

## RESPONSE TO PUBLIC CONSULTATION OF THE COMMISSION ON “ESTABLISHMENT OF THE PRIORITY LIST FOR THE DEVELOPMENT OF NETWORK CODES FOR 2012 AND BEYOND”

8<sup>th</sup> April 2011

### 0. Introduction

IBERDROLA welcomes the public consultation on “Establishment of the priority list for the development of network codes for 2012 and beyond” launched by the European Commission.

IBERDROLA has participated and agrees with the general and detailed comments prepared by EURELECTRIC, but has considered important to stress additionally its concerns about specific issues on electricity and gas.

### 1. Particular comments on electricity

#### Pilot network code on generation connection

First of all, the scope of the network code must be redefined because the current draft goes much further than just cross-border issues<sup>1</sup> by defining requirements applicable to all sizes of generators. In fact, certain parts of the document give the impression that the intention of the code is to substitute a network code on operational security. That is the case of some requirements for generators that can be managed as ancillary services procured by TSOs by market mechanisms or by bilateral contracts.

For this reason, we ask the scope of this code to be limited to:

- Generators that have proved influence on cross border or European Power System security. To achieve this, an adequate methodology must be set out, in order to provide national TSOs with the way of defining the “relevant network” affected by the network code, and then establishing the size(s) and types of generators applicable.
- Define the minimum requirements for generators to be connected<sup>2</sup>.
- Define the requirements that generators must observe to be selected by TSOs to provide other ancillary services<sup>3</sup> that are not mandatory but essential for power system security.

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<sup>1</sup> Regulation 714/2009 states that network codes shall be developed “only for cross-border network issues and shall be without prejudice to the Member States right to establish national codes for non-cross-border issues.”

<sup>2</sup> Minimum requirements are the ones that can avoid bad response under limited network disturbances and assure that generators do not cause disturbances in the system when functioning.



Regarding this last point, it is important to stress that those ancillary services essential for power system security must be defined in the network codes on system operation (mainly operational security and load-frequency control and reserves), including the amount of services that each TSO must acquire, to keep the system under normal conditions and/or to recover the system from a disturbance<sup>4</sup>. It must be also stressed that these services must be acquired using market mechanisms<sup>5</sup>.

According to this “top-down” approach, a revision of the pilot network code on generation connection before subjection to comitology could be advisable, once the network code on operational security is sufficiently drafted.

Secondly, the draft code has not an impact assessment of the proposed requirements in order to evaluate the number of power plants affected and the cost of the implementation of the requirements.

Lastly, the role of DSOs is not properly reflected in the draft code, as it applies to many generators connected to distribution networks that have not proved influence on cross border management issues. Moreover, the proposed requirements are focused on connection to the transmission network and can be in conflict with the requirements that DSOs will ask to those generators connected to their networks.

#### **Additional general comments**

- An explanation of the criteria to set the priorities amongst the different network codes will clarify some other issues in the ENTSO-E 3-year work plan, as listed below:
  - According to our understanding, and as explained in the previous paragraph, the network code on load-frequency control and reserves - under the guidelines on system operation - is closely linked to the network code on generation connection. Nevertheless, it seems to be tackled very late in the work plan.
  - The network code on operational training - under the guidelines on system operation - does not seem to be a very urgent task compared to third party access aspects.
  - The common scoping discussions on possible guidelines on incentives to TSOs to increase cross-border trade and investment incentives to TSOs (as scheduled at the bottom of the ENTSO-E 3-year work plan) seem necessary. Moreover, guidelines on planning of the European network and a network code related to

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<sup>3</sup> These requirements are the ones that a generator should respect to avoid bad response under large disturbances. They assure that generators can help to recover the system to normal functioning (nominal values of frequency and voltage).

<sup>4</sup> For instance, the Network Code on Security Criteria must set the amount of power reserve that each TSO must have in its system for generation or lines outages or changes in demand or wind production to avoid that a local disturbance can be extended to the rest of interconnected power system.

<sup>5</sup> For example, secondary and tertiary reserves are examples of ancillary services that can be provided by market mechanisms. Voltage Stability and System Restoration are examples of ancillary services that can be provided by long term auctions, bilateral contracts and/or regulated payments.



the long-term planning criteria should complement the achievement of objectives in the future.

- Regarding the forward market network code, the scope should be restricted to markets for the allocation of long-term cross-border capacity.
- We find essential the harmonisation of transmission tariff structures among member states. From our point of view, this issue should be addressed as a matter of urgency during the first half of 2011 to ensure that there is a level playing field for operators in the internal market and that different transmission charging schemes do not result on unfair competitive advantages to any market participant.

## 2. Particular comments on gas

### **Study on transit contracts**

We agree with the proposed priorities for 2012 for the gas market, specifically on planned work on capacity allocation, congestion management, balancing and transmission tariff structures.

However, we suggest to analyze an additional item, the existing transit contracts, that is, transport contracts signed before the entry into force of the Directive 2003/55/CE. In our opinion, these contracts are key elements in the legal European framework and could constrain capacity availability for the market.

In our opinion, it must be analyzed if these contracts are consistent with the new European model, or if they should be amended to comply with the Regulation (CE) nº 715/2009.

In fact, the European Commission invited ERGEG to analyze this situation in the September 2010 Madrid Forum but, until today, little progress has been made.