

ACER supports ENTSO-E's efforts to deliver additional insights and shares considerations related to the upcoming Winter Outlook 2022/2023

Introduction

- (1) ENTSO-E carries out biannual seasonal adequacy assessments ('outlook reports') to alert Member States and transmission system operators of risks related to security of electricity supply that may occur in the subsequent six months.¹ Outlook reports are also relevant for market participants, who may use this information to prepare and adapt their strategies according to the risks anticipated.
- (2) ENTSO-E's Summer Outlook Report 2022² was published in June 2022. Overall, ENTSO-E found no major risk to electricity supply in Europe during the summer period, however emphasized the need for close monitoring of the electricity and gas sectors and enhanced coordination of stakeholders in preparation for the upcoming winter period.³
- (3) The Summer Outlook Report already includes preliminary insights for the next winter season. As a result of Russia's invasion of Ukraine, potential risks to adequate energy supplies are higher during the winter period, so any early adequacy forecasts, even of a preliminary nature, are particularly useful. ACER fully supports ENTSO-E's efforts to go beyond the required scope in order to also provide early insights for the coming winter.
- (4) ACER has been closely engaging with the European Commission and ENTSO-E to investigate how to make the best use of ENTSO-E's seasonal assessments in response to the current challenges. As Russia's military aggression against Ukraine continues, the Winter Outlook Report 2022/2023 will be of heightened relevance to decision makers at national and EU level. ACER appreciates ENTSO-E's strong engagement and cooperation to date and, in this context, shares the following considerations related to the Winter Outlook Report:

I. Coordination between the ENTSOs is vital as gas supplies are key for electricity adequacy

- (5) ACER welcomes ENTSO-E's preliminary assessment of gas dependency⁴ providing an early indication for policy makers and other stakeholders. ENTSO-E's assessment shows that even if gas savings made by the power sector are possible, significant volume of gas is still needed for electricity adequacy. ACER would be supportive of updating this analysis in the Winter Outlook to show weekly results for the minimum gas need of the electricity system. The analysis would preferably also cast light on the substitution potential of non-gas generation resources.

¹ ENTSO-E carries out and adopts seasonal adequacy assessments and submits them to ACER for an opinion pursuant to Article 9(2) of Regulation (EU) 2019/941 as well as Article 30(1)(m) and Article 32(2) of Regulation (EU) 2019/943.

² [Summer Outlook 2022](#)

³ Pursuant to Article 4(3)(b) of Regulation (EU) 2019/942, ACER may provide opinions on ENTSO-E's seasonal adequacy assessments. Considering ACER's involvement: first in the approval and then in the implementation of the underlying methodology (adopted in ACER Decision 08/2020) through [prior opinions](#) (ACER Opinion No 02/2020, No 07/2020, No 01/2021), ACER deems that an opinion on the Summer Outlook Report 2022 would not bring significant new information. As such, ACER has decided not to issue a formal opinion on this year's Summer Outlook.

⁴ Summer-Outlook-Report 2022 p.19

- (6) The level of gas storage at the end of the summer season will be of defining importance for the electricity adequacy outlook for the winter. In this respect, ACER finds it important that the ENTSOs coordinate the set of input assumptions and output results used for the seasonal outlooks in order to provide consistent results. The interdependency applies especially to ENTSG's seasonal supply outlook⁵, which assesses the possible evolution of gas supply and the ability of the gas infrastructure in the European Union to handle gas flows to serve demand.
- (7) The ENTSOs respective seasonal assessments should be consistent regarding, for example, the assumptions towards the gas demand from the electricity sector and, on the other hand, the gas supply made available to electricity power plants. It is now more important than ever that the ENTSOs continue working closely together in the determination of the gas volumes needed for operating critical gas-fired power plants as well as critical electricity facilities for the gas system. It would be useful to extend modelling capabilities toward covering different levels of gas constraints for the power sector considering the impact of national gas rationing scenarios.

II. Taking account of all the relevant factors helps to reflect the unusual circumstances

- (8) Given the extraordinary circumstances, the information collection for the Winter Outlook may need to look beyond the usual data scope to cover the diverse effects of the Russian invasion of Ukraine on electricity adequacy.
- (9) Member States are implementing preparedness and mitigation measures of a potential Russian gas disruption scenarios both for the gas and electricity sectors, including measures foreseen in the national electricity risk-preparedness [plans](#)⁶ and in the gas risks assessments, preventive action plans and emergency plans⁷, of which some are being updated. The Winter Outlook is in a unique position to assess the relevant cross-border effects of these national mitigation measures and could point to the need for further alignment and possible unrealised optimisation potential.
- (10) In this regard, it is vital that TSOs closely coordinate with competent national authorities to ensure that the latest data on national measures is available to ENTSO-E for the European assessment.
- (11) ACER welcomes ENTSO-E's efforts to perform a qualitative survey⁸ of the TSOs on risk perception and mitigation measures. Given the fast-paced environment, updating the survey results in the coming months would bring added value.
- (12) ACER appreciates ENTSO-E's efforts to continuously work to gain preliminary insights into what the coming winter could look like. ACER highlights for ENTSO-E to consider the following aspects during the data collection for the Winter Outlook.

⁵ <https://www.entsog.eu/outlooks-reviews>

⁶ Article 10 of Regulation 2019/941

⁷ Articles 7-10 of Regulation 2017/1938

⁸ Summer-Outlook-Report 2022 p.23

- a. It is important to monitor the availability of gas, coal and nuclear fuel supplies on an ongoing basis.
- b. The current and expected low filling level of hydro reservoirs⁹ by winter is of concern. Similarly to gas storage, hydro energy saved in summer is energy available for winter. Given the current high price environment, hydro generators may decide to run during the summer more than the usual and will be able to contribute less to maintain adequate supplies during winter months.
- c. Regarding the availability of raw materials, there are indications¹⁰ that operators of electricity assets may face delays on planned maintenance due to possible supply chain disruptions.

III. Modelling additional sensitivities can help EU decision makers

- (13) Seasonal outlooks typically contain a base case calculation, resembling a best estimate type of scenario, which, in case of adequacy issues, is complemented by an additional assessment of the impact of non-market measures (e.g.: strategic reserves) to mitigate adequacy risk.
- (14) ACER appreciates ENTSO-E's efforts to shape the Winter Outlook in a way that EU decision-makers could benefit from it as much as possible by running supplementary sensitivity analysis to capture the unusual circumstances. In addition to the scenarios related to gas availability (see section I.) potential sensitivities for ENTSO-E's consideration are listed below. Some of these sensitivities cover additional risks while others explore response potentials in order to assess their impact and provide operational information that may guide policymakers.
- (15) Potential risk scenarios:
 - a. A reduction in nuclear output compared to the base case as a result of increased unavailability due to, for example, delays in maintenance or other technical issues.
 - b. Increasing electricity demand as a result of rapid switching of large portion of consumers to electric heaters could happen under certain rationing or retail intervention situations indicating a scenario where household electricity prices gain significant price advantage over gas prices.
 - c. The Baltic electricity grids are still synchronously interconnected with the Russian system. A sudden disconnection of the Baltic states could have an impact on stable and reliable electricity supply.
- (16) Potential response scenarios:
 - a. Solidarity amongst the Member States is key in mitigating the impact of crisis scenarios. A key benefit of EU electricity market integration is that it enhances security of supply. In particular, where adequacy risk is identified, it would be useful

⁹ Early indications are that some Member States may face lower than average precipitation in the coming months. See: <https://effis.jrc.ec.europa.eu/apps/effis.longterm.forecasts/>

¹⁰ <https://ec.europa.eu/docsroom/documents/50434/attachments/1/translations/en/renditions/native>

if ENTSO-E - in coordination with the relevant TSOs - assesses the mitigation potential of increasing cross-border capacities compared to the base case.¹¹

- b. Electric heating is an important driver of demand in certain Member States. Consumers can play their part¹² in relieving the electricity system by reducing consumption, for example, by turning down the thermostat or by adjusting the temperature.

IV. ENTSO-E's dynamic and responsive approach is welcome

- (17) ACER appreciates ENTSO-E's active engagement with the representatives of the Member States and National Regulatory Authorities in the Electricity Coordination Group, in particular the early provision of interim results. Considering the dynamism of the current situation, ACER welcomes ENTSO-E's intention to continue sharing early results of the Winter Outlook in an iterative manner.
- (18) Up-to-date input data is the basis of a reliable assessment. ACER understands that in the seasonal outlook process, data collection normally takes place three months prior to the publication. ACER welcomes ENTSO-E's plans to streamline this process by introducing an additional data review step. Under the current circumstances, it is recommended to keep additional flexibility to update assumptions for the Winter Outlook as close to the publication date as possible.
- (19) The months of October and November are not by default covered by the winter outlooks. Given the uncertainties, ACER welcomes the inclusion of these months as an early winter adequacy assessment.
- (20) ENTSO-E should be ready to deliver supplementary month-ahead assessment(s) in a timely manner in case new events or developments (during the summer months or beyond) change the expectations for the rest of the study period.¹³

¹¹ As an emergency measure, increasing import capacities from a neighbouring bidding zone with more resources and lower prices can help to mitigate adequacy concerns. In the short-term, this may increase the use of remedial actions for the limited time the adequacy concern spans.

¹² https://energy.ec.europa.eu/topics/markets-and-consumers/eu-energy-prices/playing-my-part_en
<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52022DC0240&from=EN>

¹³ According to Article 3(9) of the Methodology for Short-term and Seasonal Adequacy Assessments