elements can be solid basis for a close and continuous monitoring of the implementation of the Plans. The three levels of Plans (national, regional and Community-wide) should be subject to these controls so that any deviation from the Plans can be rapidly detected and amended.