

## ACER call for comments on the Network Code Emergency and Restoration

### *EDF response*

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29 April 2015

#### **General remarks**

EDF welcomes this opportunity to provide ACER with its views on the final version submitted by ENTSO-E of the Network Code Emergency and Restoration before the Agency issues its Opinion.

The large-scale deployment of RES and the integration of European electricity markets increase the need for cross-border coordination and cooperation between TSOs and relevant network users to ensure the interoperability within and between European synchronous areas also in case of disturbed system states.

In this context, EDF supports the objective targeted by the draft E&R NC to define common technical principles for real time operation in case of exceptional conditions resulting from extreme contingencies in the system (i.e. Emergency, Blackout or Restoration states). A high level of coordination and mutual assistance are essential for TSOs to carry out their responsibilities to maintain and restore operational parameters within security limits without imposing undue burdens to market participants located in specific areas. This should happen while preserving as long as possible the efficient functioning of markets throughout the EU end ensuring a prompt restoration of market activities after their suspension.

The effective management of Emergency and Restoration situations requires the participation of Significant Grid Users and Defence and Restoration Service Providers under the direction of TSOs which are responsible to act as "central dispatcher". In these situations power generators and other network users (e.g. DSR) are required to provide specific services outside market-based mechanisms on the basis of contractual agreement or regulatory obligations. Therefore, EDF believes that:

- During the consultation phase for the design of Defence and Restoration Plans and for the definition of test plans, TSOs' proposals should not lead to any violation of the legal, personal, safety and security constraints signalled by network users required to take part in these processes. TSOs instructions and deadlines should also be bound to duly consider other significant impacts (e.g. economical) incurred by network users. This balanced approach can be ensured only if TSOs' decisions are supervised and approved by national competent authorities after a thorough analysis of the elements provided by the involved stakeholders during the consultation phase. The current version of the Network Code seems to leave the floor to arbitrary decisions of TSOs without any possible appeal for network users.
- TSOs should bear all the costs efficiently incurred in complying with the E&R Network Code, including the costs reasonably incurred (e.g. start-up costs, fuel costs, CO<sub>2</sub> costs and hourly operating costs) by network users when providing their services during Emergency and Restoration States. This principle should be necessarily integrated in the NC to induce TSOs to carry out a cost-efficient dispatch by selecting the actions that will minimize global impacts on electricity system and network users. This principle should also be accurately reflected in specific settlement rules and conditions to be applied when market activities are suspended. In these situations BSPs and BRPs do not have a direct control of their assets and, for this reason, they should not be subject to regular rules for imbalance settlement and settlement of balancing energy.

## 1. Application to small and isolated systems

### Amendment proposals:

#### **Article 1 – General conditions – Subject-matter and scope** *(clarification)*

*1.3 The provisions of this Network Code shall not apply to the Transmission System or parts of the Transmission System of a Member State which is not operating synchronously with or which is temporarily disconnected from the rest of the Synchronous Area provided it is not the consequence of a Disturbance.*

*In addition, the provisions of this Network Code shall not apply to the Aland Islands.*

### Explanatory statement:

EDF shares that the application of European network codes to all small and isolated systems should be avoided. However, EDF suggests that the reasons that lead ENTSO-E to specifically exclude Aland Islands from the scope of the code be clarified. In this perspective, we consider that the Code should rather refer to the specific criteria that justify this derogation since they might also apply to other isolated systems.

## 2. Terms and conditions of consultation process

### Amendment proposals:

#### **Article 6 – General provisions – Consultation and coordination** *(modification, addition)*

##### *Article 6.1 Consultation*

*1. When expressly provided in this Network Code, a TSO shall consult concerned parties for the terms and conditions or actions it defines before real-time or for real-time.*

*The following process shall apply:*

- a) the TSO shall liaise with at least these parties identified under this Network Code;*
- b) the TSO shall explain the ambition and objective of the consultation and of the decision that it has to take;*
- c) the TSO shall collect from the parties any relevant information and suggestions;*
- d) the TSO shall duly consider the views, situations and constraints of the parties consulted. In particular, TSO shall not be able to propose actions that would lead to the violation of one or more legal, personal safety or security constraint(s).*
- e) the TSO shall, before taking a decision, provide to the parties consulted and the relevant authority a complete, clear and robust justification for including or not the views, situations and constraints resulting from the consultation.*
- f) The decision taken by the TSO, together with a complete record of stakeholders' views collected during the consultation, shall be submitted to the regulatory authority or other competent authority of the Member State concerned for individual approval.*

### Explanatory statement:

The consultation process introduced by ENTSO-E in the Code ER applies to many important provisions (including the design of System Defence Plans and Restoration Plans) whose execution could lead to

significant impacts on network users. Hence, it is essential that this process ensure that constraints of all parties are duly and equally considered.

In this perspective, EDF considers that the obligation for TSOs to *only “duly consider the views, situations and constraints of the parties consulted”* during the consultation process is not satisfactory and, therefore, we propose to strengthen the provisions ensuring the protection of the integrity of the assets involved in the Emergency and Restoration processes.

First, EDF supports that legal, personal safety or security constraints should prevail in any situation. EDF consequently supports that the consultation process should explicitly envisage that the proposed actions must not lead to the violation of such constraints.

Second, EDF also considers that the consultation process should limit the freedom of TSOs to give instructions and set deadlines that could be technically feasible but with significant impacts on network users. In this perspective, the current proposal from ENTSO-E which leaves the final decision to TSOs without possible appeal from the other involved parties is not acceptable. Thus, EDF suggests that the final TSOs’ decision be always approved by competent national authorities (i.e. NRAs etc.), where practicable, and be based on a complete and clear analysis of the impacts on network users showed during the consultation phase.

### 3. Automatic Frequency Control Schemes (Article 14 and 15)

#### Amendment proposals:

#### Article 15 – Automatic over-Frequency control scheme (*modification, addition*)

15.2 ~~In consultation with the other~~ The TSOs of ~~its~~ a Synchronous Area, ~~each TSO~~ shall jointly define the following parameters of ~~its~~ their automatic over-Frequency control scheme:

- a) the Frequency thresholds for the activation; and
- b) the reduction ratio of Active Power injection.

#### Explanatory statement:

EDF deems important to ensure the engagement of TSOs to provide mutual assistance in Emergency, Black-out and Restoration situations. Nevertheless, this should come along with a high level of stakeholders’ involvement in the design and activation of Defence and Restoration Plans by TSOs within each control area.

EDF appreciates the definition of minimal performances regarding automatic low frequency control schemes to be implemented within each control area but stresses that the proposed targets can significantly deviate from existing arrangements implemented in different control areas. A cost-benefit analysis (CBA) supervised and approved by competent national authorities is required to justify such proposal.

The E&R draft Network Code states that each TSO shall support any other TSO in Emergency, Blackout or Restoration States, provided it does not endanger its own system. Such a high level of mutual assistance between TSOs should not deter each TSO from implementing adequate measures in its own Control Area to fulfil its own needs. Otherwise, this would lead to limit the impact of measures activated for defence and restoration of the electricity system on a restricted number of grid users and synchronous areas, with significant burdens imposed on system users located in these zones. Consequently, EDF considers that this engagement of mutual assistance throughout Europe should be accompanied by a high level of

transparency regarding minimal performance standards for system defence and restoration processes to be implemented within each control area. EDF consequently welcomes the introduction of Table 1 of Article 14 defining the minimum performances for Automatic Low Frequency Demand Disconnection schemes for each control area in the same synchronous area.

However, EDF stresses that different automatic low frequency demand disconnection schemes already exist in some control areas and proved their reliability in the past to prevent the degradation of emergency situations, thus limiting the extension of blackouts (e.g. November 2006). More harmonisation of these schemes can lead to more evenly geographically distributed and effective load shedding but it is essential to ensure that the benefits related to such harmonization can outweigh the costs incurred by the system to comply with this new mandatory framework. Thus, EDF welcomes the technical study published by ENTSO-E<sup>1</sup> to support the introduction of the new provisions on automatic under-frequency control schemes but believes that technical evidences on the opportunity to introduce new harmonised requirements should be accompanied by an analysis of the costs incurred by electricity system users also in comparison with alternative solutions.

EDF considers that stronger efforts should be made by ENTSO-E as regards the harmonisation of requirements for automatic over-frequency control scheme (Article 15). We acknowledge that a full European harmonization of automatic schemes for the decrease of power injections in case of disturbances could require significant changes of practices and technical adaptations (e.g. retrofitting of certain categories of power plants), given the level of differentiation currently existing in national electricity systems. Nevertheless, EDF believes that the efficiency and non-discrimination of national automatic over-frequency control schemes can be consistently improved by ensuring an adequate level of harmonisation set in the Network Code. Also in this case a CBA should back the proposal.

#### **4. Procedure for restoration of market activities (Article 35)**

##### **Amendment proposals:**

##### **Article 35 – Procedure for restoration of market activities** (*modification, addition*)

*35.3 Each NEMO, in coordination with TSOs and entities referred to in Article 33(5), shall launch the restoration of the relevant Day Ahead Market Coupling process and/or the relevant Intraday Market Coupling process after being informed by its TSO(s) that TSOs' processes have been restored **or before, if necessary, to guarantee that Market Coupling processes are operational immediately after the restoration of TSOs' processes.***

##### **Explanatory statement:**

EDF shares the importance of the Network Code section “Market Interactions” which defines the principles that underpin the functioning of electricity markets during emergency and restoration procedures with the aim to ensure security of supply and the integrity of the electricity system while minimizing the impact on the market. For this reason, we believe that the restoration of market activities should be as rapid as possible once the necessary TSOs’ processes have been restored.

The restoration of Market Coupling processes by NEMO may require a certain lapse of time before market coupling is fully operational and market participants are able to regain the access to the market. For this reason EDF thinks that, in order to minimize the time for restoration of market activities, NEMOs should

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<sup>1</sup> “Technical background for the Low Frequency Demand Disconnection requirements”, November 2014.

be enabled to start the market coupling processes before all TSOs' processes are fully restored, if technically feasible.

## 5. Communication procedures (Article 33 et Article 36)

### Amendment proposals:

#### **Article 33 – Procedure for suspension of market activities** (addition)

*33.5 In case of suspension of market activities, each TSO shall duly inform the following parties in its Responsibility Area about the suspension of market activities and publish the notified information, in accordance with communication procedure pursuant to Article 36:*

- a) Balance Responsible Parties;*
- b) Balancing Service Providers;*
- c) Nominated Electricity Market Operators;*
- d) Entities assigned to execute market functions according to [GL CACM] and [NC EB]; and*
- e) Transmission Connected DSOs.*

#### **Article 33 – Communication procedure** (addition)

*33.2. The procedure shall include at least the following steps :*

- a) notification by the TSO that market activities have been suspended according to Article 34;*
- b) notification by the TSO of best estimate for the time and date for Transmission System restoration;*
- c) notification by the NEMO of suspension of Ahead Market Coupling process and/or relevant Intraday Market Coupling process, if any;*
- d) notification by entities referred to in Article 33(5) which are affected to their customers of any suspension of market activities announced by the TSO and/or NEMO, where appropriate;*
- e) updates by TSOs on the process for restoration of the Transmission System;*
- f) notification by the entities referred to in Article 33(5) which are affected that their market tools and communication systems are operational;*
- g) notification by the TSO(s) that the Transmission System has been restored back to Normal State or Alert State;*
- h) notification by the NEMO of the best estimate for time and date when market activities will be restored; and*
- i) confirmation by the NEMO that market activities have been restored.*

### Explanatory statement:

EDF believes that transparency and proper communication from parties responsible of the decisions regarding the suspension and restoration of market activities, notably TSOs and NEMOs, is of paramount importance in order for market participants to better manage their contribution to security of supply and integrity of the electricity system and to be properly prepared before the restoration of market activities. The information subject to notification in accordance with Article 36 should be disseminated as widely as possible in order for all interested stakeholders to be aware of the ongoing situation and of the actions

and forecast provided by TSOs. In our view, this large dissemination of information regarding emergency and restoration processes can be ensured only through its timely publication on platforms accessible to all market participants (e.g. the ENTSO-E Transparency Platform).

EDF also wishes to highlight that the responsibility of a wide communication and publication of the information concerning the suspension and restoration of market activities should remain with the parties responsible of the management of these processes, i.e. TSOs and NEMOs. The obligation on BRP and BSP to inform their customers of any suspension of market activities seems to be excessive, taken also into account that many of these customers are not directly affected by disturbances in the functioning of wholesale electricity markets. Communication from BRP and BSP to their customers should be limited to clients who expressed their willingness to be informed on this kind of events on the basis of their level of involvement in wholesale electricity markets (e.g. in case of DSR providers).

## 6. Settlement principles

### Amendment proposals:

#### Article 37 – Settlement principles (*modification*)

*37.1 Each TSO shall ~~be entitled to~~ develop specific rules and conditions for imbalance settlement and settlement of balancing energy which shall be applicable for imbalance settlement periods during which the market activities were suspended. ~~In this case,~~ the TSO shall consult the entities referred to in Article 33(5). The TSO may include these specific rules and conditions in the terms and conditions related to balancing developed pursuant to Article 37(6)(b) Directive 72/2009.*

*The TSO shall publish these specific rules and conditions following their approval by the regulatory authority or other competent authority of the Member State concerned pursuant to Article 4(2).:*

*37.2. The specific rules and conditions shall address the settlements of TSO's with Balance Responsible Parties, Balance Services Providers and TSOs from which assistance is requested pursuant to Article 19.*

### Explanatory statement:

EDF stresses the importance to develop specific settlement mechanisms when the suspension of market activities is required by TSOs. These specific mechanisms can no longer be driven by market-based considerations but must be oriented to ensure a “cost-efficient” dispatch, i.e. actions that will minimize global impacts on the electricity system and network users.

Firstly, EDF considers that, during Emergency and Restoration States when market is suspended, the provisions on imbalance settlement and settlement of balancing energy set in the Balancing Network Code can no longer apply. Indeed, when the suspension of market activities is required, TSOs are responsible to directly intervene as central dispatchers and request actions from grid users. Consequently, imbalances and the balancing energy selection and activation process are no more under the control of BRPs and BSPs, so it does not make sense to keep a mechanism aimed to incentivize them to be balanced.

Secondly, EDF considers that TSOs’ financial neutrality should be accompanied by an incentive to ensure a “cost-efficient” dispatch in these situations. Where no former arrangements have been set, TSOs should coordinate with grid users to define an adequate methodology for the assessment of the

reasonable costs incurred by network users which take part in Defence and Restoration Plans and for the recovery of these costs.

Furthermore, the application of the cost-recovery principle for network users involved in these processes is also necessary to prevent any discrimination affecting competition in the electricity markets. All network users, whether they take part in Defence and Restoration Plans or not, should be enabled to compete on equal footing in electricity markets without imposing additional costs to users contributing to the management of network disturbances.

## 7. Stakeholder involvement (Article 51)

### Amendment proposals:

#### **Article 51 – Stakeholder involvement** *(addition)*

51.1. ~~ENTSO for electricity~~ ACER, in close cooperation with ~~the Agency~~ ENTSO for electricity, shall organise stakeholder involvement regarding the implementation of this Network Code. This shall include regular meetings with stakeholders to identify problems and propose improvements notably related to the requirements set out in this Network Code.

### Explanatory statement:

EDF believes that the involvement of stakeholders in the implementation of network Codes should be steered by ACER. This supervisory and steering role of the implementation of both market and technical rules set in the network codes and guidelines must be given to a body granted with the authority to supervise their implementation with unbiased attitude. This comes in addition to the ACER's role to ensure a well functioning electricity market with a view to preserve the general interest while promoting non-discriminatory and cost-efficient solutions. NRAs and ACER are, therefore, best placed to ensure the level playing field while monitoring the implementation of the network codes and guidelines across Europe and, eventually, pursuing an effective and efficient harmonisation of electricity markets rules. That is why ACER should be responsible to set up and chair the Stakeholder Committees which can contribute to facilitating the Agency's activities to comply with its monitoring tasks. Moreover, the proposed amendment is in line with the wording of the last version of CACM Guidelines (April 1<sup>st</sup> 2015).

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