

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

15 September 2011

Dear Sir/Madam

Response to the Draft Framework Guidelines on System Operation

Scottish Renewables is Scotland's leading renewables trade body. We represent over 330 organisations involved in renewable energy in Scotland. Further information on our work and membership can be found on our website¹.

Firstly, many thanks for the opportunity to respond on the Draft Framework Guideline on System Operation. We have included specific and overarching concerns in this letter, with more detailed answers to the questions posed in the accompanying appendix.

Comprehensive Cost-Benefit analysis prior to the implementation of change

It is imperative that at the heart of this entire process, the principle of ensuring that prospective benefits of harmonised codes are coherently and robustly evaluated against economic costs in each instance, rather than leading to a situation whereby harmonisation is achieved 'as far as technically possible' irrespective of the costs involved.

Generators should be given the opportunity for effective appeal

It goes without saying that the process of developing and maintaining network codes should have the appropriate checks and balances embedded within it, and in particular, the opportunity for effective appeal. All parties to the code should be given the opportunity to input into the development and maintenance of that code. Such input would go some way in ensuring these codes reflect the realities of operating within electricity markets for all market participants. Current arrangements do not provide adequate opportunity for non-TSO stakeholders, particularly generators, to actively input into the development of the network codes. It is vital that these guidelines allow for greater participation of grid users, and as such, Scottish Renewables urge ACER to consider the provision of a non-TSO forum which has effective powers of review and appeal.

¹ www.scottishrenewables.com

The importance of avoiding prescriptive regulation

Greater recognition of market based approaches is required throughout the development of the Framework Guidelines and Network Codes to avoid over regulation stifling the natural development of the market. The codes should identify requirements, with a flexible approach then taken to ensure the market can deliver these requirements in an economic and innovative manner. It is also important that network codes ensure costs are allocated in a transparent and non-discriminatory manner, and at the same time avoid discrimination on a geographic basis. At a European level, it is important to focus on the impact harmonisation could have upon the efficiency of cross-border trade, as opposed to matters not affecting trade. Scottish Renewables support the need to harmonise System Operation within synchronous areas. However, we are yet to see convincing evidence that there is any need to harmonise standards across a pan-European level. Establishing common definitions, principles and metrics may be beneficial, but without a robust cost benefit justification, Scottish Renewables does not believe that a demonstrable case for harmonising factors across synchronous areas has been made. *This should be an essential pre-requisite before any changes are contemplated.*

I trust that you find Scottish Renewables' comments helpful, and if you have any further questions or require clarification on the above points, please do not hesitate to contact me.

Yours sincerely

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Consultation Questionnaire

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 manner in which the system is operated has a direct relationship with market related issues such as constraint management, cross border/interconnector trading and the availability and allocation of capacity. It is essential that both the Framework Guidelines and Network Codes are developed with full regard to developments in the above market related issues as the Single Market develops. The challenges as outlined in the IIA are clearly significant, but it is important that more weight is given to the issue of market integration, and in particular, that care is taken to avoid distortions in wholesale markets, via their constituent parts in order to better facilitate cross border trade.

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?**

As Scottish Renewables stated in the accompanying letter, it is essential that such 'actions and requirements' allow the market to play its full part in delivering cost effective and innovative solutions. Greater recognition of market based approaches is required to avoid over-regulation stifling the natural development of the market. Members are specifically concerned that real-time information requirements could be overly onerous in terms of economic cost and organisational capabilities. A significant amount of information is already provided to TSO's under current GB grid codes, and therefore, any requirement to increase standards of information sharing should be fully justified via a coherent and comprehensive cost-benefit analysis.

More clarity needs to be provided around the required extent of compliance for Distribution Network Operators. The Framework Guideline states it shall apply to low

voltage systems such as Distribution Networks, yet the Third Internal Energy Package did not envisage this given that it only applies to transmission systems and cross border and interconnector points.

- 3. Are the proposed levels of harmonisation sufficient to solve these challenges?**
Scottish Renewables are concerned that the issue of harmonisation across synchronous areas is not well-defined within the Framework Guideline. At some points it appears that the Framework Guideline is referring to harmonisation at a pan-European level, and then at others, across synchronous areas only. Scottish Renewables believe harmonisation within a synchronous area is appropriate, with harmonisation at a pan-European level having some value in the sense of establishing common definitions and principles. However, Scottish Renewables does not believe that a demonstrable case for harmonising factors across synchronous areas has been made - such as system security standards for example. *This should be an essential pre-requisite before any changes are contemplated.*
- 4. Should the Framework Guidelines be more specific with regard to areas that need to be harmonised, both across and within synchronous areas?**
As we have said above, there appears to no clear rationale and/or quantified benefits expressed in the Framework Guidelines for harmonisation across synchronous areas. Therefore, unless major tangible benefits can be proved, the Framework Guidelines should *not* be more specific in this area.

Scottish Renewables view is that individual and appropriate rules should conform to overall *principles*, apart from where specific network conditions mean it is either impossible or a comprehensive cost-benefit analysis proves negative. As such, ACER and ENTSO-E should ensure that both the Framework Guidelines and Network Codes are flexible, with the Framework Guidelines stipulating only broad principles, with maximum discretion given to those drafting the Network Codes to ensure the detail meets the broad principles espoused in the Framework Guidelines. Scottish Renewables view is that individual and appropriate rules should conform to overall *principles*, apart from where specific network conditions mean it is either impossible or a comprehensive cost-benefit analysis proves negative.

Whilst drafting the Network Codes, there needs to be appropriate checks and balances in place, and therefore Scottish Renewables urge ACER to consider the importance of giving all non-TSO parties the opportunity to input into the process, and for effective appeal in instances of legitimate concerns not being appropriately addressed. Given the nature of market developments, code revision is inevitable and so the right to input and the right to effective appeal should also be extended to maintaining and reviewing codes. The risk of not doing so will mean TSOs are able to impose their view of need on a community of generators who will have to pick up the cost.

The general approach taken in the Framework Guidelines thus far appears to leave TSOs responsible for establishing requirements, which are then imposed on grid users². Scottish Renewables has significant concerns with this situation. We object to the principle of allowing monopoly network operators to impose arbitrary operational standards and rules on grid users, thus shifting unnecessary costs and risks onto the generation market without sufficient justification. Such a situation would be particularly acute in the GB market considering the ample sufficiency of GB codes already, so it is essential that the Framework Guidelines and Network Codes, and indeed their revisions, do not subjugate GB codes without clear and demonstrable benefits being provided via a comprehensive cost-benefit analysis.

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

If this question refers to two internally autonomous synchronous areas that are not synched with each other, then Scottish Renewables *do not* believe that the Framework Guideline should require common rules for System Operation - on the basis that each interface will be unique and specific. Rather, Scottish Renewables view is that individual and appropriate rules should conform to overall *principles*, apart from where specific network conditions mean it is either impossible or a comprehensive cost-benefit analysis proves negative.

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?

ACER and ENTSO-E should ensure that both the Framework Guidelines and Network Codes are flexible, with the Framework Guidelines stipulating only broad principles, with maximum discretion given to those drafting the Network Codes to ensure the detail meets the broad principles espoused in the Framework Guidelines.

Whilst drafting the Network Codes, there needs to be appropriate checks and balances, and therefore Scottish Renewables urge ACER to consider the importance of giving all non-TSO parties the opportunity to input into the process, and for effective appeal in instances of legitimate concerns not being appropriately addressed. Given the nature of market developments, code revision is inevitable and so the right to input and the right to effective appeal should also be extended to code maintenance. The risk of not doing so will mean TSOs are able to impose their view of need on a community of generators who will have to pick up the cost.

The general approach taken in the Framework Guidelines thus far appears to leave TSOs responsible for establishing requirements, which are then imposed on grid

² "These provisions shall be agreed upon by the TSOs and DSOs..." Page 17 of Framework Guidelines on System Operation - draft for consultation.
http://www.acer.europa.eu/portal/page/portal/ACER_HOME/Stakeholder_involvement/Public_consultations/Open_Public_Consultations/PC-05%20-%20FG%20on%20System%20Operation/Consultation_document/DFGSO_2011-E005.pdf

users³. Scottish Renewables has significant concerns with this situation. We object to the principle of allowing monopoly network operators to impose arbitrary operational standards and rules on grid users, thus shifting unnecessary costs and risks onto the generation market without sufficient justification.

In addition, the GB codes are already sufficient for the GB market, so it is essential that the Framework Guidelines and Network Codes, and indeed their revisions, do not subjugate GB codes without clear and demonstrable benefits being provided via a comprehensive cost-benefit analysis.

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

It is very difficult to analyse the expected impact (costs and benefits) without first knowing the expected change. However, we can state that where high level principles and objectives have been agreed in the Framework Guidelines, and an examination of current codes suggest reform is perhaps needed in order to facilitate these principles and objectives – it is necessary to conduct a specific cost-benefit analysis prior to any change taking place. Scottish Renewables are concerned that the costs of unnecessary changes could far outweigh any prospective benefits. For instance, any changes to the rules on information provision could have major cost implications, although it is difficult to quantify the extent without specifically knowing what changes might be required. The GB codes are already extensive, and it is difficult to see how increasing standard levels of real-time information provision could be of any benefit.

It is imperative that the economic benefits of harmonised codes are coherently evaluated against costs in each instance, rather than leading to a situation whereby harmonisation is achieved ‘as far as technically possible’ irrespective of the costs involved.

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

Specific Issues

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

Firstly, the term ‘significant grid users’ should be defined, and consistent across all Framework Guidelines and Network Codes and furthermore, there needs to be consistency of definitions across all Framework Guidelines and Network Codes.

³ “These provisions shall be agreed upon by the TSOs and DSOs...” Page 17 of Framework Guidelines on System Operation - draft for consultation.
http://www.acer.europa.eu/portal/page/portal/ACER_HOME/Stakeholder_involvement/Public_consultations/Open_Public_Consultations/PC-05%20-%20FG%20on%20System%20Operation/Consultation_document/DFGSO_2011-E005.pdf

Secondly, it is very difficult for us to analyse expected impacts without first knowing the expected change. As such, the implications for grid users are not yet clear.

ACER and ENTSO-E should ensure that both the Framework Guidelines and Network Codes are flexible, with the Framework Guidelines stipulating only broad principles, with maximum discretion given to those drafting the Network Codes to ensure the detail meets the broad principles espoused in the Framework Guidelines. Whilst drafting the Network Codes, there needs to be appropriate checks and balances, and therefore Scottish Renewables urge ACER to consider the importance of giving all non-TSO parties the opportunity to input into the process, and for effective appeal in instances of legitimate concerns not being appropriately addressed. Given the nature of market developments, code revision is inevitable and so the right to input and the right to effective appeal should also be extended to code maintenance. The risk of not doing so will mean TSOs are able to impose their view of need on a community of generators who will have to pick up the cost.

The general approach taken in the Framework Guidelines thus far appears to leave TSOs responsible for establishing requirements, which are then imposed on grid users⁴. Scottish Renewables has significant concerns with this situation. We object to the principle of allowing monopoly network operators to impose arbitrary operational standards and rules on grid users, thus shifting unnecessary costs and risks onto the generation market without sufficient justification.

In addition, the GB codes are already sufficient for the GB market, so it is essential that the Framework Guidelines and Network Codes, and indeed their revisions, do not subjugate GB codes without clear and demonstrable benefits being provided via a comprehensive cost-benefit analysis.

10. Are the roles and responsibilities sufficiently addressed?

Scottish Renewables wish to see as much devolved responsibility as possible. As far as practicable, central direction via the Framework Guidelines and Network Codes should be about policy objectives and principles.

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?

⁴ "These provisions shall be agreed upon by the TSOs and DSOs..." Page 17 of Framework Guidelines on System Operation - draft for consultation.
http://www.acer.europa.eu/portal/page/portal/ACER_HOME/Stakeholder_involvement/Public_consultations/Open_Public_Consultations/PC-05%20-%20FG%20on%20System%20Operation/Consultation_document/DFGSO_2011-E005.pdf

Some thought should be put into the processes for review and amendments of the Framework Guidelines as implementation lessons are learned and operating experience under the new regime develops. This in turn will allow the Framework Guideline to efficiently address new developments as they occur and in a timely manner.

Confidentiality

Please state whether you would like ACER to treat your contribution confidentially. If yes, please provide a non-confidential version of your answer. Scottish Renewables do not consider this submission to be confidential, so please feel free to publish this response on the ACER website.