

**Comments of CEZ, a. s.
Regulatory aspects of the integration
of wind generation
in European electricity markets
CEER Public Consultation**

CEZ persons responsible	
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I. Introduction

CEZ, a. s. (hereinafter referred to as “CEZ”) welcomes the opportunity given by the CEER to all interested parties to comment the text containing Regulatory aspects of the integration of wind generation in European electricity markets within the Public Consultation process.

In this paper CEZ has expressed several comments to the problem.

II. Specific comments of CEZ

General remarks

It is about time to regulate wind sources (and electricity from renewables in general) more effectively in the sense that they would not jeopardise the reliable operation of the electricity system (not necessarily only in the member state in which the generation capacities are installed). At the end of November 2009 the extra generated wind electricity in northern Germany flowed to the Czech Republic and local TSO (CEPS) reached the limit of safe operation of the local transmission grid. Local electricity producers must have been asked to limit their production. Extra costs coming from such a situation have never been covered. Transmission system has not been constructed for such an operation mode and it will be the necessity of huge investments into the grids to adapt them for this new situation.

Question 1:

How will the expected growth in wind generation affect the markets in which you operate? What are the key challenges you foresee?

Answer:

See general remarks. The key challenge must be to get rid of such situations, i.e. to adapt the transmission grids and control systems to (unstable) renewable electricity producers at reasonable prices.

Question 2:

What are the implications for market rules? Can you identify changes which would better facilitate integration of wind generation, including management of intermittency?

Answer:

Market rules must be changed to become undiscriminatory to all participants. Renewables in general bring distortions to the (non-existing) integrated market and other stakeholders can feel themselves discriminated.

Question 3:

Would moving the market's gate-closure closer to real-time facilitate the deployment of wind generation? Would this have any adverse consequences on the functioning of the electricity power system?

Answer:

GCT is in fact administrative measure and can be relatively easily tackled.

Question 4:

Are emerging cross-border congestion management models compatible with wind generation? Should further attention or priority be given to intraday capacity allocation mechanisms and markets, in light of the issues associated with forecasting wind generation?

Answer:

See general remarks as to market distortions due to exaggerated supports.

Question 5:

Should wind generation be subject to the same balancing obligations and the same types of charges as other types of generation?

Answer:

Absolutely.

Question 6:

Should TSOs engage in research and development (R&D) to address issues associated with a large share of wind generation included in the network? If so, how should the regulatory framework require or support this?

Answer:

Yes. TSOs can contribute to proper solutions.

Question 7:

Should wind generators face the same types of network charges as other new generators, calculated using the same methodology? What is needed to provide a sufficient incentive for generation in choosing where to locate? What is needed to provide an appropriate balance of risk among market players? When should this not be the case?

Answer:

Non-discriminatory mechanism for all market players is necessary.

Question 8:

Broadly, what is the appropriate allocation of responsibilities, risk and cost among market players in developing new network infrastructure (e.g. ahead of or in response to new generation connections)? Should this be different for wind generation? Where is harmonisation required?

Answer:

Wind generation should not be exception in any way.

Question 9:

Do you agree that the “supergrid” issues for regulators identified in 5.1 are relevant? Is there anything else European regulators should be considering?

Answer:

See general remarks. „Supergrid“ with proper set of rules could contribute to solution. Investment costs and lack of time will be the key challenge.

Question 10:

Is the current ownership structure of the offshore lines or their regulatory framework a potential issue for the integration of offshore network? Are there other considerations affecting this ownership structure?

Answer:

There are no offshore networks in the Czech Republic. We have no remarks to this aspect.

Question 11:

Do you agree that the Regional Initiatives should be used to address the issues associated with the development of the regional projects? What challenges does this present?

Answer:

Yes. RI can be active in such developments, but also other stakeholders must be involved.

Question 12:

What other issues should European regulators consider in relation to the integration of wind generation?

Answer:

The main issue should be functioning of the European energy market in reasonable time horizon. We believe the European regulators to play a constructive role in the process.