

Agency for the Cooperation of Energy Regulators
Trg Republike 3
1000 Ljubljana
Slovenia

September 2011

Dear Sir/Madam,

Re: ACER Framework Guidelines on System Operation: SSE response

SSE welcomes the chance to respond to this consultation. SSE is the second largest generator in the UK, with over 11.5GW of generation capacity and the second largest energy supplier. We also have transmission and distribution businesses and a generation and supply operation in Ireland.

General points on EU Network Code development

It is vital industry views are incorporated as EU network codes are developed to ensure they reflect the practicalities of operating in electricity markets. At present, there is not sufficient opportunity for non-TSO stakeholders (e.g. generators and DNOs) to actively input into the development of grid codes. Specifically, a non-TSO forum is needed with review powers over codes.

EU grid codes must also focus only on the areas that require harmonisation to allow efficient trading across borders and not focus on areas which do not affect trade. The benefits of harmonised codes must always be weighed up against the costs in each instance with robust Cost-Benefit Analysis.

The System Operation Framework Guidelines

SSE is supportive of the need to harmonise System Operation rules and criteria *within* synchronous areas and this has to a large extent already been achieved. What is less clear is the extent to which there is any need to harmonise standards *between* synchronous areas. We agree establishing common definitions, principles and metrics may be beneficial, particularly if it helps to clarify the priorities for dispatch between synchronous areas during an emergency. However, it is not clear that any harmonisation of the actual rules (e.g. system security standards) is needed, particularly given the disruption this would cause. Any such changes should be justified through quantification of the costs and benefits.

The following provides some other comments on the draft guidelines and direct responses to the consultation questions are provided in the Annex.

- **Section 1.1** states that all TSO actions within or between a synchronous area have a cross-border character. This is not strictly true given that flows across DC-links can be directly controlled.
- **Information provision.** In setting any additional information provision requirements (e.g. p.15) it is very important that the benefits of these are weighed against substantial costs (e.g. IT systems) that can be incurred.
- **Market provision of system services.** The text refers to “instructions” from System Operators to users and it is important to clarify that the vast majority of these actions are (and should be) undertaken on a commercial basis (i.e. markets for ancillary services rather than mandated actions). The importance of market-based approaches should be emphasised in these guidelines as well as others.
- **TSO-TSO trade across interconnectors.** TSO-TSO trades need to be transparent, particularly given the impact they have on cash-out prices. Moreover, TSO should not reserve cross-border capacity for such trade as this impedes the role of cross-border markets which can resolve supply and demand imbalances more efficiently. We assume this issue will be covered in the Balancing Framework Guidelines if not in these guidelines here.

- **Staff Training and Certification.** It would be useful if this section could clarify that these requirements refer to System Operators and not to Transmission Operators or Distribution Network Operators, as we understand is the intention.

Regards

Will Steggals
Regulation Manager, SSE

Annex I: Answers to consultation questions

General Issues

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?**

The Framework Guidelines and Network Codes should also address the challenge of market integration and cross-border trade, in particular, avoiding distortions in wholesale markets that could be caused by system operation rules.

The FGs should also consider the impacts of 'smart demand' (e.g. time-of-day tariffs) which will affect the way network flows are managed.

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?**

The guidelines should include a stronger emphasis on the need for market-based approaches to resolving system operation challenges.

3. **Are the proposed levels of harmonisation sufficient to solve these challenges?**

Harmonisation within a synchronous area is appropriate. Harmonisation across synchronous areas may have some value with regard to establishing common definitions and principles. However, there does not appear to be a case for harmonising factors such as system security standards across synchronous areas.

4. **Should the Framework Guidelines be more specific with regard to areas that need to be harmonised, both across and within synchronous areas?**

There is no clear rationale and/or quantified benefits expressed in the FGs for harmonisation across synchronous areas. Therefore unless major tangible benefits can be proved, the guidelines should not be more specific in this area.

5. **Should the Framework Guidelines require the development of common rules for System Operation between synchronous areas?**

There may be some value from harmonising definitions, principles and frameworks, but there is no clear case for harmonising the rules (e.g. security standards) themselves between synchronous areas.

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?**

A low level of detail is appropriate given that there are already detailed codes and rules governing synchronous areas.

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

Any changes to the rules on information provision could have major cost implications although this is difficult to quantify without knowing specifically what changes might be required.

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

In general the Framework Guidelines provide sufficient detail. As the codes are drafted there may be some value in harmonising methodologies used for assessing system security (e.g. approaches to calculating the reliability margin).

Specific Issues

9. Are the implications for *significant grid users* clear and relevant?

The main concern in this regard is that the text states that requirements on users “shall be agreed upon by the TSOs and DSOs” (p.17) without mentioning the role of grid users in designing these requirements. It is important the guidelines ensure that TSOs and DSOs cannot simply shift costs onto users.

10. Are the roles and responsibilities sufficiently addressed?

Users should be given a clear and formal role in designing standards (e.g. establishing a non-TSO group with code review powers).

11. Are the individual provisions under Scope & Objectives, Criteria, Methodology & Tools, Roles & Responsibilities, Information Exchange and Implementation Issues, associated to the particular topic, adequate? Should there be any additional elements?

12. Could you foresee any other relevant New Applications which should be mentioned in these Framework Guidelines?

In general, it is very difficult to forecast what New Applications may arise and for this reason the Network Codes should be drafted in a way which allows some flexibility to accommodate these without having to re-draft the codes and get them adopted through comitology.

One area that is not mentioned is the increasing prevalence of ‘smart demand’ (e.g. facilitated by smart meters). The impacts of large units (e.g. new nuclear in GB) should also be considered with regard to their impacts on the required level of reserves.

One final comment is that the guidelines currently do not mention the issue of island grids and how these may be affected by the System Operations codes. SSE are responsible for one of these in Shetland where supply continuity must be guaranteed by generators following sub-marine cable faults.

Confidentiality

Please state whether you would like ACER to treat your contribution confidentially. If yes, please provide a non-confidential version of your answer.

Confidentiality is not required.

