

Elia Group response to ACER's public consultation

European Energy Regulation: a Bridge to 2025

The Elia Group is pleased to provide its views on the items raised in the ACER consultation "European Energy Regulation: a bridge to 2025".

Within their TSO activities in Belgium (Elia) and in Germany (50Hertz), the Elia Group indeed perceives the need to develop a global view on the functioning of the power system and the integrated market in 2025 and prepare further actions after the implementation of the Electricity Target Model 2014.

GENERAL COMMENT

The Elia Group fully supports and subscribes to the elements of the ENTSO-E answer to the consultation, in particular relating to the integration of Electricity Wholesale Markets from a market and infrastructure point of view. In the following, the Elia Group wants to emphasize some specific comments.

REGIONAL PROJECTS AND NETWORK CODES IMPLEMENTATION

The Elia Group is one of the leaders participating to the CWE (Central West Europe), CEE (Central Eastern Europe) and NWE (North West Europe) regional projects. These projects represent the first building blocks for the internal energy market required by the 28 EU heads of State or government¹, and constitute early implementations of the Network Codes.

For the *day-ahead timeframe*, these initiatives include the development of Market Coupling solutions including the preparation of flow based market coupling methodologies. For the *intra-day timeframe*, these initiatives include the preparation of continuous trading solutions. These projects contribute undeniably to the construction of a true European internal energy market.

In order to realize those projects, the Elia Group and all other involved TSOs need consistent or common decisions from the involved NRAs thus allowing this European market evolution. The Elia Group would welcome therefore **a more active role of ACER in coordinating the NRA's opinions** in order to reach faster a well coupled energy market delivering value to market participants and end-consumers. In this context, we consider **the continuity** of the responsibilities of ENTSO-E and ACER as defined in the Third Energy Package as a positive approach to further deepen but not to reconsider as such.

REMIT

From the currently available version of the REMIT implementing act, the Elia Group is concerned that responsibilities potentially taken by ACER and by NRAs would lead to unnecessary inefficiencies

¹ See the European Council conclusions of the 20/21 March 2014

concerning data handling. For example, a double reporting from TSOs to ACER and to NRAs **should be avoided**.

SECURITY OF SUPPLY

The Elia Group would also welcome more recognition of the initiatives taken by TSOs in developing operational cross-border activities of TSOs strengthening security of supply. TSOs in Europe and especially the Elia Group as a driving force in this matter have set-up successful security initiatives such as Coreso or the TSO Security Cooperation (TSC) in order to develop new cross-border tools and methods enhancing real-time system security. The current regulatory frameworks applicable to TSOs should be enhanced to strengthen the incentives for the development of such innovative solutions.

SUPPORTING GENERATION ADEQUACY

Generation adequacy is currently a much debated topic due to growing concerns in some European regions regarding the level of security of electricity supply. For example in Belgium, a series of measures have been proposed and are currently being implemented, including measures to improve the competitiveness of generation plants, strategic reserves to solve short-term adequacy issues and a government tender to build additional 800 MW gas-fired units.

The Elia Group recommends that a **common generation adequacy methodology** is used when assessing the potential lack of generation adequacy. This is preferably done at ENTSO-E level in order to ensure the adequacy assessment can be done on a European basis, not only taking national visions into account. Furthermore, it would be beneficial not only to strive towards such harmonised methodology, but also to harmonize the targeted level (e.g. loss of load expectation, energy non-served etc.) of generation adequacy strived for by all individual Member States. This would greatly facilitate market integration.

Even if short term solutions are currently important at regional level, it is also important to address the longer term. There, the Elia Group definitely sees **an increased role of coordination between NRAS** to play for ACER. Whereas today national initiatives for managing electricity security of supply are popping up with limited **attention for cross-border aspects**, it is important to ensure that such mechanisms do not jeopardize ongoing energy market integration efforts. Where new mechanisms for supporting generation adequacy are needed, it is important to ensure they complement rather than impede the market, that they are macro-economically efficient and that there is a sufficient degree of cross-border compatibility.

INFRASTRUCTURE PERMITTING DELAY ISSUE

We appreciate the statement of ACER recognizing that delays in the delivery of infrastructure are clear barriers to the timely delivery of investments. Infrastructure projects have indeed long lead times and are frequently subject to significant delays in obtaining planning consents. This increases the perception of risk for investors, increases costs for society due to macro-economic inefficiencies and potentially decreases the level of security of electricity supply.

While it is true that the EIP is seeking to address the delays issues, **further enhancement is needed** to (1) address other projects than PCIs that are also needed to reach the completion of the internal energy market and (2) to take all phases of the permitting process into account in the obligation to keep an implementation time of maximum 3,5 years (the preparation phase - including the concept phase² and the plan phase³) are currently not part of this maximum period.

As an example, the Belgian Grid must be adapted to make two PCIs: the Electricity Northern Seas Offshore Grid (NSOG) and the NEMO project possible. This grid project is known under the name "Stevin" which is not a PCI and which delay in realization can have important impacts on the two mentioned PCIs.

THE INFRASTRUCTURE FINANCIAL ISSUE

The Elia Group would also welcome ACER to coordinate the NRAs with a sufficiently forward-looking approach to enable the TSOs to address the challenges ahead linked to the energy transition and not only to focus on short-term cost efficiency, even if they have to remain a relevant and important cornerstone of grid regulation.

Regarding the possible regulatory actions proposed by ACER (investigation of additional incentives and/or development of output-based incentives), the Elia Group suggests ACER to detail these two concepts with concrete proposals that could be subject to a consultation.

THE NEED FOR A BETTER COORDINATED REGULATORY TREATMENT OF CROSS-BORDER PROJECTS

For long-term initiatives such as the North Sea Countries Offshore Grid Initiatives (NSCOGI), the ACER coordination of NRAs is crucial to allow the consideration of global economic benefits deriving from these cross-border projects.

A grid investment in such an international context, involving wind producers and tackling many national differences is regularly a more risky project than other TSO investments.

The Elia Group therefore welcomes the initiative proposed by ACER to "assess the scope for greater co-ordination, including whether additional incentives to promote investments with significant economic benefits are needed and, if so, how relevant projects should be assessed and how any incentive should be funded. "

²The overall Conceptual Planning & "Roadmapping"

³ Energy policy and plan, spatial plan or other relevant plan or program