

Mr. Alberto POTOTSCHNIG
Director of ACER
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SLOVENIA

Brussels, 17 July 2012

Subject: Draft Network Code on Requirements for Grid Connection applicable to all Generators

Dear Mr. Pototschnig,

Our associations strongly support the development of a European single energy market and contribute, via an active stakeholder involvement, to its implementation. Framework guidelines and Network Codes are an important part of the process of Europeanising energy policy. It is essential that harmonised rules should be proportionate and cost-effective, and that responsibilities are equitably shared.

However, we remain unconvinced by the final changes put forward by ENTSO-E to the RfG network code (version of 12th June 2012). Our concerns in relation to the network code include:

- 1. Lack of vision on how the power system will be operated** in the future: we are still missing a justification of the requirements for generators by system operation needs (and codes). As we do not know yet how the system will be operated in a decade and beyond, common binding minimum rules should be set at the EU level and periodically reviewed.
- 2. Missing cost-benefit analysis:** the new requirements are expected to prevent or diminish problems, but no case histories or real-life examples have been provided during the drafting process to support these claims. Imposing additional costs on generation projects on the basis of alleged effects alone is not appropriate. A relevant justification of requirements that deviate significantly from existing requirements should be provided, as required by the ACER Framework Guideline.
- 3. Important grid connection requirements relevant for cross-border network management**, for example frequency restoration control, **are left open for – discretionary – decision at national level**. Leaving a number of disputed points open for national TSOs to decide holds the risk that they impose costly or technically difficult requirements on generators while avoiding cost-benefit analysis. This will increase the costs for operators, restrict investments and may lead to lack of clarity and arbitrary intervention.
- 4. Unbalanced allocation of responsibilities:** the requirements largely shift the costs and responsibilities onto other parties, i.e. generators and DSOs, when in fact several requirements are directly linked to the performance of the relevant TSO. Critically, a sensible burden sharing between the different parties – fundamental if the NC RfG is to strike a fair balance and apportion costs in a proper way –, as requested by the Agency (chapter 2.4 of the FG), is missing. For example, the escalation of a local incident to a large-scale cross-border incident not only depends on the generating units' reactive capabilities but also on the robustness of the transmission network. It is not clear whether ENTSO-E have evaluated alternative actions to be taken on TSO grids at all, other than imposing challenging and non-justified requirements on generators.
- 5. Retroactive application of the network code:** clarification is needed to ensure that retroactivity is applied only in exceptional and clearly beneficial cases.
- 6. Obligation for all new large generating units to be able to provide ancillary services** such as balancing and reactive power: it remains unclear how this complies with the principles of the 3rd Package, i.e. market-based balancing mechanisms and TSOs procuring reserve capacity.

7. **Absence of a reference to standardisation as a way to support the network code's implementation:** the added value of European standards, and in particular of the upcoming standards developed within the CENELEC (TC8X WG03) for distributed generation, is not properly recognised. For mass product equipments, the use of European standards will be important to provide guidance for a progressive alignment of the national legal frameworks.

We understand the recent publication of the 'NC RfG Justification outlines' as an ENTSO-E contribution to address some of these concerns. Nevertheless, these documents were provided very late in the process (presented to the stakeholder user group on 28 June and published only with the final version of the NC submitted to ACER) without giving any opportunity to stakeholders to review them. Our first analysis reveals that the content of these documents should be consulted with stakeholders.

We hope that the Agency will consider the abovementioned issues while preparing the reasoned opinion on the network code. We also welcome ACER's willingness to interact with stakeholders during the assessment period. ENTSO-E's view of significant improvements and justification of requirements should be subject to further stakeholder review. An extra period of three months during which stakeholders should be given an opportunity to express their views on the latest version of the NC RfG and the accompanying justification documents should be provided before the network code enters the comitology process.

We remain at your complete disposal to assist you should you wish to understand more in depth our concerns and positions, and in case you need any technical assistance.

Yours faithfully,



Hans ten BERGE
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EURELECTRIC



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