

ERGEG

By email: grid@ergeg.org

5th June 2009

ERGEG – Public Consultation on Draft Guidelines for Good Practice on Electricity Grid Connection and Access

Dear Sir, Dear Madam

I refer to your March 2009 consultation on the ERGEG draft guidelines for good practice on electricity grid connection and access.

Centrica supports the work of ERGEG in the development of energy liberalisation across the European Union. We have contributed to a number of ERGEG consultations in the past on a variety of subjects.

Centrica is active in the European electricity markets, primarily in North-West Europe. Outside of its home market of Great Britain, Centrica and its affiliates is also active in the electricity markets in the Benelux region, Germany and Spain. As a pan-European player, we thus support ERGEG's work in attempting to level the playing field across the European Union.

In response to the consultation, we have structured our response in three parts. The first part contains some initial remarks on the subject of grid connection and access; the second contains answers to the specific questions raised in the consultation document; the third part contains some additional remarks on the draft guidelines.

We look forward to working with ERGEG in its work on improving the harmonisation of electricity grid connection and access across Europe. I trust that you find this response from Centrica helpful. Please do not hesitate to contact me if you would like to discuss any issue raised in more detail.

Yours faithfully,



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ERGEG Draft Guidelines for Good Practice on Electricity Grid Connection and Access

Introduction

Centrica welcomes this consultation by ERGEG on the development of guidelines for good practice on electricity grid connection and access. This is an important step towards ensuring the efficient operation of increasingly interconnected networks and is a key component in helping to develop effective competition in the internal electricity market.

Centrica is active in the European electricity markets, primarily in North-West Europe. Outside of its home market of Great Britain where it operates under the British Gas brand, Centrica also participates in the electricity markets in the Benelux region, in Germany as well as in Spain.

Centrica generally supports the principles put forward in the draft ERGEG guidelines on electricity grid connection and access. Greater harmonisation of terms, roles and concepts should help the development of competition and facilitate regional developments.

With the expansion of a number of companies outside their traditional home borders, experience of other market practices is being shared between Member States, although in an informal and often unco-ordinated manner. The development of guidelines for good practice (GGP) is to be welcomed as a formalised sharing of best practice, to the advantage of all market participants.

Initial remarks

The TSO-specific rules which have developed historically have resulted in a lack of harmonised connection and access rules, and consequent concerns about the equitability of provisions for grid users across the EU. The increased level of connection between national grids and the creation of regional markets, and in time a single European market, require a greater degree of harmonisation in terms of connection and access to transmission grids. A more harmonised approach should at the same time help ensure that investors can take advantage of the best generation sources and locations, although this will also depend on issues related to transmission tarification, the ability to compete in downstream markets, cross-border trading rules and planning approval for new generation and network projects.

The range and type of connections to Europe's grids will change in the coming years through the expected growth in distributed generation and intermittent generation, partly in response to the targets for renewable energy production. Demand response is also expected to play a greater role, as this may be more efficient compared to building additional peak generation plants.

The development of guidelines at EU level on the basis of common principles for grid connection is therefore welcomed. These principles appear to be based at the right level, allowing for more detailed national or local

arrangements. The underlying objective of non-discrimination and fair treatment of all grid users is paramount to the efficient development of a liberalised market as is transparency of information.

The guidelines are clearly written, setting out the roles and responsibilities of stakeholders and market players, general provisions in each area and a glossary of terms. Where possible our comments on the content are contained in our responses to the specific questions raised within the consultation document. We also raise a few additional issues at the end of this response – on interaction between the GGP and other regulatory issues, unbundling, and a desire for greater clarification through wider use of the glossary of terms.

We believe these guidelines will be a sound basis for the Agency and ENTSO-E in the network code work envisaged in the Third Package and will contribute not only to a more harmonised and equitable approach to connection and access to electricity grids but more generally to the development of regional markets across Europe.

Specific Consultation Questions

Do you agree with the problems these GGP are trying to solve – are there other problems that should be addressed within grid connection and access not yet included in these guidelines?

We agree with the problems identified by ERGEG within this consultation. The recent experiences of power blackouts across areas of Continental Europe showed the need for more to be done to ensure security of the power system. More consistency in frequency and voltage requirements should help prevent the cascading of power blackouts. Similarly a more co-ordinated approach to reconnection should help curtail the length of blackouts. A key component for the latter is the availability of information across the system to cover both the status of generation but also consumption load.

A harmonised framework for grid connection and access rules will help address these problems. It is essential that national regulatory authorities monitor the implementation of national rules/codes and ensure they are amended where necessary. National regulators and transmission system operators must also consider the effect of national system rules on adjoining systems and Member States; this is especially important as we move towards greater regional market integration.

Given the expectation that a large number of generation loads (in particular small intermittent generation such as windfarms) will need to be connected to our networks over the coming years, it will be essential that clear principles are developed and adhered to.

Do these guidelines address the problem – will they lead to more transparent, effective and non-discriminatory grid connection and access?

These guidelines are a first step towards more harmonised rules that are transparent, effective and non-discriminatory. We understand that the guidelines will likely form the basis of framework guidelines to assist ENTSO-E on the development of a future network code on this subject. Until such time as this code is adopted, we would wish to see the guidelines themselves being recommended for use by market participants.

Whilst the ENTSO-E codes will not replace national grid codes, it is important that stakeholders realise that national codes must be compatible with EU codes and hence that some changes or adaptations to elements of national rules may be required.

Please outline your views on the description of the roles and responsibilities set out in Section 3

In the main, the roles and responsibilities of the various stakeholders are clearly set out in the ERGEG guidelines. Below we have set out some remarks. These are primarily related to roles and responsibilities as set out in the final text of the electricity directive within the third energy package, which we believe should be recognised in the guidelines.

Member States

Art. 4 requires the monitoring of security of supply issues.

Art 6 requires Member States to co-operate in the promotion of regional markets.

National Regulatory Authorities

Art 6 requires the promotion of regional co-operation.

Art 35 (a) requires the promotion of Community electricity markets in co-operation with the Agency, other National Regulatory Authorities and the Commission.

Art 36 (6(a)) specifies that network tariffs must allow for necessary investments to take place for a viable network to be developed in the future.

Art 36 (6a) states that network terms and conditions should be published.

Art 36 (7) states that appropriate incentives in tariff methodologies should cover both the short and long term to increase efficiency and foster market integration and security of supply.

Art 36 (8) states that where there is a delay in approving network tariff methodologies, the regulator may establish provisional transmission and distribution tariff methodologies and decide on an appropriate compensation measures if the final tariff deviates from the provisional tariff.

Transmission System Operators

Art 23 states that Transmission System Operators shall not refuse connection of new plants on ground of future limitations to available network capacity such as congestion in a distant part of the transmission system or on the grounds that the new connection would lead to additional costs linked with necessary capacity increases to the system in the vicinity of the new connection point.

Art 31 requires that tariffs should be published.

Regarding the text of the guidelines, we wish to make two remarks:

G3.3.1 – We believe that consultation with stakeholders is not optional – it is crucial in the development of fair, objective and non-discriminatory connection and access conditions.

G3.3.3 – Where a transmission system operator refuses a connection based on current congestion, it must supply the necessary information on the network reinforcement work that would be necessary prior to a connection taking place.

Distribution System Operators

As for Transmission System Operators, we wish to make two remarks on the text of the Guidelines:

G3.4.1 – We believe that consultation with stakeholders is not optional – it is crucial in the development of fair, objective and non-discriminatory connection and access conditions.

G3.4.3 – Where a distribution system operator refuses a connection based on current congestion, it must supply the necessary information on the network reinforcement work that would be necessary prior to a connection taking place.

Are the technical framework and general provisions for generation, consumption and DSOs relevant and practical? Is there anything else that should be included /excluded? (Sections 4 & 5)

We have only a few remarks on Sections 4 and 5 of the guidelines.

The role of consultations – As noted above, we consider it essential that consultations are carried out with all stakeholders during the development of connection terms. We would therefore support greater emphasis on stakeholder consultation throughout the guidelines, on the lines of G4.1.1.

“Significant generation and consumption units” – this phrase is used in a number of areas of the guidelines but without any explanation or suggestion as to what “significant” should be. Greater clarification on this issue would be greatly appreciated.

G4.1.4 - If there are rules whereby newer connections can jump ahead of older connections waiting to be connected, this must be made clear in the connection procedures.

G4.2.1 – This section refers to the applicability of “connection and access requirements to new installations and to the modification of the existing installation”. It also states that “existing installations shall retain the technical features they had when they were connected to the grid”. From this we deduce the promotion of grandfathering of rights to existing installations, a principle which we welcome. However it is unclear what provisions should apply when making changes to connection and access arrangements for existing and unchanged installations. We would welcome clarity in the guidelines to cover these situations

Section 5.5 – This section deals with exemptions for new interconnectors under article 7 of Regulation 1228/2003. The consultation refers to these new interconnectors exempted under article 7 as “merchant line”. We would highlight that the term “merchant line” is used in some markets not to identify interconnectors that are exempted under this provision, but that are simply owned and operated by companies that are not explicitly the same as the national TSO, such as the interconnector between England and France. We would urge ERGEG not to use this term to identify exempted interconnectors as it could cause confusion.

Furthermore whilst it may be expected that in future, some new interconnectors may seek an exemption under these article 7 provisions, it should not be assumed that all will request such permission or that all requests will be granted. We would like to see a section in the GGP dealing with the connection of new interconnectors, whether exempted or not - it is unlikely that there are any specific connection issues for exempted interconnectors as opposed to other non-exempted new interconnections.

Finally, on interconnectors, ERGEG may wish to consider whether the connection of interconnectors should in any way be considered differently between DC and AC interconnectors. Given the isolation of networks at the end of a DC interconnector, there could be some lesser requirements for DC than AC lines. However these might be more of an operational variety rather than pure connection.

How would the implementation of these GGP affect your business/market – what would the impacts be?

As with other ERGEG Guidelines, we hope that their development will create a more level playing field for investors and grid users across the EU and thus aid the further development of a competitive market.

We note that respondents to the consultation on the Implementation of the 3rd Package asked for certain areas, such as priority access for renewables, to be dealt with by ERGEG GGP. Priority access has not been covered by these particular guidelines; however, regulators welcome further input on this and other relevant issues

As the issue of priority access is not mandated under the third package, we do not believe that it is appropriate for it to be addressed within these guidelines. The guidelines should set out the minimum requirements for all EU

network connection and access. When the third package legislation is transposed and implemented across all Member States, it will be clearer how the connection and access of renewable energy is being dealt with, at which point some guidelines could be suitable.

Additional Remarks on the Draft Guidelines

Interaction with other regulatory areas - As was noted at the ERGEG workshop on these draft guidelines, some issues such as transparency and tariffication were not contained within the Guidelines as they are to be dealt with elsewhere. Nonetheless it is important to recognise the interaction between these areas and the connection and access regimes for electricity networks.

Network unbundling - The consultation document refers to unbundled grid and market operations being the case today. Whilst the historic vertically integrated model has changed in some Member States, this is not true throughout Europe. When the transmission unbundling provisions of the third package come into force, fairer treatment of all transmission system users is expected, but the effect of some company practices today cannot be described as truly non-discriminatory. The experience of distribution unbundling meanwhile still shows asymmetries, and as there are no new provisions in this area within the third package, then any change is likely to be gradual.

Glossary of Terms – We would welcome a broader glossary of terms being included in section 6 of the guidelines. Whilst we recognise the need for the guidelines to be of a general nature, it is important that the terminology used is very clear and consistent to avoid any ambiguity that could lead to future misunderstanding and lack of harmonisation when implementing the guidelines at Member State level. We have already referred to the use of the terms “significant” and “merchant line”. Other terms would also benefit from greater clarification, not least because the meaning could differ significantly from one Member State to another. For example there is no explanation of what a “connection agreement” or “contractual arrangement” (section 4.2.1) should normally contain, and it would be surprising if the interpretation of these terms does not differ greatly across 27 Member States. With consistent terminology, the guidelines still enable some flexibility in the delivery of a harmonised approach to grid connection and access.

To ensure a relatively harmonious implementation of these guidelines across the European Union, it is important that the understanding of terms and concepts used is based on a complete and standard glossary of terms. Greater clarity on the terminology should remove some of the risks associated with the interpretation and successful implementation of the guidelines of good practice.