



COMMISSION
DE RÉGULATION
DE L'ÉNERGIE

CHAIRE EUROPEAN ELECTRICITY MARKETS

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**Networks in the Clean energy
package: welcomed harmonization or
excessive standardization?**

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CONTENT

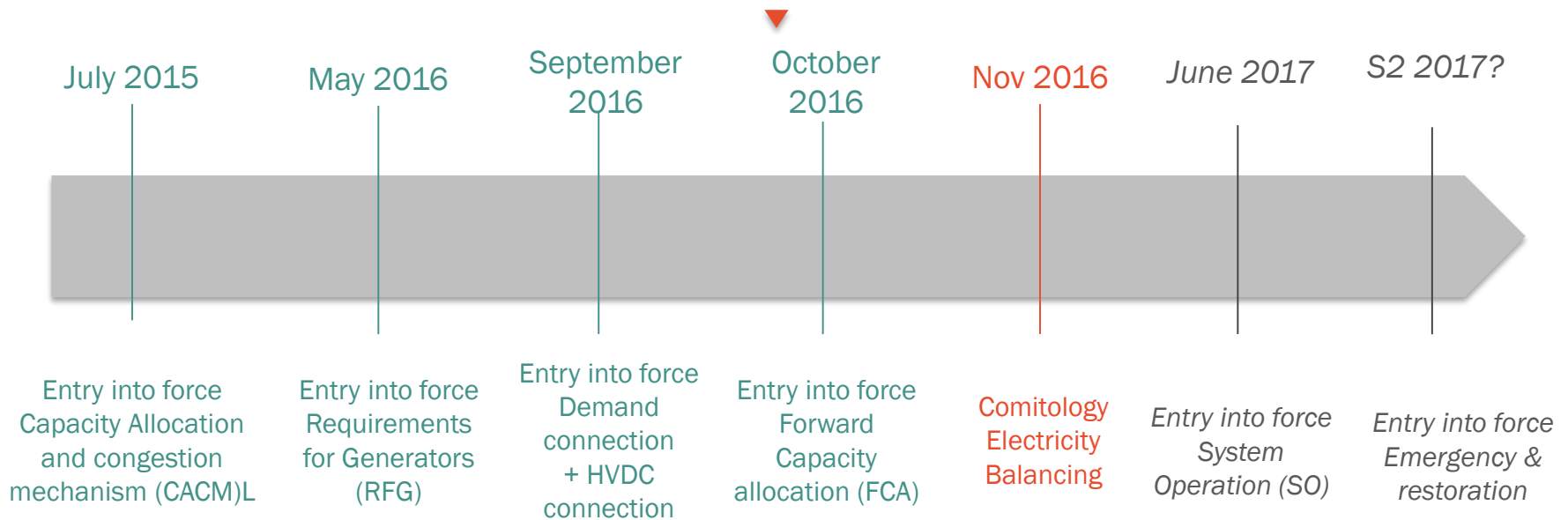
- The Clean energy package: a new framework to back the transformation of the electricity sector
- Some areas of concern :
 - Implement the current network codes as a matter of priority
 - Find the efficient level of regional cooperation
 - Avoid overregulation
 - Strengthen the complementarity between NRAs and the Agency

THE CLEAN ENERGY PACKAGE: A NEW FRAMEWORK TO BACK THE TRANSFORMATION OF THE ELECTRICITY SECTOR

- Electricity markets are evolving rapidly
- The energy transition is ongoing, with ambitious targets by 2030
 - A minimum 27% share of renewable energy consumption
 - Reduction of energy consumption by 30%
 - Reduction of GhG emissions by at least 40%
- The Clean energy package provides a framework to deal with the decentralization of resources
 - Reinforcement of regional cooperation
 - Better integration of renewable energy in markets
 - Adaptation of DSOs role and responsibilities
 - Recognition of the essential role of demand response, and of independent aggregators
- **This is a very strong signal for the market**

THE CLEAN ENERGY PACKAGE AND THE CURRENT REGULATION: RISK OF OVERLAP

Implementation of the different network codes elaborated at EU level



- 7 network codes adopted since July 2015, 1 is still under comitology process
- **Their implementation should remain the priority**
- **New regulation should be developed where the benefits for consumers are greatest and where action at European level is most efficient**
 - Doubts regarding a network code on tariffs methodologies (especially regarding distribution)
 - It should concern general principle such as transparency, cost reflectivity, non discrimination
 - It should not enter into technical parameters nor neglect national specificities such as thermosensitivity for France

REGIONAL COOPERATION IN THE CLEAN ENERGY PACKAGE

- The Clean energy package insists on an increased regional cooperation to deliver a European-wide security of supply
- Regional cooperation has been at the core of integrating European electricity markets for years: the gradual approach used so far is still appropriate

Example: regional initiatives in electricity

- Created in 2006 by ERGEG - cooperation framework that includes NRAs, TSOs and NEMOs
- France belongs to 4 out of the 7 EU regional initiatives
- Objectives:
 - Use work done at regional level as input for network codes
 - Anticipate the implementation of network codes
- Examples of results
 - Harmonized **rules for the allocation of long term rights**
 - **Day-ahead market coupling** at all our borders with EU countries and implementation of **flow based market coupling in CWE**
 - Implementation of the **XBID solution** for intraday coupling border by border



Source : RTE

FROM RSC TO ROC: WHAT IS THE MOST EFFICIENT LEVEL OF REGIONAL COOPERATION?

- Following 2006 blackout: creation of Regional Security Coordinators (RSC) (Coreso, TSC, etc.) to increase the safety of electricity networks.
- The SO GL provides that by 2018, the geographical coverage of RSC as well as the scope of their activities shall be extended: **this provision will already result in an increased regional cooperation.**
- The Clean energy package creates Regional Operation Centers (ROCs), that would consist in **transferring operational missions from TSOs to ROCs.**
- This raises numerous questions:
 - Is it appropriate to transfer (part of) the responsibility for system security from TSOs to ROCs (security supply and subsidiarity issue)?
 - Is a supra-regional scale efficient for all tasks delegated to ROCs?
 - Would it allow for enough local flexibility?
 - Unnecessary administrative burden?
 - Shouldn't we implement first SO GL and wait for a feedback before rolling out ROCs?

 **In the end, who will be responsible for keeping the lights on ?**

FROM RSC TO ROC: WHAT IS THE MOST EFFICIENT SCALE OF REGIONAL COOPERATION?

From 5 main missions of the RSC (SO GL) ▶

16 missions of the ROC (Winter Package)

At the capacity calculation level:

- elaborate common grid models
- perform the coordinated regional operational security assessment based on elements from each TSO. And recommend to the relevant TSOs the most effective and economically efficient remedial actions
- perform the coordinated capacity calculations
- realize outage planning coordination
- realize seasonal adequacy outlook

Green > same provisions

Orange > new ones - competences transferred from TSOs to ROCs

- Coordinated security analysis
- Creation of common system models
- Coordinated capacity calculation
- Outage planning coordination
- Seasonal adequacy outlook (if it is a task delegated to ROC)
- Assessment of TSOs defense and restoration plans
- Coordination and optimization of regional restoration
- Post-operation and post-disturbances analysis and reporting
- Regional sizing of reserve capacity
- Facilitate the regional procurement of balancing capacity
- Regional week ahead to ID system adequacy forecasts
- Optimization of compensation mechanisms between TSOs
- Training and certification
- Identification of regional crisis scenarios
- Preparation of yearly crisis simulations (in cooperation with competent authorities)
- Identification of regional crisis scenarios (if it is a task delegated to ROC)
- Calculate the max entry capacity available for the participation of foreign capacity in capacity mechanisms)

CAPACITY ALLOCATION AND CONGESTION MANAGEMENT

- Principles on capacity allocation and congestion management are part of the CACM guideline, not implemented yet (capacity calculation methods to be submitted by TSOs to regulators Q3 2017)
 - Yet, the Clean energy package adds another layer
 - Basically, **TSOs would have to maximize cross-border capacities first**, and then to deal with consequences on their national networks
- ⇒ **Should the priority be given to maximising cross-border capacities even when the costs of removing internal congestion (redispatch...) outweigh the benefits of cross-border exchanges ?**

BALANCING MARKETS IN THE CLEAN ENERGY PACKAGE

- **The Electricity Balancing (EB) Guideline**, currently under comitology process, aims at integrating **European balancing energy markets**,
 - Integration tools will be “standard products” for **balancing energy** to be shared by all TSOs.
 - In France, a roadmap to adapt balancing rules to the energy transition and to the EB guideline is being prepared (proposal by RTE, public consultation by CRE ending January 2017)
 - The full implementation of the EB guideline is forecast for 2023
 - The Clean energy package goes far beyond: **mandatory dimensioning and procurement of balancing capacity at regional level**.
 - No assessment of benefits, while costs of immobilizing interconnection capacity and disrupting market coupling appear to be sure and significant
 - Common procurement of balancing energy is not even functioning yet
- ➡ **Thorough impact assessments are needed before going further ahead.**

OTHER AREAS OF CONCERN

- **Suppression of price cap on short term markets**

- The cap is 3000 €/MWh in CWE region.
- Economics theory tells price caps should be suppressed.
- However, there is a risk of creating new barriers to entry with no sizeable gains
- In addition, their removal may incur high financial risks for households, especially if they opt for dynamic-price contracts

- **Demand response and agregators**

- The proposal rightly recognises of the role of aggregators, functioning independently from suppliers
- Nevertheless:
 - compensation to supplier/balance responsible is considered an exception: lack of understanding of the nature of the interaction between the agregator and the supplier

ACER AND NRAS COMPLEMENTARITY (1/2)

- The Clean energy package expands the powers of ACER, which will be entitled to new missions, along with the new regional dimension in the Package
 - ACER to decide on network code implementation
 - End of the “all-NRA approval process” ?
 - ACER to supervise new entities (ROCs, NEMOs, etc.)
 - ACER will be able to modify network codes proposed by ENTSO-E, and to modify methodologies elaborated for network codes implementation
 - Could ACER amend the market coupling algorithm?

ACER AND NRAS COMPLEMENTARITY (2/2)

- The **well-functioning of the Agency relies extensively on the competences and resources of NRAs.**
- The good cooperation of NRAs with ACER has been critical in helping to create a competitive Internal Energy Market : NRAs and the Agency are complementary
- The legitimacy and relevance of ACER's decisions could be undermined by a **centralisation of decision-making powers in the hands of the ACER Director**
 - The proposed use of simple majority voting, rather than qualified majority in the BoR would profoundly, and negatively, affect the checks and balances **within the BoR itself and within the Agency**
 - The **BoR should be given a right of amendment** of acts that require its favourable opinion



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Thank you for your attention

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