



European Commission
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Sent via email

Ref.: "Establishment of the annual priority lists for the development of network codes and guidelines for 2016 and beyond"

10 August 2015

Dear Sir, Madam,

On behalf of Wärtsilä Corporation, we thank the European Commission for the invitation to submit comments to the consultation document on the **Establishment of the annual priority lists for the development of network codes and guidelines for 2016 and beyond**.

As a major European technology provider, Wärtsilä has proactively participated in the EU energy policy debate. Wärtsilä has worked with ACER and ENTSO-E in the framework guideline and network code development process and participated in relevant consultations. We have been especially active in the debate regarding the development of the Internal Energy Market (IEM), and in particular on grid connection requirements and issues related to the balancing challenges brought about by the increasing amount of intermittent renewables on the electricity system.

The increasing share of renewable energy sources (i.e. wind and solar PV) in power systems leads to a much greater level of intermittency, causing unpredictable fluctuations in electricity generation that need to be balanced through flexibility (e.g. flexible generation, Demand Side Response, etc.). Due to the 'merit order effect' of electricity markets, low Short Run Marginal Cost capacity such as wind and solar PV will be called upon first for dispatch. The increasing share of renewable energy sources therefore results in less operating hours for conventional thermal generation as well as, on average, decreasing wholesale electricity prices. The combined effect of reduced

operating hours with lower prices negatively impacts the profitability of thermal capacity and can lead to closure of such capacity which may jeopardize electricity system security of supply.

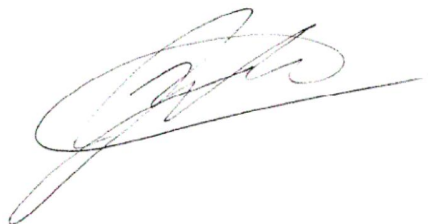
The need for flexibility to integrate fluctuating renewable energy whilst maintaining system security is at the very heart of the European electricity market design as clearly describe in the recent communication from the Commission on a new energy market designⁱ. We believe that Energy Only Markets with strong and cost-reflective price signals create the incentives required to drive market participants to invest in sufficient levels of highly flexible generation capacity required to efficiently integrate intermittent renewable energy sources. Well-designed Energy Only Markets therefore provide a solution for the required flexibility and achieve security of supply. The network codes represent the building blocks to create market conditions needed to achieve a secure, competitive and decarbonised power system. We would like to highlight especially the Network Code on Electricity Balancing (NCEB) as key in creating value for flexibility through pay-as-cleared pricing for balancing energy and cost-reflective imbalance charges, and therefore believe this code should receive highest priority.

To achieve full benefit for the European industry, businesses and households, it is vital that the developed network codes are as soon as possible implemented in a harmonized way across the European IEM. We support the tentative annual priority list 2016 as presented in chapter 1.1 of your document, especially the important code for electricity balancing. For the annual priorities beyond 2016 we would like to highlight the interaction between the recently launched new energy market design consultation. Adjustments of the network codes as a result of the outcome of the consultation process may be required. However, in order not to lose valuable time, we believe it is important that the implementation of the codes should not be delayed due to this process.

We are keen to engage directly with you and other market stakeholders to further develop and support the framework necessary for a reliable, affordable and sustainable power system.

Yours sincerely,

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ⁱ <https://ec.europa.eu/energy/en/consultations/public-consultation-new-energy-market-design>