

1st Meeting of Ad-hoc Expert Group for Electricity System operation

30-03-2010 from 10:30 to 17:00 hours

CEER Offices, Brussels

(Rue le Titien 28, B-1000)

FINAL MINUTES

Participants			
Tahir	Kapetanovic	E-Control (AT)	Chair
Katharina	Bauer	E-Control (AT)	
Christine	Materazzi-Wagner	E-Control (AT)	
Alain	Marien	CREG (BE)	
Francois-Annet	de Ferrières	CRE (FR)	
Carlo	Sabelli	Expert	
Christoph	Schneiders	Expert	
Guido	Cervigni	Expert	
Javier	Paradinas	Expert	
Jonathan	O'Sullivan	Expert	
Juan Manuel	Rodriguez	Expert	
Jorg	Teupen	Expert	
Marek	Zima	Expert	
Michael	Zoglauer	Expert	
Peter	Rasch	Expert	
Peter	Christensen	Expert	
Steve	Drummond	Expert	
Rudolf	Baumann	Expert	Excused
Natalie	McCoy	CEER Secretariat	

1. Opening

The meeting opened at 10h30 Tahir Kapetanovic (E-Control, AT) in the Chair.

1.1. Approval of the agenda

The Agenda was approved in the form shown in these minutes.

2. Introduction to the process for preparing draft framework guidelines

The Chair welcomed the experts and thanked them for their willingness to contribute to this preliminary work to develop draft framework guidelines on electricity system operation, in line with the 3rd Package provisions. ERGEG is currently working on 3 draft framework guidelines – a pilot

guideline on grid connection; a draft guideline on capacity allocation and congestion management and this project on system operation. In addition, ERGEG is working on advice on comitology guidelines on transparency; advice on the ten-year network development plan; and monitoring of compliance with the current Regulation 1228/2003 and the Congestion Management Guidelines. These activities are undertaken within ERGEG's Network and Markets Task Force.

By way of background, CEER was established in 2000 as a voluntary organisation for cooperation between European energy regulators, followed in 2003 by the establishment of ERGEG by the European Commission to provide official advice on energy regulation issues. Now, ACER will be established as part of the 3rd Package legislation. It will be a community body with legal personality and its purpose will be to assist the regulatory authorities in exercising at Community level the regulatory tasks and to coordinate their actions. ACER will be fully operational as from 3 March 2011.

Other new institutions are also being established – the European Network of Transmission System Operators for Electricity (ENTSO-E) and for gas (ENTSO-G). The 3rd Package includes 2 new tools – framework guidelines (non-binding) and network codes. The former precedes and scopes the latter. The process can be summarised as follows: the Commission provides a priority list for the areas to be dealt with and requests that ACER draft framework guidelines (within 6 months), which is provided to the Commission and ENTSO-E. The Commission then requests that ENTSO-E prepares a network code, in line with the framework guideline, within 12 months. This code is reviewed by ACER – which also publicly consults on the code and then submits it to the Commission once satisfied with its content. The codes can then be submitted to Comitology in order to make them legally binding. The entire process takes approximately 2 years (not including the additional time for the comitology procedure).

During the interim period until ACER is fully operational, ERGEG is undertaking preparatory work in order to make as much progress as possible. This input to framework guidelines should help to lessen the time lag and allow the newly operational ACER to move swiftly on the framework guidelines.

The role of the ad hoc expert group forms part of the impact assessment procedures agreed within ERGEG. The aim is to reach a common agreed view on the issues. The goal is to provide expert support to ERGEG on the development of the input to the framework guidelines. Regarding confidentiality, the Chair proposed to follow the so-called 'Chatham House' rules (as mentioned in Article 12 of the Terms of Reference), to allow for open and frank discussion. The 'ad personam' nature of the expert group members' contribution was reiterated. The expert group members agree not disseminate meeting documents unless agreed between the members. Documents will be considered 'confidential' by default but can be made public following the agreement or permission of the responsible persons. Mr. Kapetanovic proposed to apply this confidentiality principle, as was done in the expert group on grid connection.

A dedicated section of the ERGEG website has been created for the framework guidelines: http://www.energy-regulators.eu/portal/page/portal/EER_HOME/EER_FWG

On behalf of ERGEG, Mr. Kapetanovic outlined the 3rd Package provisions and the overall framework guideline process, from the brainstorming and impact assessment phase to the formal 6 month drafting period. Three expert group meetings are foreseen, with the possibility of addition telephone meetings to review the draft paper. ERGEG's impact assessment process is based on the European Commission's impact assessment policy. Full discussion with all stakeholders is foreseen through both public workshops and full public consultation (2 months). The workshop will be arranged once the impact assessment and draft framework guideline are ready. Following ERGEG's work, the Agency must formally undertake the same process for approving the framework guideline.

With regard to terminology, ERGEG used the terms from the legislation. In terms of the 12 areas for which network codes can be drafted (see Regulation EC 714/2009, article 8.6), several of them

can be grouped into a single framework guideline. This is the case for system operation – which will include network security and reliability rules, interoperability rules, data exchange rules and operational procedures in an emergency. Issues on balancing and infrastructure planning are being addressed in separate projects. ERGEG is careful to note the links and interaction between the 12 areas, while noting that separate framework guidelines are needed.

The aim is to finalise the draft framework guideline by January 2011, following the consultation procedure.

3. Presentations by experts

The members of the expert group provided overviews of various system operation issues in EU countries as well as their reactions to a number of initial questions proposed by ERGEG in the meeting agenda regarding problem definition and objectives for the framework guideline.

Mr. Schneiders outlined a number of current challenges for transmission system operators (TSOs), including market integration, integration of renewables and congestion management/management of critical grid situations. A number of market drivers are having an effect on system security and interconnection levels. While harmonisation of regional and inter-regional operational rules should be the objective, due to physical reasons, different codes will still be needed. With this in mind, the EU level work should focus on harmonisation, coordination and evolution of the existing codes.

Members noted that there are many similarities between the national situations and practices in place on these issues; e.g. hierarchy of codes and rules.

Mr. Zima provided some background on the historical development of interconnected power systems, including the resulting situations – discrepancy between market zones and control zones; security criteria (including imperfections of N-1) and operation coordination challenges; and allocation of control reserves. In addition, any security criterion applied in one control zone - taking into account only its own grid - may not be sophisticated enough for interconnected systems to know/evaluate/assess the level of security in larger grid areas and interconnected systems.

The question arose whether system operation should be strictly limited or whether a broader view should be taken. In practice, the issue is already complex and covers many elements.

Mr. Teupen noted that responsibilities regarding system operation are currently not clearly defined and there is a lack of understanding of responsibilities of market participants. Clarification of roles and transparency is therefore crucial as there are many players and differing relationships (TSO-TSO, TSO-DSO, TSO/DSO-customer, etc.). In addition, common technical standards across Europe are important to avoid having different behaviour during emergency situations, for example.

Mr. O'Sullivan introduced some high level issues and policy drivers in the energy sector – sustainability, security and competitiveness. Electricity is the cornerstone through which these issues will ultimately be addressed. There are a number of core principles for power systems, including energy production, energy consumption, performance capability, variability, certainty and uncertainty. Lack of knowledge, lack of control and lack of coordination mark the differences between a synchronous system and an interconnected system. What is needed is safety, security, reliability, operability, efficiency and stability.

Mr. Rodriguez presented ENTSO-E proposal for the scope of the network codes on system operation. He underlined that there is now a move from regional/national codes in synchronous areas to harmonised interregional and regional codes (both within and between synchronous areas).

With the advent of wind generation (and distributed generation), additional parts of the transmission system are affected by the distribution system – so it may be relevant to address some DSO activity in the framework guideline. For example, guidelines on what is acceptable

behaviour for operational security could apply at DSO level.

Mr. Zoglauer illustrated that hydropower can be an efficient tool for balancing and introduced some principles for balancing market integration. With regard to system operation issues, balancing plays a role in load frequency control, for example. The system as a whole (EU level) should have a common ancillary services market as a target starting by realisation of an integration within the market areas realised e.g. by procurement processed by one auction office per area.

Mr. Cervigni shared his definition of system operation – the guideline should include a reference to the economic dimensions of system operation, namely efficiency and value (i.e. cost of fulfilling security obligations) and transparency. If the definition of system operation were to be purely technical, then economic issues would need to be addressed elsewhere.

Mr. Paradinas concentrated on system operation (rather than market development). In particular, and in view of renewable generation, risk should not be introduced into system operation. Real time energy markets and ancillary services markets are the key drivers to guarantee system operation.

Mr. Christensen commented on the issue of planning. Connection codes are also linked to system security.

Mr. Drummond sees system operation as covering reliability, security and economic despatch of the power system. The prime purpose of the TSO should be to maintain security and quality of supply, vis-à-vis parties connected to its system and to neighbouring systems. The objective of the guideline should be to provide a high level and consistent set of principles and recognise the different systems that currently exist, whilst not being too prescriptive.

Mr. Sabelli highlighted that the key part of system operation related to despatching activities and does not involve influencing the market (in economic terms) but rather using the prices as a merit order. Improvement of the current situation could start from this point. He pointed out that several issues may need consideration – alert procedures and coordination centres.

The presentations of ERGEG and the experts will be distributed within the expert group.

Mr. Kapetanovic invited the members to send any further thoughts in writing by Thursday 8 April 2010.

ERGEG presented a review of the comments presented during the meeting – to try to reflect the points raised regarding the past, status quo and future of system operation, as well as relevant definitions and possible content for the framework guideline.

Members are invited to reflect on policy options for the framework guideline for discussion at the May meeting.

4. General discussion on questions addressed and way forward

Regarding the next steps, in the next weeks ERGEG will circulate a draft impact assessment, with the problem identification and objectives, for comments by mid April (approx. 15 April). During a phone meeting (28 April 2010), members could discuss comments received from the experts. Another meeting will take place in May, and later a public workshop for all stakeholders following the publication of the impact assessment and the draft framework guideline.

5. Any other business

6. Next meetings

28 April 2010 – Telephone Conference – 16h00-18h00

12 May 2010 – CEER premises, 10h30

The meeting adjourned at 16h30.

MINDMAP of Discussions during the meeting – please click on image to view in full.

