

Mrs Fay Geitona
ERGEG
28 rue le Titien
1000 Bruxelles
Belgium

24 September 2010

Dear Fay

**Public Consultation on Pilot Framework Guidelines on Electricity Grid Connection
Ref: E09-ENM-18-04**

EDF Energy welcomes the opportunity to respond to ERGEG's consultation on Pilot Framework Guidelines on Electricity Grid Connection. This Framework Guideline has been selected as a pilot process, so it is important that stakeholders engage fully to ensure its success.

EDF Energy is one of the UK's largest energy companies with activities throughout the energy chain. Our interests include nuclear, renewables, coal and gas-fired electricity generation, combined heat and power and energy supply to end users. We have over five million electricity and gas customer accounts in the UK, including both residential and business users.

In our view, the consultation document correctly assesses the security of supply issues associated with un-harmonised national codes.

More generally, we would like to emphasise that current arrangements might constitute a barrier to the development of the single European energy market. The heterogeneity of technical requirements for grid and network users may be an obstacle to cross-border trade and the optimal allocation of resources. Moreover, in a period where substantial investments are required across Europe to meet the climate change agenda, it is vital that Framework Guidelines and Network Codes assist in the creation of a favourable investment climate.

With security of supply as a pre-requisite the development of codes should create a level playing field for generators and enable a regime which does not unnecessarily discriminate against any particular technology. The standardisation of technical requirements applying to grid and network connections could deliver significant benefits:

- Non discriminatory access to the grid thereby creating competition in generation across Europe and encouraging the most efficient investment decisions;
- The efficient use of plant and equipment which has been designed to meet international standards. If the European market for equipment manufacturers is attractive this might lead to improved economies of scale, a more efficient supply chain and lower prices for investors and customers. In this sense, we would favour international standards being applicable throughout the Member States.
- Increased investor confidence through a better understanding of connection requirements put in place by TSOs to connect new generation plants.

- A common network architecture which might help simplify the process of trans-national studies. This would not only assist investors but also the TSOs in developing system operational tools ultimately leading to better facilitation of cross border trade;

It is important to note that we would expect new harmonised European requirements to apply only to new power plants or those existing power plants contemplating major refurbishment. We would not expect existing member state grid connection agreements to be modified as a result of European harmonisation. The exception to this should only be for specific cases related to security of supply issues and where the cost-benefit analysis demonstrates that it is more efficient for the existing power plant to upgrade. We believe that any retrospective action on existing users or holders of connection agreements will almost certainly damage investor confidence and potentially force early closure for some otherwise economic assets with a resultant adverse impact on security of supply.

Finally, for the grid connection issue, as for any other technical issue related to the functioning of the power system and energy markets, we believe that requirements should be as far as possible technology neutral and do not result in hidden cross subsidies. We understand that in some specific cases within Member States this might not be achievable.

Our detailed responses to the questionnaire are set out in the attachment to this letter.

Should you wish to discuss any of the issues raised in our response or have any queries please contact colleague Rob Rome on +44 1452 653170, or myself.

Yours sincerely,

A handwritten signature in black ink, appearing to read "D. Linford".

Denis Linford
Corporate Policy and Regulation Director

Attachment

Pilot Framework Guidelines on Electricity Grid Connection Ref: E09-ENM-18-04EDF

EDF Energy response to your questions

General Issues

Q1. Are there additional major problem areas or further policy issues that should be addressed within the Grid Connection Framework Guideline?

Importance of standards as a non tariff barrier

As mentioned in section 2.2 page 11 of the consultation document, there is a risk that differing requirements on generating manufacturers incur costly modifications to the equipment to suit each national system. Furthermore, codes could potentially distort investment decisions if there are significant ongoing costs associated with each national regime. EDF Energy believes that the UK's National Grid Code Connection Conditions should not act as a non tariff barrier for trade in the development of the market for generation equipment manufacturers. While this is outside the strict remit of the codes, we feel that ERGEG should at least take into account competition in related sectors subject to general competition law as defined in Articles 101/102 of the Treaty of European Union.

Change of standards may require a wide ranging debate

Changing *existing* connection arrangements could cause problems to those markets which are fully liberalised. In GB, we have seen in the recent Transmission Access Review where possible changes to the existing arrangements to facilitate new connections potentially threatened loss of Transmission Entry Capacity (TEC) for all generators who were unsuccessful in the proposed auctions for capacity. While these proposals were not enacted, the impact of changes to the connections regime cannot be understated.

We also note that changes in generation technology and hence efficiency might require updates to grid or network technical standards. In the UK's liberalised market, the standards contained in the Security & Quality of Supply Standards (SQSS) are undergoing a fundamental review. These are technical assessments but have the potential to impact

existing users commercially, as could European Framework Guidelines and Network Codes.

In a fully liberalised market it is often difficult to compartmentalise technical standards from their commercial impact. In fact, technical standards for connection are not innocent of trade offs between security of supply, targets for generation mix and costs to consumers. This could manifest itself by trading off network reinforcement with constraint management.

International standards

Furthermore, for reasons already stated the European standards should be linked to international standards where possible. This principle should be hard wired into the codes.

Drafting issues and role allocation

We note the definition and roles of the TSOs and DSOs are not clearly defined. This can potentially cause problems for example generators such as wind operators who might have the scope to connect to a TSO or DSO (embedded generation). This issue could be apparent in cases where transmission assets have similar characteristics to HV circuits of the DSO as in Scotland.

Q2. What timescale is needed to implement the provisions after the network code is adopted? Is 12 months appropriate or should it be shorter or longer?

EDF Energy believes that the timescale proposed by ERGEG is too optimistic and may not fit with the many other initiatives which have to be managed in parallel for the implementation of the Third package. Nevertheless, it will be demanding for stakeholders and contingent on steady progresses and allocated resources. We wish ERGEG to note that we do not want the code to apply to existing generators. Although we do not think it is sensible to apply the code to existing generators as a blanket provision, we would expect a longer lead time for the plant where a robust cost benefit analysis has demonstrated the case for change.

Q3. Should harmonisation of identified issues be across the EU or, perhaps as an interim, by synchronous area?

The obvious benefits of harmonisation could be quickly realised in synchronous areas. However, the benefits, in terms of the development of the single European energy market, are of a much larger scale.

In terms of investor certainty, the sooner the future technical requirements are agreed, the better.

Grid Users related Aspects

Q4. Should the requirements apply to existing grid users? How should it be decided? To which existing users should the requirements apply? How should timelines for transitional periods be set? Who should bear any costs of compliance?

We believe that any retrospective action can damage investor confidence, increase business perception of risk and lead finally to higher costs of capital. For these reasons, we would advise against any new technical compliance required to existing grid users, except for specific cases related to improved Security of Supply, as explained below.

In cases where it is demonstrated that the security of supply can be improved economically (with a robust cost benefit analysis) by upgrading the equipments of specific existing generators (in spite of investing in the network) then related costs could be socialised.

Consideration should be given to projects which have connection agreements and are under development, such projects may have already agreed build specifications with project contractors and supply chains.

Q5. The framework guideline identifies intermittent generation, distributed generation and responsive demand as requiring specific grid connection guidelines. Is it appropriate to target these different grid users? How should the requirements for intermittent generation, distributed generation and responsive demand differ from the minimum requirements? Is there a need for more detailed definition / differentiation of grid users?

Taking into consideration the high level of recommendations set out in the Frameworks guidelines, we would support the general principle that, requirements should be the same for all technologies unless there is a compelling reason for separate standards. In fact we believe that any technology needing exemption requires additional scrutiny, rather than exemptions or less stringent requirements.

Implementation

Q6. Is it necessary to be more specific regarding verification, compliance and reinforcement?

This may prove necessary if a Member State's technical standards have the impact of creating a non tariff barrier to European trade.

Q7. What are the key benefits and types of costs (possibly with quantification from your view) of compliance with these requirements?

Firstly, the rationale for the proposals must be to facilitate effective competition in the wholesale markets through efficient investment, which will ultimately benefit electricity consumers. Secondly, as stated in question 1, to facilitate competition and hence pressure for innovation amongst the manufactures of generating equipment. Finally, we would hope that the codes go some way towards the equitable allocation of the costs for grid connection.

Q8. How should significant generation and consumption units be defined?

A simple *de minimis* test for the generation asset in question, say 50MW, might be the best way forward. However, we do understand that setting such a level may lead to perverse incentives to connect a number of smaller generation plants below the level rather than, say, a single larger plant. If a smaller *de minimis* level were chosen then a phased implementation for users might be required in order to ensure security of supply whilst assisting to minimise the commercial impact of the new code for smaller operators.

Q9. For what real-time information is it essential to improve provisioning between grid users and system operators? Do you envisage any problems such greater transparency? What are the costs (or types of costs) and benefits you would see associated with this?

It is likely that more real time information will be required for economic despatch. The UK's experience has shown that data is critical for confidence in the market for physical and non physical players with the usual caveats about commercially confidential information (which, in any event, can be normally solved by aggregation). The cost of collecting and publishing these data has proved negligible in comparison to their benefits. In many cases they are collected anyway.

Linked to the publication of data, their accessibility is crucial for the benefits to be fully realised, even if this means placing data already published into a single site.

EDF Energy
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