E.ON proposals to amend

Draft Guidelines for Good Practice on Electricity Grid Connection and Access

The E.ON Group welcomes and appreciates the draft Guidelines for Good Practice on Electricity Grid Connection and Access (Ref.: E08-ENM-09-03).

Our amendments reflect the wish to promote an efficient internal market for electricity by applying market-acknowledged best practice. We furthermore want to stress the need to establish guidelines which are as precise and clear as possible. This will avoid later difficulties as regulators, TSOs and market participants will not need to interpret what could be meant by certain provisions.

Against the backdrop of the progressive evolution of the European electricity market, special attention should also be given to a harmonized approach for grid connection of all types of generation as new capacities will drive competition and price convergence across Europe.

Do you agree with the problems these GGP are trying to solve – are there other problems that should be addressed within grid connection and access not yet included in these guidelines?

In principle, we agree with the addressed issues but find them incomplete. Derived from our experience across Europe, we see the **grid connection process** and the differences how it is managed in several countries with major concern.

Identical processes and timelines are urgently needed to safeguard a level playing field for generation companies across Europe (e.g. number of weeks within which grid operators have to check connection request, execute security analysis and reply to applicant). This also relates to identical rules within each synchronous zone where differences of grid connection requirements are hardly or even not acceptable. We are also of the opinion to extend processes, timelines and rule settings as much as possible to renewable energy units which, according to our knowledge, face quite different frameworks for grid access across Europe. Exemptions might be only reasonable if technically justified.

An optimal outcome would be

- to define a precise process with clear deadlines and responsibilities of TSOs/DSOs and generation companies and
- obligatory minimum technical requirements for generation units including renewables to comply with indispensable security standards.

Minimum contractual arrangement should also be part of the GGP in a general way and later be covered by either the Framework Guidelines or the more detailed Codes.

Do these guidelines address the problem – will they lead to more transparent, effective and non-discriminatory grid connection and access?

These Guidelines will lead to a more transparent, effective and non-discriminatory grid connection and access if a time frame for grid connection approval will be included as stated under the first question.

Please outline your views on the description of the roles and responsibilities set out in Section 3.

As the European regulators are certainly aware, new generation capacities of all types are a central element to promote competition. E.ON will also contribute with several GW to it.

However, investors require a sound climate to initiate their projects which includes an appropriate estimation of the time to market for their new generation capacities. Within this time to market process the grid connection approval and construction period plays a pivotal role. In order to enable a level playing field across Europe and to attract as much investors in new generation as necessary, we strongly recommend to include a clear time frame in the Guidelines. This time frame should define when TSOs or DSOs shall deliver a proposition for grid connection according to 3.3.3 and 4.3.3.[1] However, in any case a timeline should not be based on the slowest practice in Europe. The paragraphs 3.3.3, 3.4.3 and 4.1.4 as proposed by ERGEG are too unspecific. They lack of the definition of a specific period within grid operators have to execute their security analysis and to deliver a proposition for grid connection. The timeline from the presentation of a proposition for grid connection onwards is sufficiently covered.

Therefore, we recommend two new paragraphs to insert after 3.3.2, respectively 4.3.2 such as:

3.3.3 new

"The TSOs shall make public on their homepages how the grid connection process is timely scheduled, and what role the grid requesting party and the respective grid operator has to fulfil at which point in time."

3.4.3 new

"The DSOs shall make public on their homepages how the grid connection process is timely scheduled, and what role the grid requesting party and the respective grid operator has to fulfil at which point in time."

Along the connection process, we also recommend to clearly state how the cost sharing between TSO/DSO and generator should be handled and that a legally binding connection agreement for a specific connection point should be agreed upon the parties concerned. In order to avoid 'blocking a connection point', such an agreement should specify a certain period of

[1] The German ordinance called Kraftwerksnetzanschlussverordnung (KraftNAV) requires TSOs to execute all measures to decide upon the request within few weeks. DSOs are obliged to contribute to this process if their network data are needed (http://www.gesetze-im-internet.de/kraftnav/index.html).

time until constructions have to start. Otherwise, the agreement should turn to be null and void.

Are the technical framework and general provisions for generation, consumption and DSOs relevant and practical? Is there anything else that should be included / excluded? (Sections 4 & 5).

Initially, we would like to highlight the importance of the explicit regulation that new technical requirements should only apply to new installations (4.2.1). It is exactly this kind of forward-looking understanding which qualifies, inter alia, to be a sound investment climate for new generation.

For paragraph 4.1.1 E.ON assumes that a general connection procedure is intended to be subject to regulator's approval and not an individual connection request. Therefore, a slight adjustment might be appropriate to better reflect regulator's practice and different national circumstances:

4.1.1 amended

"The connection procedures**, applicable to all generating units if not otherwise specified,** shall be elaborated and/or approved by the regulators as part of the terms and conditions for connection and access to the grid **after appropriate consideration of stakeholders' interests or proper formal consultation with stakeholders if reasonable**."

E.ON is concerned about some of the technical regulations as proposed by ERGEG. We are generally of the opinion that all services (e.g. black-start capability) that contribute to grid stability in a normal operating modus or after a disturbed modus should be subject to a bilaterally agreed or regulated services charge. This applies even more if an extra investment needs to be made to qualify the generation unit as black-start ready. The same is true for power system stabilizers (5.2.1.5) which request additional investments from the generators. Furthermore, we question whether really all significant generating units may need to be equipped with such a device or whether a smaller number in peripheral areas of a synchronous zone would be sufficient. Therefore, we ask for an adjustment in order to express clearly that:

- Any extra investment to the benefit of the grid should be bilaterally agreed upon TSO/DSO and the generating unit and financially remunerated.
- In case an agreement is not achievable, the regulator should establish rules for such an investment and define a method for remuneration.

Beside large generating units, E.ON also sees a Europe-wide trend for decentralised and customized generation close to industry parks or large consumer. Those units usually generate their output almost exclusively for one or for a very small number of customers. We advocate under those special circumstances some exemption from the principle grid connection rules which take into account the project specifics. It is hardly possible to consider all potential situations for customized generation in a single

paragraph. Therefore, we recommend to state separately for the purpose of TSOs and DSOs:

5.6 Exemption for distributed generation

5.6.1 new

"TSOs or DSOs shall agree with distributed generating units, which are installed to provide output to a single or a very small number of customers only, any exemption from grid connection rules in order to promote distributed generation."

How would the implementation of these GGP affect your business / market – what would the impacts be?

We assume that these Guidelines will form the major base for later framework guidelines and codes under the 3rd package regulations. When it comes to a practical implementation of these framework guidelines and codes throughout the next years and a grid connection process is defined precisely, it will help us to reduce uncertainty for our generation investment.

We note that respondents to the consultation on the Implementation of the 3rd Package asked for certain areas, such as priority access for renewables, to be dealt with be ERGEG GGP. Priority access has not been covered by these particular guidelines, however, regulators welcome further input on this and other relevant issues.

We strongly advocate identical rules for connecting all types of generation to transmission and distribution grid – of course subject to technical particularities.