

**Agency for the Co-operation of energy
Regulators
Republike Trg 3
1000 Ljubljana
Slovenia**

Market Design and Regulatory Affairs

Your ref. DFGSO_2011-E003
Your letter
Our ref. William Webster
Contact +44 1793 892612
Phone +44 1793 892118
Fax william.webster@rwe.com
Email

Swindon, 15 September 2011

Dear Alberto,

RWE response to ACER draft Framework Guidelines on System Operation

RWE has contributed to the responses submitted by the European Associations, Eurelectric and EFET. We support the recommendations they make. In particular, we agree with the need for more detailed guidance on the interaction between procurement and use of reserve, and the operation of wholesale markets. Different practices across Member States currently distort prices in day-ahead and intraday markets and therefore have an important impact on cross border trade.

We also recommend that ACER should consider a follow up consultation once initial comments have been received, in order to finalise the document.

The attached Annex contains some additional remarks on specific questions raised in the consultation document

Yours sincerely,



**WILLIAM WEBSTER
HEAD OF EUROPEAN
POWER MARKET DESIGN**

RWE SUPPLY & TRADING GMBH



**STEPHEN ROSE
HEAD OF EUROPEAN
GAS MARKET DESIGN**

RWE SUPPLY & TRADING GMBH

RWE Supply & Trading GmbH
Swindon Branch

Windmill Hill Business Park
Whitehill Way
Swindon SN5 6PB
United Kingdom

T +44(0)1793/87 77 77
F +44(0)1793/89 25 25
I www.rwe.com

Registered No. BR 7373

VAT Registration No.
GB 524 921354

Advisory Board:
Dr Ulrich Jobs

Board of Directors:
Stefan Judisch (CEO)
Dr Bernhard Günther
Dr Peter Kreuzberg
Richard Lewis
Alan Robinson

Head Office:
Essen, Germany
Registered at:
Local District Court, Essen
Registered No.
HR B 14327

ANNEX: REPLIES TO SPECIFIC QUESTIONS

These points should be taken into account in addition to those made by Eurelectric and EFET.

1. *The Initial Impact Assessment (IIA) identifies the following challenges (i) growing amount of distributed generation and variable generation (ii) increasing interdependence of control areas. Are there additional key cross-border challenges that the Framework Guidelines (FGs) and Network Code(s) on System Operation should address?*
2. *The Framework Guidelines identify a number of actions and requirements to be included in the Network Code(s) as a solution to these challenges. Are the actions and requirements identified in the Framework Guidelines appropriate to solve these challenges?*

We agree with the opinion of EFET and Eurelectric to better focus the Framework Guideline on improving the functioning of electricity markets. A more effective delimitation between intraday, balancing and reserve markets is essential to lead to more reliable price formation.

RWE believes that most of the challenges posed by intermittent generation will be solved most efficiently by market participants rather than system operator actions. Indeed a major problem today in many Member States is that system operators have an inappropriately large role in bringing renewable power to the market.

3. *Are the proposed levels of harmonisation sufficient to solve these challenges?*
4. *Should the Framework Guidelines be more specific with regard to areas that need to be harmonised, both across and within synchronous areas?*
5. *Should the Framework Guidelines require the development of common rules for System Operation between synchronous areas?*

There will be significant benefits from having harmonised rules for System Operation between synchronous areas, and even EU wide in terms of basic principles, to the extent that system operation may affect wholesale markets. Improved transparency will also make a major contribution to market functioning.

6. *Considering the current arrangements of the system operation rules and procedures throughout the EU, what would be an appropriate level of detail for the Network Code(s) on System Operation?*

More harmonised definitions of reserve products, how they are used, and how and when reserve must be procured and dispatched would be beneficial. A common set of rules would also make it more likely that disruptions can be restricted to particular areas.

7. *What key benefits and types of cost would you expect for compliance with these requirements? Please quantify from your point of view.*

As well as the benefits from reducing market distortions and a more efficient procurement of reserves and ancillary services, a harmonised approach to system operation would also lead to better structured remedial actions which avoid ad hoc interventions in the market, minimize the operation of congestion management, and better structured and coordinated grid upgrades

However we would also underline the costs of implementing a more harmonised system operation network code to generators and the need for thorough cost benefit analysis.

8. *Should the Framework Guidelines be more precise on organisational aspects of operational security, in particular with regard to security assessment?*

On the question of security assessment we consider that methodologies should ensure consideration of the relationship between secure generation capacity to load which is very important for the strategy of electrically protective separation and for the grid reconstruction procedure. Calculation methodologies and underlying assumptions should be made publicly available.

9. *Are the implications for significant grid users clear and relevant?*
10. *Are the roles and responsibilities sufficiently addressed?*

A particular aspect that is unclear is how the market will be restored after a black-out scenario. How will existing traded deals be treated during and after a critical situation, particularly cross border transactions?

The Framework Guidelines should not stop with the restoration of the grid, it is also necessary to define the restoration of the complete market (exchange programmes, scheduling, ...).