

Position Statement

Draft Advice on the Community-wide Ten-year Electricity Network Development Plan, Ref: E09-ENM-16-03, 10 December 2009

February, 23rd 2010

The German Association of Energy and Water Industries (BDEW) represents the interests of its 1,800 members of the electricity, gas and water industries. In the energy sector, BDEW represents companies active in generation, trading, transmission, distribution and retail.

1 General Remarks

BDEW welcomes the opportunity to comment on ERGEG's public consultation paper on the future 10-year electricity network development plan as outlined in the 3rd Energy Package, and sees this plan as a contribution to foster and strengthen the European electricity market.

A 10-year electricity network development plan (TYNDP) could provide a useful source of information for investment planning purposes and therefore could facilitate the coordinated development of the asset base in an efficient and transparent way. The TYNDP may also identify network shortcomings, such as capacity gaps and bottlenecks requiring action, missing interconnectors and obstacles to a single European electricity market.

Most issues regarding the technical and operational part for the planning, implementation and monitoring process concerning the TYNDP are addressed. However, since it is a long term forecasting tool, it can not be binding in terms of demand and supply, because the political environment as well as the technology are subject to constant changes over time. Accordingly, this fact needs to be taken into consideration.

Furthermore, it has to be noted, that an advanced planning and investment process leads to additional costs. The Regulation (EC) 714/2009 gives indications on the cost recovery via grid tariffs. This issue is not yet addressed in the draft but it should be considered as a basic requirement to ensure a high quality especially for incentive regulation systems' "cost recovery".

2 Specific Remarks

2.1 Question 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?

The network development plan must notably show how the needs for grid usage are matched with the solutions of investment. We fully appreciate all measures which help to increase transparency of the network planning procedures nationally, regionally and Community-wide.

We want to point out that it is absolutely necessary that the process, the methodology, the data and the results achieved are transparent and comprehensible to all parties connected to the transmission grid or utilising it as a market platform (e.g. involvement of generators, DSOs, traders, consumers in order to reach the objectives of the network development plan).

The planning process proposed with the two complementary approaches seems to be appropriate to check the coherence of the network development plan. However, taken the number of envisaged consultation on different levels we recommend streamlining the process and focusing on two steps.

Top-down approach

BDEW confirms the need to address overall planning premises for TSOs' national or regional planning. Market integration being a core target of the TYNDP and the removal of physical bottlenecks should be the guideline and national TSOs 'just' decide where (nationally or cross-border) to build the most efficient project to comply with the guideline. To meet the integration goal and the grid connection and access requirements of the grid users, it is important not to restrict the TYNDP to cross-border connections only. Bottlenecks within the regions may hinder the objectives as well.

We urgently recommend ERGEG, respectively ACER to challenge ENTSO-E as well as national TSOs to propose and implement specific projects that generally contribute to market integration.

Draft plan (national, regional, Community-wide)

We acknowledge TSOs' national responsibility to operate a network that is able to deliver energy to all consumers. This includes the evaluation of changes in national generation and load patterns which results in nationally driven bottom-up input into a national as well as a regional and additionally a Community-wide network development plan.

With regard to the bottom-up process we recommend keeping changes in production and consumption initiated by the 20/20/20-target in view and checking it against the daily experience of TSOs / DSOs and other stakeholders.

For the bottom-up process it is also essential to closely involve the DSOs in a well designed manner because in many regions major parts of the intermittent generation feed into the transmission grids of the distribution level. An impressive example is the situation in Northern Germany where an immense capacity of dispersed generation will be installed. With regard to the needs for integration of intermittent generation it is inevitable to include projects of the TSOs which are necessary to collect the power of these units from the grids of the DSOs. The majority of these units are installed in networks of DSOs. For this reason the TYNDP has to be consulted with the DSOs. In case the plan could affect their issues a common solution has to be developed together with the DSOs.

We consider it necessary to organize the consultations with stakeholders in an effective way with a special focus on methodology in the first round. Consultations on national, regional and Community-wide network development plans should be put together to gather a holistic view to the benefit of a European network platform.

2.2 Question 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?

Overall, we agree with the proposed content of the Community-wide network development plan, which is clearly structured. There are only a few topics to add.

Planning rules: What are the technical planning criteria for the TSOs? There should be at least a common understanding of the n-1-criterion, the use of dynamic rating (overhead line rating), how to consider the use of system automatics (e.g. fast valving)?

Existing and future national bottlenecks of each TSO should be added. The restriction to cross-border bottlenecks will hinder the objectives outlined in section 1.2.

It is necessary to give a clear indication of who remains responsible if single projects of the previously adopted plan have not been implemented (see 6.6.3 b).

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

The generation adequacy outlook should serve as a guideline and should cover the overall adequacy of the electricity system to supply current and projected demands for electricity. However, conclusions should be drawn with the full awareness that the information for generation might change over a period of 10 years. Decisions for the installation of new generation plants and/or decommissioning of old power plants depend on several factors (e.g. economic, social environment, ...). The impact of these uncertainties should be indicated and considered; therefore, information received from generators in the framework of the adequacy report cannot be taken as binding.

2.4 Question 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?

We agree in general. All scenarios used shall be compliant with the achievement of the 20/20/20 target. In addition to the economic criteria stated, also instruments for market based management of congestions and the related costs shall be taken into consideration as well.

To indicate the most urgent need for network development, the existing bottlenecks within the “regions“ and across the borders should be clearly shown in the TYNDP including measures to overcome them.

Concerning the existing and decided infrastructure (section 6.6.1), information can be given on existing transmission capacity and on additional transmission capacity decided to be built,

but not on the rate of transmission capacity use on an annual (and monthly) basis for the previous 5 years. These data are not yet available and further studies are necessary to get them.

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

The criteria for regulatory opinion as proposed under section 7 refer overall to the completeness of the Community-wide network development plan and whether its elaboration complies with the process foreseen. **We miss a thorough evaluation of the identified investment projects and ACER's statement whether they fulfil the objectives under section 2 of the consultation paper**, respectively ENTSO-E's priorities as set forth by the consulted planning premises, scenarios etc. Therefore, we recommend evaluating the plan, inter alia, under a market integration perspective.

The TSOs of ENTSO-E have a common understanding of the technical planning rules (see 2.1.). The common understanding should be documented in the TYNDP. All existing and future internal and cross-border bottlenecks are documented in the TYNDP.

2.6 Question 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?

The aspect of coherence and compatibility is first of all an issue of integrating the same priorities and assumption in all of the different planning tools. This task remains the responsibility of TSOs and ENTSO-E. As long as the TSOs conduct their analysis separately on TSO-level with only a sporadic joint analysis with their direct neighbours, the TYNDP will remain a composition of national (TSO) development plans. If the development plan is to be beneficial in a way to allocate the resources to develop the European network in an efficient and transparent way, harmonisation of its input and central assumptions on scenarios is necessary.

From a market perspective, we could only evaluate consistency whether an identified infrastructure shortfall in one market or between two markets will lead to an identified investment project in all of the network development plans. Therefore, **we consider a central consultation of the Community-wide network development plan with national annexes, outlining national investment projects, as sensible**. There should be a clear link between data published in the framework of transparency on grid data and the TYNDP (for example information on critical branches in the CWE regional market).

2.7 Question 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?

BDEW supports the bi-annual update of the TYNDP; this seems to be relevant to assess the compatibility and to identify potential inconsistencies.

Again, we refer to our recommendation under question 2 to clearly state the reasons for any inconsistencies between the original plan and its implementation.

A status review of the previous plan, as mentioned in section 6.1, should be included; an additional specific monitoring is not necessary. The status review should include the issues indicated in section 9.

We would also expect ACER to recommend to the European Commission any improvements that would overcome common reasons for inconsistencies for a more effective enhancement of Europe's electricity infrastructure.

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