



Energy Networks Association – ENA

**Response to ERGEG’s draft Advice on the Community-wide
Ten-Year Electricity Network Development Plan**

25 February 2010

Energy Networks Association (ENA) is funded by the major licensed electricity and gas transmission and distribution companies in the UK. We welcome the opportunity to comment on ERGEG's draft advice on the community wide ten year electricity network development plan. We see the development of Europe's transmission networks as an essential part of the process of meeting the EU's long term goals of a sustainable, competitive and secure internal electricity market.

The proposed bottom up approach to developing national and regional plans, complemented by the top down approach from ERGEG, should help ensure that an effective, coordinated plan is developed that is consistent with the EU's 20-20-20 vision. By developing this community wide plan in a non-discriminatory and transparent manner, and making use of consistent generation and demand scenarios, a network development plan can be prepared that should support changes in the generation profile across Europe.

The European electricity market, going forward, will need to incorporate large quantities of intermittent wind generation, which will require the coordinated reinforcement of electricity networks across the EU. The ten year network development plan is fundamental to achieving a coordinated European approach and, in so doing, to also help overcome any barriers in developing electricity infrastructures. ENTSO-E has a key role in ensuring that this plan is effectively developed and maintained in consultation with key stakeholders, including the distribution companies. Particularly important from the distribution companies' perspective will be the interface between the networks in the context of demand side management.

The plan should describe the current status of the European networks, where bottlenecks are located, the amount of time that certain areas are congested, and the reasons for the congestion. It should also map the current status of operations of the infrastructure to be developed.

It will be critical to ensure that there is sufficient flexibility in the plan to adjust network investments over time to address changes to the pattern of generation across Europe, whether in response to the markets or to policy interventions. The exact mix of generation and demand is subject to many factors - some of which are difficult to predict across a 10 year planning horizon. Because of this need for flexibility, we agree with the regulators that the ten year plan should not be made binding on the TSOs. On the other hand, there must be firm commitment from member states to deliver the plan, and there must be a process to address the impact of material changes in the generation/demand mix to try to avoid the risk of leaving stranded assets.

The 3rd Package sets out the relative roles and responsibilities of ACER and ENTSO-E, and gives the TSOs a prominent role in terms of developing the ten year network plan. It is therefore important that ACER and the National Regulatory Authorities as far as possible build the competences and resources enabling the regulators to develop the right set of processes and criteria to properly evaluate ENTSO-E's proposals.

The National Regulatory Authorities will also have an important role to play in ensuring there are consistent criteria for assessing planning decisions.

Regulatory barriers could put at risk the proper implementation of the plan. There are issues surrounding the funding of the significant investments that will be required in network reinforcements, cross border infrastructure, and “super grids”. The right incentives framework will be needed if such essential investments are to be made in a timely fashion.

Another key issue will be identifying the financing mechanisms for these future grid investments. We believe the outcomes from the Commission’s seventh framework research program could provide useful inputs in this context.

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