
EREGG Position and Recommendations on the UCTE Operation Handbook

1 Background Information

At the XI Florence Forum, CEER welcomed the UCTE work to adapt the “old” operational rules to the needs of electricity markets by developing Operation Handbook (OH). In that context, CEER stressed also the importance of the definition of responsibilities, the consideration of legal issues and the appropriate implementation and assessment of the OH. CEER considerations have been shared by other Forum participants too, notably:

- The need to achieve binding character and enforceability of the OH and related framework (e.g. Multi-Lateral-Agreement, MLA)
- The requirement for exact terms and conditions for the application of and for granting any exception from the OH rules
- The need for independent assessment of the OH and related framework (e.g. MLA)

CEER announced further that it intends to work in close cooperation with EC, with UCTE and consulting where appropriate also the representatives of other synchronous areas within the EU (Nordel, UKTSOA, ITSOA) in a common effort towards a coordinated security and reliability framework for the Internal Electricity Market (IEM). This intention has been explained in the Conclusions of the XI Forum (<http://europa.eu.int/comm/energy>).

To that end, six meetings and workshops have been held from September 2004 to June 2005, with participants from EC, UCTE and ERGEG¹, with the purpose of discussing the OH and related framework from the technical, organisational and market perspective. Based on these discussions, important actions have been identified and proposed, bearing in mind the need to maintain the highest possible operational security while minimizing any undesired impacts on the market.

The key findings of these meetings and workshops are summarized here, with the intention of informing the Forum participants and other stakeholders on the results achieved, ERGEG position and recommendations.

2 Executive Summary

The following key issues and actions are resulting from the meetings and workshops so far:

1. Recommendations on General Issues

- a. Formal modification procedures need to be defined
- b. Congestion management related issues in Policy 4 must be aligned with the Congestion Management Guidelines of the Regulation (EC) 1228/2003 (CM Guidelines)
- c. In particular and related to the CM Guidelines, the definitions and assessment methodology of physical cross-border capacities must be tackled
- d. For the full applicability and liability for all the stakeholders, MLA, being a private contract only among the TSOs within UCTE, shall be complemented with a EU-wide legislation (e.g. Security and Reliability Guidelines according to the Article 8(4) of the Regulation (EC) 1228/2003)

¹ Until the end of 2004 this work has been conducted by CEER, from the beginning of 2005 it is done by ERGEG.

2. Recommendations on Technical Issues

- a. A more precise and transparent definition of (N-1) security criteria is needed
- b. Restoration plan (Policy 5) must be made mandatory requirement.
- c. Experiences and lessons learned from large disturbances in the past shall be taken into account (in particular those presented in reports on the September 28, 2003 blackout in Italy)

3. Recommendations on Validity and Applicability

- a. MLA² shall be discussed with ERGEG, which might in turn result in some requests for change or for additional regulatory framework, either from ERGEG or national regulators
- b. Compliance monitoring and enforcement process – the key objective is to ensure compliance with the standards defined in OH. This shall be done in a transparent manner and involving regulatory authorities where appropriate.

4. Conclusions

- a. ERGEG welcomes and recognizes the work on OH done by UCTE
- b. ERGEG stresses the need to ensure the binding character of the “new” rules, compliance monitoring and enforcement procedures as well as interactions between the OH and market aspects.
- c. ERGEG also stresses that all possible effort needs to be invested by UCTE, regulators and also stakeholders other than the TSOs’ associations, to complete the recommended actions. This will contribute further to the IEM development and to the strengthening of the operational security.

3 Recommendations on General Issues

Modifying the OH and related framework

Formal procedures need to be defined for requesting analysis of specific questions and modifying the OH and related framework including initiatives of market participants other than the UCTE members. This has been recognised by UCTE and such procedures need to be presented transparently to the market participants.

Experiences and lessons learned from large disturbances in the past

Obviously it will never be possible to avoid disturbances or blackouts in the power system operation. However it is of utmost importance to carefully analyse experiences from the past in order to reduce the danger of large disturbances as well as their consequences when they occurred. Accordingly this should be considered in the OH and related framework. In this respect ERGEG notices that the amendments to the policies recommended by the UCTE Report³ on the 28 September 2003 Blackout in Italy are not yet implemented in the OH. This has also been recognised by UCTE and the existing experiences will be further elaborated in the next release of the related OH framework, notably Policy 3 and Policy 5.

Congestion Management Guidelines and Policy 4

The OH Policy 4 relates to the CM Guidelines in many technical and organisational terms. The related issues are therefore addressed here, under “General Issues” of this paper:

² Presently referring to the first three policies of the OH

³ UCTE - Final report of the Investigation Committee on the 28 September 2003 Blackout in Italy, April 2004

- Capacity calculation - It is necessary to use a multilateral and coordinated approach for the calculation of capacity of the interconnections, instead of the present only bilateral methodologies.
- Compatibility of Policy 4 and CM Guidelines - It must be possible to quickly revise and adapt Policy 4, to avoid contradictions with the CM Guidelines when they are released. The results of the discussions on Policy 4 issues related to congestion management have in turn to be considered thoroughly while preparing the revised Guidelines draft.
- A number of detailed technical issues have been identified where adaptations in Policy 4 are needed and have been agreed, notably belonging to the areas of: capacity calculation, capacity scheduling and congestion management.

Further EU Framework on security and reliability

In the development and implementation of the OH and related framework, the Security and Reliability Guidelines (cf. Article 8(4) of the Regulation (EC) 1228/2003) need to be considered too. These Guidelines, since part of the Regulation, will be directly applicable to EU members within the areas of UCTE, Nordel, in Ireland, in Great Britain and in Baltic states. They could also apply to the area where an agreement with the EU is referring (or would refer) to the EU Directive 2003/54/EC, like e.g. South East Europe.

4 Recommendations on Technical Issues

Definition of (N-1) criteria (Policy 3)

A more detailed and exact definition of the (N-1) operational security criteria in terms of e.g. network elements to be considered, contingency analysis framework, times to return to normal state after disturbances, etc. is needed. In particular the recommendations issued by the UCTE and regulators following the September 28, 2003 blackout in Italy must be taken into account without undue delay. This has already been recognised by UCTE and will be addressed in the OH later revision.

Scheduling and accounting (Policy 2)

It has been recognised in the discussions that the exact definition of the data transmission timeframes is presently hampered because the organisation of markets is not yet harmonised throughout UCTE. Therefore it is important to develop standards as soon as possible since this is one of the key issues for related areas like coordinated congestion management and capacity calculation.

Interdependencies and information exchange

Whereas presently no detailed specifications of interdependencies in terms of operational security beyond Policy 3 exist and no specifications on information exchange between the TSOs themselves or TSOs and other parties are defined, these issues shall be considered accordingly and in due time as they significantly impact the IEM. One possible place for at least parts of these definitions could be some later development of the Policy 7 on Data Exchange.

Emergency Operations (Policy 5)

A number of detailed technical issues have been discussed and respective improvements proposed, with the most important ones being:

- Restoration plans shall become mandatory and not just a guideline in the sense of OH
- Training – whereas it is recognised that training of the system operation staff is presently to a large extent the issue of each TSO, stronger coordination and possibly standardisation (certification, tests, etc.) should be required in the future. In particular

common training sessions should be organised concerning operation of interconnections. This is reaffirmed taking into account lessons learned and experiences from the past large disturbances and blackouts.

- Whereas operational security is indeed the responsibility of the TSOs, regulatory authorities will always be involved in any kind of global activities aimed at maintaining and improving general framework for the operational security that might be necessary.

5 Recommendations on Validity and Applicability

Transitional arrangements

For any specific parts of the operational rules that have so far not be covered by the OH, the “old” operational rules apply as before, until the new OH framework has been released.

Multi Lateral Agreement

- The MLA is a private contract between TSOs. There is a concern that this agreement may not significantly improve the present situation for other stakeholders. For example: it only contemplates the liabilities between TSOs; temporary exemption may be granted (in the “addenda”); only a TSO can complain about an alleged infringement; sanctions are limited to publication of non-compliance.
- It is important to carefully examine the MLA application and consequences for the market in order also to be able to propose any necessary adjustments.
- In the current context three options can be considered for the enforcement of the defined operational standards in general: (i) MLA alone; (ii) European-wide legislation (e.g. Security and Reliability Guidelines according to Article 8(4) of the Regulation (EC) 1228/2003); (iii) Enforcement through national regulatory framework. Whereas each of these three options has certain advantages and drawbacks, ERGEG considers that the option (i) needs to be supplemented with options (ii) and (iii) above.
- It has been discussed and in principle agreed to bring together the UCTE and ERGEG legal experts, in order to pave the way towards full completion of the necessary framework. Whereas presently no legal basis for an “approval” of MLA by ERGEG exists, ERGEG recommends that MLA be discussed with ERGEG which may in turn result in some requests for changes or for additional regulatory framework either from ERGEG or national regulators.

Compliance monitoring and enforcement process

No detailed information has been provided by the UCTE concerning this process, which is still under development. ERGEG considers that this process is essential since it aims to strengthen the transparency and credibility of TSO’s performance within the community as well as towards stakeholders⁴. Therefore ERGEG considers that regulatory authorities will have to be involved where necessary in order to fulfil this goal.

⁴ UCTE presentation on Compliance monitoring and enforcement process at the 11th Florence Meeting

6 Aspects External to UCTE – Nordel, UKTSOA, ITSOA, etc.

Rules at the borders between the synchronous areas

Although not explicitly covered by the OH and related framework, operational rules at the borders between the synchronous areas need to be analysed and defined accordingly and as necessary, in cooperation with the affected synchronous areas.

Applicability for the non-EU countries

It is important to define clearly how the non-EU countries that are affected by the OH will be dealt with in line with the EU Regulation, Directives, etc. Whereas this issue has been addressed to some extent by the MLA being signed also by the TSOs from the non-EU countries, further work in terms of OH compliance monitoring and assessment of consequences for the TSOs from the EU countries will be needed in the future.

7 Conclusions

EREGEG fully recognizes the need and utmost priority of the work done by UCTE in modifying the operational security framework to the needs of the IEM. ERGEG also stresses the need to ensure the binding character of the “new” rules, to develop and implement effective compliance monitoring and enforcement procedures as well as to clarify interactions between the OH and market aspects.

EREGEG understands the need for consistent and well-organized development of the OH, MLA and other related documents. At the same time ERGEG stresses that all possible effort needs to be invested by UCTE, regulators and stakeholders to complete the actions mentioned above. This will contribute further to the IEM development and to the strengthening of the operational security.

EREGEG intends to continue the fruitful and committed way of working with UCTE. ERGEG will support the completion of the OH to further integration and operational security in the IEM. When necessary, ERGEG will initiate a broader scope of discussion and consultations, involving other stakeholders both within the UCTE and within other synchronous areas (Nordel, UKTSOA, ITSOA) in order to ensure objectivity, neutrality and efficiency.