ENTSO-E Consultation on "All CE and Nordic TSOs' results of CBA report"

A Eurelectric response paper

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powering people

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

WG Market Integration & Network Codes

Contact:
Ioannis Retsoulis, Senior Advisor - Wholesale Markets & Network Codes - iretsoulis@eurelectric.org

Eurelectric welcomes this ENTSO-E public consultation and appreciates the opportunity to express its views on the draft report on the results of the Cost Benefit Analysis (CBA), to determine the time period (Tmin) required for FCR providing units or groups with limited energy reservoirs (LER) to remain available during alert state.

Eurelectric would like to give some feedback about the clarity of the draft report and the solutions proposed by ENTSO-E for Continental Europe synchronous area.

We believe the CBA has not considered several changes in assumptions and hence a re-run is needed to justify any value stricter than 15 minutes. As long as the assessment is insufficient to justify a forward-looking decision, Eurelectric recommends to keep considering the option "15 minutes without LER share limitation". If this option is not technically feasible, then we prefer to set Tmin for LER to 15 minutes with LER share limitation applied to procured FCR, or stricter Tmin value but with exemption for existing installations. We reason our preferred solution in the paragraphs below.

1) Considering a Tmin for FCR providers with LER higher than 15 min represents, in our view, an overspecification of FCR products, as the general rule is that "FCR providing units shall be able to fully activate FCR continuously until the activation of FRR".

Considering full FRR activation within the time to restore Frequency (which is 15 minutes for CE, cf. SO GL, Article 157), this requirement would result in extra-costs for FCR providers. Eurelectric recalls that preserving the right balance between minimizing system operation costs (here FCR provision costs) on the one hand and ensuring operational security of the system on the other should not be forgotten when setting the Tmin. The report should point out that the risk of the depletion, even with Tmin equal to 15' is very low if the FRR dimensioning is accurate. We would also like to point out that CBA was based on assumptions, which will change in near future (FTA for aFRR will be set to 5 mins as of 2024 at latest, mFRR to 12.5 minutes).

As Eurelectric mentioned in its response to the public consultation on the methodology for the CBA, the methodology applied must be in line with the article 156 of the SO GL, regarding the consideration of the pre-alert state period.

All the above-mentioned points are of the utmost importance, they need to be considered before setting the Tmin and assessing the development of two FCR markets or the application of a LER share limit.

By ignoring these points the Tmin set may be inaccurate and may have a deep impact on the past investments in FCR providing units.

Differing their consideration to the next re-run of the CBA would be a clear sign of a changing and uncertain regulatory framework that would hinder investments.

2) In Eurelectric's opinion the following points should be clarified in the report:

- The first solution "15 minutes (with LER share limitation)" needs the system to be forced to limit the LER share at 30%. For the sake of clarity and according to footnote 1, we would like ENTSO-E to clarify that if such limitation is applied (in case the re-run of the CBA based on updated assumptions would prove that limitation is necessary), the LER share limit will apply to the FCR selected to fulfil the requirement.

- The cost variation depending on the LER share, as shown in Table 2, should be explained in more detail. Based on Eurelectric's understanding :

- the total yearly costs increase as the LER share decreases from 0.3 to 0 due to the investment in new FCR providing units that would replace the existing LER.
- the total yearly costs increase as LER share increases from 0.3 to 1 due to the investments in new LER providing FCR and the higher FCR required.

- Options "15 minutes (with LER share limitation)" sets maximum LER share to 30%. The FCR required may vary due to many reasons. For instance, the implementation of a probabilistic dimensioning approach for FCR, in accordance with article 153 of SO GL, may increase the FCR required. Eurelectric doesn't understand if an increase of the FCR required would change the maximum FCR provided by LER. The impact of any change of the FCR required on the LER share limit or on the maximum FCR provided by LER should be clarified.

- In the §5.4.3 of the explanatory document of the proposal for assumptions and methodology for the CBA, ENTSOE stated that the simulation of energy depletion of LER takes into account the residual energy even if the alert state is not yet triggered. In their approval document of the CBA methodology, the NRAs stated that "The NRAs highlight that Article 156 of SO GL requires that the LER shall provide FCR for the delivery time period as of triggering of the alert state and during the alert state. When submitting the CBA results, the TSOs are thus requested to elaborate the outcomes and to set a delivery time period fully in line with the SO GL provisions." Eurelectric would like ENTSOE's report to convincingly explain in detail, by giving examples or illustrations, how the methodology and the results of the CBA fulfill the above-mentioned request of the NRAs.

- For the sake of clarity Eurelectric kindly asks ENTSOE to attach to the report the detailed data of the installed LER capacity by country resulting of the survey performed amongst TSO's.

3) According to ENTSO-E's draft report, the solution "30 minutes (without LER share limitation) and exemption for existing LER" could potentially raise legal issues related to the competition between FCR providers with different requirements. Eurelectric would like to draw ENTSO-E's attention to the fact that there is no full harmonization of the FCR technical minimum requirements in the European Union. Furthermore, what must be stressed here is the fact that the provision of the FCR service is limited by the technical capabilities of these existing LER facilities. Therefore Eurelectric supports an approach similar to the Requirement for Generators (RfG) network code with differentiated requirements between new and existing LER. This way, existing LER facilities can continue to provide the FCR service according to their declared capabilities to the benefit of the system and the end consumer. Another example of differentiated approach is the TSOs' proposal for additional properties of FCR in the Continental Europe Synchronous Area Operational Agreement Policy 1 (Load Frequency Control and Reserves) developed in accordance with Article 154(2) of SO GL and whose requirements may not be applied to all the FCR providing units with a distinction between existing and new.

Eurelectric kindly asks ENTSO-E to take into consideration all the above-mentioned points in its report.

4) Setting Tmin equal to 30', as it would be done in option "30 minutes (without LER share limitation)", without exemption for existing installations, would generate stranded costs and value destruction related to the LER units that won't be able to fulfil this new requirement. Complying with the new Tmin would imply extra-costs (upgrade, qualification…) for the existing units that should be highlighted in the report. According to ENTSO-E's draft report the FCR supplied by existing LER is costless, therefore it would be illogic to prevent these LER from providing FCR. It's

also interesting to note that the difference in terms of total cost to provide FCR between a situation with Tmin = 15’ and a situation with Tmin = 30’ and the same LER share is small.

Eurelectric kindly asks ENTSO-E to highlight all these considerations in its report. In Eurelectric’s opinion the option “30 minutes (without LER share limitation)” should be dismissed.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
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