

Response to the ERGEG Ten Year Electricity Network Development Plan

February 2010

General Remarks:

1. Compared with the ante-liberalization period, the European grid is vaster, has to satisfy more international transactions and must endure intermittent injections from dispersed renewable energy sources.
2. The optimum design of this European grid may differ from the past optimum. It is crucial, at this step, to study the long-term optimum design of the European grid and to see that new projects fall into line with this optimum design.
3. During the ERGEG Workshop, ENTSO-e announced that it had given a working group the responsibility for studying this optimum design of the European grid in the year 2050. Bringing new projects into line with this optimum should be added in both the objectives (§ 2+6.1) and the top-down approach by ENTSO-e.

Questions:

Q1. The document presents the regulators' view on the planning process to achieve a non-binding Community-wide network development plan. Does this view contribute to the objectives set in the Section 2 and especially transparency of planning? What should be added / deleted within the planning process in this respect?

4. A well organized and shared planning between ACER/ERGEG, ENTSO-E, TSO and National Regulators is mandatory for an adequate development of the network.
5. Regarding the objectives, the 3 main ones must remain **security of supply, sustainability and competitiveness**.
6. The increase of intermittent renewable generation in each country and the 2020 target forces European networks to adapt. Additional cross-borders capacities will mainly be needed to secure the grid to meet both peak demand and strong intermittent injection from renewable generation.
7. It is important to note that there may be a difference between a solution which increases cross-border/interconnector capacity in such a way that removes congestion and a solution which brings about the most economical optimizing cost, securing supply and inducing affordable energy (sum of energy price, transmission cost, distribution cost and balancing, etc) to allow industry to be globally competitive. Therefore, it's vital for the regulator to consider an effective electricity market model that may requires a full development of the evolution to regional markets in the immediate future and then to a single European energy market place at a later stage. Regulators must aim to optimize decongestions, via investments or re-dispatching, while assuring that the expected economical gains will exceed the cost of such optimization.

8. In particular cases, as long as existing capacity is too low, revenues from congestion management methods should be earmarked for investment into the expansion of these cross-border connections.

Q2. The document describes the contents of the Community-wide network development plan. Does it reflect the topics needed for the plan? What should be added / deleted within the contents of the plan?

9. The content of the Community-wide network development plan should focus not only on the security of supply, the removal of internal and cross-border bottlenecks and development of infrastructure for generation to be introduced but also to:
 - 9.1. Guarantee that base load power plant investments are facilitated, in a timely manner, but in an optimum manner as to avoid unnecessary reinforcement of network interconnections.
 - 9.2. Guarantee to obtain, not only competition in generation, transport, transmission distribution and load balancing of electricity but competitive prices for base load and peak load for energy intensive industries.
 - 9.3. Guarantee to have a well balanced generation mix in each country while avoiding any lack of generation capacity
10. Other comments are:

§ 6.2 / “Issues to be addressed by scenarios” :

- “Price of electricity” is not sufficient; scenarios should address all the cost elements as:
 - electrical energy price and;
 - transmission costs
 - distribution cost
 - balancing cost, etc.

because

- a project increasing transmission tariff may decrease energy price thanks to more competition;
- the sum is the cost the consumers pay, and must be optimized.

§ 6.4 / Market Model:

11. The software modeling the market should not be limited to a “perfect market” but should integrate the actor’s actions, observed during the previous years. (f.i. what is the ratio price/cost of the offers ? Do generators invest ?).

§ 6.5.2 / Economic criteria:

12. Concerning the risks and costs of shortage, it is important to consider the real cost of an industrial plant shortage and not the compensation paid by TSO.
13. For both, too high “all in” electricity prices and industrial plant shut-downs caused by poor power supply reliability, the economical impacts of long-term activity delocalization should be considered.

Q3. The document addresses European generation adequacy outlook. What should be added / deleted in this respect when ERGEG gives its advice?

14. Well- functioning electricity markets should be able to deliver security of supply and generation adequacy. The production mix in each country should be well balanced and among others low cost, environmentally sustainable, base load generations modes, the nuclear share should increase (to be studied on country per country basis) in order to guarantee an affordable and environmental friendly base load production.
15. Taking into account the investments needed in the medium and long term, we should not only rely on evolution of a liquid market to foster future generation investments but also allow for regulatory enforcement or member state initiatives to foster investments with a view to both security of supply and price competitiveness.
16. Regarding the enhancement demand response of consumption; the regulators should give priority to use the flexibility of industrial customers as power reserve for the TSO, e.g their “interruptibility” or load shifting. This flexibility or “buffer” is available and can be used to stabilize the grid. Therefore, incentives should be set for industrial consumers to adjust their load pattern in such a way that the capacity of the grid, and the generation capacity respectively, are used in an optimal way. This gives value to all the supply chain: End consumers would have a fair remuneration and producers and TSO would avoid the need to invest and to rely on more costly (both in terms of capital and environment) generation and grid capacity, reducing their cost.
17. The plan should also take into consideration the possibility of allowing old power plants (applicable mainly to nuclear) to extend their production life time under strict safety conditions. In most European countries, this vision is gaining momentum, but a centralized common vision should prevail to avoid degrading our CO2 foot print and maintain base load competitiveness.
18. To avoid lack of generation capacities, the “European Generation Adequacy Outlook” should give explicit alarms when the power plants foreseen by the previous plan are not erected and when the construction decision becomes critical with regard to construction delay and deadline.
19. Investments in energy intensive industries as well as in electricity generators have a 30 year horizon. To recognise this, a regulatory certainty over a longer period of 20 to 30 years is essential to attract new investments in generation of base load as well as in those energy intensive industries which depend upon it.

Q4. The document describes the topics (existing and decided infrastructure, identification of future bottlenecks in the network, identified investment projects, technical and economic description of the investment projects) for the assessment of resilience of the system. Is this description appropriate? Should it be changed and if so, how?

20. In the economical criteria we should avoid market integration where existing price differentials within regions end up in a global alignment to the highest price range.
 - Therefore, for each project, should be studied as economic criteria and published the expected impacts on all the cost elements such as:
 - electrical energy price;
 - transmission costs (tariff);
 - distribution cost;
 - balancing cost, etc
 - in concerned Member States.

21. The generation optimization according to the cost of generation (optimal merit order) should be linked to an optimum “market design”. Current market functioning does not guarantee competitive price for the base load consumption, severely impacting the competitiveness of the European industry in the global international context. IFIEC does not believe that in the present electricity market, industrial consumer’s benefit from nuclear competitive advantage.

Q5. The document sets out criteria for regulatory opinion. Are these criteria clear and unambiguous? If not, how they should be amended?

22. The main objective “To eliminate the physical congestion where it is considered to hinder the development of the cross-border trade and market integration” should also include the need of effective competition and price competitiveness for base load consumers and peak load consumers. Looking at the market today, there is competition but it’s mainly limited to the commercializing sector which represents a minimum percentage of the total price of electricity formation. We must focus on solutions that will guarantee prices going back to real cost fundamentals.

23. Regarding the power system design, IFIEC fully agrees on the fact that we shall maximize the benefits and minimize the cost from a regional and European perspective.

Q6. Compatibility between the national, regional and Community-wide ten-year network development plans shall be ensured. How can this compatibility be measured and evaluated? How may inconsistencies be identified?

24. The compatibility is ensured by a check list of items such as e.g. The effective price paid by the energy intensive consumers using base loads is not artificially increased endangering their competitiveness in global international context.

Q7. The Agency monitors the implementation of the Community-wide ten-year network development plan. Are there any specific issues to be taken into account in monitoring besides those described in the document?

25. In the point 4.5 Stakeholders, the industry associations should explicitly be mentioned.