

ACER consultation on the draft Emergency and Restoration network code



EFET comments – 29 April 2015

The European Federation of Energy Traders (EFET)¹ welcomes the opportunity to provide comments to ACER on the draft Emergency and Restoration network code. Although many elements of the draft network code are generally beyond the traditional scope of action of EFET, we wanted to bring a market expert perspective to the discussion on Chapter 4 (*Market Interactions*).

Chapter 4 details the rules and conditions according to which TSOs will be able to suspend market activities. We remind ACER that market forces should play their role as long and as close to real time as possible, and that scarcity prices in times of tense network conditions are a vital element to guide, inter alia, investment decisions. Suspending the market not only has potentially significant financial consequences for all involved parties, it can also be, if activated for unwarranted reasons, a deterrent to market-based investments in the electricity sector. Therefore, markets should only be suspended in case of proven Emergency situation or Force Majeure, as defined in, e.g., the Capacity Allocation and Congestion Management (CACM) Guideline. TSOs must prove and NRAs must monitor that the conditions are serious enough to warrant suspension.

On a side note, while we understand that the draft network code deals with operational elements and methodologies, we draw ACER's attention to the need for clear, harmonised rules for the financial settlement of all actions taken at the behest of the TSOs in case of market suspension.

You will find below our detailed comments on Chapter 4 of the draft network code.

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at www.efet.org.

Chapter 4 – Market Interactions

The use of term ‘at least’ in Article 34 we fear will enable TSOs to add further, unnecessary conditions which could become the basis of market suspension. **We believe this should be deleted.**

This is particularly important as the listed parameters in 34.4, whilst they appear sensible, there is a question as to what ‘weight’ TSOs will apply to each parameter, and whether they ought to be considered cumulatively, or in isolation. For example, as drafted, it would seem that a market could be suspended, even if itself is not in an Emergency State, in the event that cross-border capability with a neighbouring system that is in an Emergency State is significantly affected (e.g. reduced to zero).

Furthermore, we believe that, when referring to events that affect the market, it is important to retain consistency with the market codes (for example, CACM). The CACM Guideline has been through a long process of consultation and agreement and, as such, we believe it is prudent to remain consistent with definitions as used in final CACM Guideline.

We therefore suggest the following amendments for Article 34.2-4):

2. The rules and conditions for suspension of market activities shall ~~cover at least the~~ be restricted to Force Majeure or an Emergency Situation as referred to in Article 16(2) of Regulation (EC) No 714/2009, where the TSO shall act in an expeditious manner and redispatching or countertrading is not possible. A further condition is where the prolongation of market activities would worsen, the conditions of the Transmission System being in an Emergency State.

4. When defining the rules and conditions for suspension of market activities, each TSO shall consider ~~at least~~ the following parameters:

- a) a percentage of load disconnection in the LFC area of the TSO;*
- b) a percentage of generation disconnection in the LFC area of the TSO;*
- c) a significant part of the LFC area in desynchronised operation with the rest of the LFC area of the TSO;*
- d) the reduction to zero of Cross Zonal Capacity on a Bidding Zone Border(s)*
- e) a percentage of affected entities referred to in Article 33(5) not able to execute their market activities for reason(s) out of their control; and*
- f) the absence of the proper functioning of tools and communication means necessary for TSOs to facilitate market activities.*

As noted above, we believe that the TSO should take all reasonable measures to minimise the likelihood of market suspension taking place, and be held accountable to this obligation.

We therefore suggest the addition of a new paragraph after 34.5 (or, it may be included as part of Article 35 – Procedure for restoration of market activities):

Following the restoration of the market, the relevant TSO is obliged to:

- a. *Publish a report containing a detailed explanation of the basis for market suspension, referring to the rules and conditions in Article 34.2 and 34.4;*
- b. *Submit this report to the Agency and entities referred to in Article 33(5) no later than one month after the incident;*

If, upon consideration of the report, the Agency believes the situation is not consistent with rules and conditions described in Article 34.2 and 34.4, the TSO is obliged to consider, at the Agency's request, what further measures it should take in order to prevent a further incident from taking place.

Article 36 (1-2): The communication procedure in the event of an emergency is extremely important. **We believe that, in developing the communication procedure, approval from the relevant NRA should be required. It should also include the requirement for TSOs to inform relevant parties of suspension / restoration as soon as possible.**

We therefore suggest the following Article 36(1)(2):

*1) Each TSO shall develop and publish, in consultation with the entities referred to in Article 33(5), **and following approval from the relevant NRA**, a communication procedure detailing the tasks and actions expected from each party in its different roles during the suspension and restoration of market activities. The communication procedure shall also include information to the regulatory authority or other competent authority of the Member States concerned.*

*2) The procedure shall include at least the following steps, **which are to be taken as soon as possible**:*

- 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;*
- 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.*