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European Regulators' Group  
for Electricity and Gas  
Rue le Titien 28  
1000 Bruxelles  
Belgium

## **Stakeholder consultation: Draft Advice on the Community-wide Ten-year Electricity Network Development Plan**

Vattenfall AB welcomes the opportunity to reply and hereby wishes to declare our view on ERGEG's report Draft Advice on the Community-wide Ten-year Electricity Network Development Plan, hereinafter The Draft Advice Report.

### **General comments**

The transmission development will be one of the key prerequisites to reach a long-run sustainable competitive and secure internal electricity market. Thus Vattenfall urge the Regulators and the Commission to jointly appoint a coordinator with the mission to follow-up on the operations and development of the European transmission grids. One of the main tasks of the coordinator could be to work on best practice for licensing and concessions of infrastructure development projects.

The 3<sup>rd</sup> legislative package reflects a clear intention to increase the exchange of information needed to do socially beneficial investments in transmission capacity. One of the main instruments to achieve this is to boost transparency by requiring ENTSO-E to publish all the material underlying the conclusions in the ten year development plan (hereinafter: TYNDP). Hence, Vattenfall urge ERGEG to ensure that the published material also includes information and calculations on the individual control areas so that the consistency check bottom-up versus top-down is transparently described for regulatory approval. Further, in order to ensure full transparency, ERGEG, should explicitly require ENTSO-E in an annex or similar, to include and publish the national considerations/-analysis made by individual TSOs as input to the TYNDP. This would guarantee that robust plans using sound methodologies are also applied at the national level.

The major share of the TSOs in the EU have the status as "ownership unbundled TSOs", which imply that they are not legally required to develop a national TYNDP under the national regulators supervision. According to Vattenfall, a transmission investment development of European interest will need to involve investment decisions that are not always beneficial in the national perspective, hence and in the absence of a European wide solution on common financing, regulators will have to be ready to enforce care fore such decisions. Indirectly, each TSO, will have to develop 10-year scenarios for their respective grid as an input to the community wide TYNDP of ENTSO-E. Therefore, Vattenfall urge ERGEG to work for an implementation of formal requirement for the unbundled TSOs to develop TYNDPs under the supervision of the respective national regulator. Again this would make certain that individual plans and reinforcements of the individual plans are aligned with the EU-wide need for network development.

The roles and responsibilities of ACER and ENTSO-E, according to the third package, give a relatively strong position for the TSOs. Hence it is important that ACER and the national regulatory offices as far as possible build competences and resources enabling regulators to develop the right set of process and criteria to evaluate ENTSO-E's proposals.

Furthermore, Vattenfall consider the issue of financing mechanisms for the future grid investments (or lack thereof) as important barriers to sound infrastructure investments. The outcome of the RealiseGrid project funded by EU and the seventh framework program could provide a useful input with regards to the distribution of benefits from transmission investments, thus improving the possibilities of finding fair payment mechanisms across TSO control areas, and across borders.

At the same time suitable investment conditions for TSOs are indispensable and must take into account capital market oriented conditions. Regulation must offer incentives and conditions which make investments attractive. Additionally licensing procedures must be accelerated and harmonized internationally. Regulators should use their influence to politics to ensure designing a suitable legal framework for TSOs. In a similar way regulators should play a more active role in the public debate about new transmission lines in order to support public acceptance

Finally, the TYNDP is an ample opportunity to describe the current status of the network. Vattenfall lack a consistent reporting from the TSOs on the current use of the transmission grid, where bottlenecks are located, the amount of time that certain areas are congested, and the reasons for the congestion. It should clearly be a part of a development plan to map the current status of operations of the infrastructure to be developed.

### **Detailed comments and answers to the questions of the public consultation**

From an overall perspective it is in some cases unclear whether the draft refers to development plans or investment plan. This distinction is important, not at least when it comes to the relevant time horizon.

It should be clear from the beginning that the infrastructure developers should be aligned with the political goal set by national and EU authorities. As an example the base case by ENTSO-E must include the fulfillment of the 20-20-20-goals.

#### **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?**

To better understand future needs in the Network, the plans should include descriptions of how the transmission grids are currently used. This should reveal where bottlenecks occur, how often certain sections in the grid is used to the limits, etc.

Further, the criteria for making the choice of which projects are considered should be published. This can be achieved by publishing a list of the projects considered both as a gross- and in the end a net-list with the remaining projects.

As lack of proper cross-border financing solutions is potentially a very large obstacle to future transmission investments of European interest, Vattenfall suggest that a description on how the project is financed is added as a criterion under section 2 in the draft. This will increase transparency with regards to whether or not the outlook for financing has been used as informal selection criteria.

**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?**

The benefits and costs included and analysed must go beyond what is easy to include and model. All benefits and costs that are included in the investment calculation should be transparently described. The economic criteria listed under section 6.5.2 should preferably also include “distribution of benefits”.

Vattenfall strongly support and agree on the strategic objective of the draft advice, ...*to create a better and more stable environment for TSOs and regulators/Agency* (p.10) Hence, it is important that the regulators have a transparent view on the benefits and costs that need to be included in the TYNDP. The draft advice should benefit from including the regulatory opinion on how they perceive certain benefits to be quantified or evaluated in a qualitative setting.

According to the draft advice: *ENTSO-E and TSOs must define the economic planning criteria to assess the costs and benefits of possible investments.* (p.25). As the regulator is approving the investment it is recommendable that she also define the economic criteria for the socio economic evaluations.

In order to ensure full transparency, ERGEG, should explicitly require ENTSO-E in an annex or similar, to include and publish the national considerations/analysis made by individual TSOs as input to the 10 year development plans.

In the earlier development of the infrastructure, gains were made by connecting for example hydro-based systems with thermal systems. In the spirit of the 20-20-20-goals the first development plans should discuss the issue of how CO2-neutral generation should reach systems which have a deficit of such generation, and how crowding out of such CO2-neutral resources when the renewables targets are met, can be avoided.

The community wide TYNDP should include a proper sensitivity analysis that reveals how the proposed investments are affected by different assumptions.

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

Although Vattenfall understand the wish of having good data, the regulation must strike a balance between what the regulated part of the electricity market needs and what the liberalized part can disclose without hurting its own business. The TYNDP should take into consideration as much information as possible about the development of the generation in the system. Thus the demand to disclose investment plans may be too far reaching, unless kept strictly confidential. As of today the forecasts Vattenfall makes of the future electricity markets, and the scenario planning are for competitive reason kept

confidential. We expect that the future legislation take into account the delicate nature of data disclosure on future activities. On the other hand, stakeholders should accommodate the data collection process by providing information on already decided and licensed projects as these are already publicly available but may be costly for the TSO to collect.

Further, Vattenfall's view on the investment plan data disclosure is that it is the stakeholders' responsibility to argue for or against the scenarios put forward by the TSOs. Whether a stakeholder has strong enough arguments to change the scenarios must be determined by the regulators. However, as long as the stakeholders' plans are not licensed the process as envisioned by ERGEG invites to strategic data disclosure (cheap talk in economic lingo) to affect the shaping of the TYNDP.

Further, the evaluation of generation adequacy should be extended to comprise also a zero alternative. This alternative should address the uncertainty that decided and planned generation and transmission projects are not carried out. The paper must further clarify the criteria for judging a potential future investment to be considered as planned or decided.

The generation adequacy should be evaluated based on the underlying grid. Hence internal constraints/bottlenecks within control areas constitute decisive variables to be included in the assessment.

The plan should explicitly show what technical and policy measures will be used to meet extreme situations and the future need for balancing power within an area as these issues will be more critical as the energy system approaches the 20-20-20 targets.

**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?**

Section 6.6.1 should be extended to in addition to interconnections also include transmission usage and congestions within every TSO control area. The level of detail of the published data has of course to take into account the risk of strategic behaviour, but the statistics should show the frequency of internal congestions measured in number of hours separately presented per month and preferably also per transmission line if possible. The congestions should further be separately presented based on the procedure used to alleviate the congestion, redispatch or counter trade and reductions of interconnection capacity.

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

Vattenfall has no comments on this

**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?**

Vattenfall perceives that intentions in the third directive have not been clearly stated in the actual directive. To our knowledge some of the national implementation committees plan to implement the 3<sup>rd</sup> directive without requiring the TSOs to make national TYNDP. Thus even though the quote from page 18 in the consultation document: *” During the consultation, market participants should express especially their needs for transmission capacity on the national and cross-border level. This information will be included in drafting the national, regional and Community-wide ten-year network development plans”* is aligned to how Vattenfall understands the intentions of the 3<sup>rd</sup> package, it is not explicitly stated in the regulation or directive. Thus we urge ERGEG and the national regulators to strengthen the legislation beyond what is said in the directive by requiring of the TSOs that national plans is produced annually also in member states with ownership unbundled TSOs.

The national plans should be on a detailed level i.e. reflect the characteristics of the transmission network and not only be restricted to cross-border connections. In addition, the plans should comprise a reference to the current situation i.e. load and generation within these defined geographical areas. The transmission capacity between every connected area should be presented. These basic facts are needed to assess the current need for transmission reinforcements as well as the basis for future development.

The community wide TYNDP should include e.g. in an appendix the national plans. The inclusion of national plans serve as a quality check on the compatibility between national and the Community-wide ten-year network development plan. One way could be to assess that all national plans in the base case are a result of fulfilled 20-20-20-goals including how the goals are achieved and which reinforcements that are needed to reach the goals. The national plans will rely on several assumptions, which all should be included and compared with the TYNDP, if e.g. a TSO model her control area without properly taking into account the development in neighbouring areas inevitably inconsistencies will appear. Hence it is necessary that the plans include detailed information on the modelled usage of the transmission grid so that regulators can assess the compatibility among the national plans and between the national plans and the TYNDP.

Alike the TYNDP national plans should include a description on the methods used to develop the plan, which could serve as an input for detecting any discrepancies.

**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?**

Long and short run congestions are intimately connected. Thus Vattenfall expect that the regulators ensure that congestions are managed where they physically appear thus exposing the locations within the current network where reinforcements are needed.

For further clarification please contact:

Tobias Johansson, Vattenfall AB. SE-16287 Stockholm Sweden

[tobias.johansson@vattenfall.com](mailto:tobias.johansson@vattenfall.com)

With kind regards



Gunnar Lundberg  
Vice president Regulatory Affairs  
Vattenfall AB  
SE-16287 Stockholm