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**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY  
REGULATORS No 20/2014**

**of 18 December 2014**

**ON THE DRAFT ENTSO-E WORK PROGRAMME  
2014 THROUGH DECEMBER 2015**

THE AGENCY FOR THE COOPERATION OF ENERGY REGULATORS,

HAVING REGARD to Regulation (EC) No 713/2009 of the European Parliament and of the Council of 13 July 2009 establishing an Agency for the Cooperation of Energy Regulators<sup>1</sup>, and, in particular, Articles 6(3)(b) and 17(3) thereof,

HAVING REGARD to Regulation (EC) No 714/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the network for cross-border exchanges in electricity and repealing Regulation (EC) No 1228/2003<sup>2</sup>, and, in particular, Articles 8(3)(d), 8(5) and 9(2) thereof,

HAVING REGARD to the favourable opinion of the Board of Regulators of 17 December 2014, issued pursuant to Article 15(1) of Regulation (EC) 713/2009,

WHEREAS:

- (1) On 27 October 2014, the European Network of Transmission System Operators for Electricity (the ENTSO-E), with reference to Article 9(2) of Regulation (EC) No 714/2009, submitted to the Agency for its opinion the ENTSO-E's Work Programme for the period 2014 through December 2015 (the WP), a summary of the consultation process and of the responses received, and an appendix explaining how these responses have been taken into account.
- (2) The Agency assessed the WP on the basis of the following main criteria: (i) the annual work programme's essentials as specified in Article 8(5) of Regulation (EC) No 714/2009, and (ii) the objectives set out in Article 6(3)(b) of Regulation (EC) No 713/2009 and Article 9(2) of Regulation (EC) No 714/2009.

HAS ADOPTED THIS OPINION:

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<sup>1</sup> OJ L 211, 14.8.2009, p.1.

<sup>2</sup> OJ L 211, 14.8.2009, p.15.

## **1. General remarks**

The Agency considers the WP to be in line with the requirements of Article 8(5) of Regulation (EC) No 714/2009, as well as with the objectives of Article 6(3)(b) of Regulation (EC) No 713/2009 and Article 9(2) of Regulation (EC) No 714/2009. The WP contains, partly by reference to ENTSO-E's website, a list and description of the network codes to be prepared, observations with regard to the envisaged coordination of the network operation, a plan of the research and development (R&D) activities to be realised, and an indicative calendar of the deliverables. Further, the WP does not appear to not contribute to non-discrimination, effective competition, efficient and secure functioning of the market, or a sufficient level of cross-border interconnection open to third party access.

In terms of clarity, the Agency has noticed an increase in the details of the work programme. In principle this is very positive. From a holistic point of view, it is still important that variations in the level of details for different activities correspond to their priorities. To avoid false expectations and misinterpretations, it needs to be clear why certain activities are defined in more details than others (such as system operations, p. 17 *et seq.*) and why activities are explained only briefly in the main text though several related deliverables are included in the planning table (such as the Interoperability of Synchronous Areas study, p. 21). Further, the Agency considers that, in the interest of clarity, the WP should also make visible which activities are under ENTSO-E's responsibility and which are under individual transmission system operators' (TSOs') charge and outline which activities allow for monitoring and reporting.

Overall, the Agency sees several improvements in the WP compared to last year's work programme, in particular in the section on R&D activities. The Agency appreciates ENTSO-E's continued efforts to take suggestions and requests of the Agency on board. This Opinion will hopefully contribute to enhance further the content and presentation of ENTSO-E's future annual work programmes.

## **2. Specific remarks**

### **2.1 Network code implementation**

The WP (p.7) presents a chart of the timelines for the development and adoption of ten network codes (NCs). It states that these are assumptions based on the European Commission's priority list and on current information.

The Agency notes that meanwhile some of those assumptions appear questionable, e.g. the comitology procedure for the Forward Capacity Allocation NC, the Operational Security NC, the Operational Planning & Scheduling NC and the Load Frequency Control & Reserve NC has not yet started and will not begin in Q4/2014. Therefore, it would be important to state clearly the date of the information on which ENTSO-E's underlying assumptions are based and, as far as possible, update the assumptions.

The WP (p. 9) refers to the ongoing early implementation work for several NCs as being vital to ensure that the challenging deadlines are met and states that several projects will be delivered to national regulatory authorities for approval in 2015.

The Agency agrees that the early implementation of NCs is indeed crucial. For this reason the Agency regrets that the WP mentions relevant projects only for the areas of congestion management and capacity allocation as well as balancing, and even for these two fields only in very general terms and not fully adequately (the harmonisation of auction rules is not part of the work underway on the balancing network code but on the forward capacity allocation network code). Given its importance, the work on early NC implementation should be described more clearly and in more details. Such description should include a definition of key projects for each NC, an explanation of their relevance and an indication of their implementation and completion timelines.

With a view to promoting the early implementation of the balancing NC, the Agency highlighted to ENTSO-E in a letter of 13 November 2014 certain actions which ENTSO-E should take. In essence, those actions consist in reviewing, and where necessary complementing, the existing pilot projects to ensure that existing and future pilot projects will integrate into regional targets, as well as proceeding promptly with the development of crucial elements of the NC, which, according to the proposed draft balancing NC, are to be developed shortly after the NC's entry into force. The Agency invites ENTSO-E to include those actions also into the WP.

## **2.2 Research and development activities**

The WP's section 5 on R&D activities (p. 9 *et seq.*) contains details with regard to activities carried out by ENTSO-E while giving less attention to research activities carried out by transmission system operators and research consortia.

The Agency considers this focus on ENTSO-E's activities as a clear progress compared to last year's work programme and as a welcomed follow up of the Agency's Opinion on ENTSO-E's draft work programme Autumn 2013 through December 2014 (Opinion on the WP 2013)<sup>3</sup>.

## **2.3 Monitoring report 2014**

The WP (p. 11) envisages including in the R&D monitoring report for 2014 the results of an assessment of the follow up of the R&D results and their impact on transmission activities of ENTSO-E and its TSO members. Further, it indicates that this monitoring report and the one for 2015 will be published (p. 10).

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<sup>3</sup> p. 6,

[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%202013-2014.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%202013-2014.pdf)

The Agency welcomes these plans and ENTSO-E's intention to implement the relevant requests of the Agency in its Opinion on the WP 2013<sup>4</sup> and its Opinion on the ENTSO-E implementation plan 2015-2017 of the research and development roadmap 2013-2022<sup>5</sup>.

#### **2.4 Towards the next Ten-Year Network Development Plan 2016 & Regional Investment Plans 2016**

The WP (p.11 *et seq.*) mentions Regional (Group) Investment Plans (RIPs) as part of the Ten-Year Network Development Plan (TYNDP) which ENTSO-E has to deliver. Beyond this general reference, the WP does not specify RIPs-related work and does not include RIPs in its time plans of deliverables.

The Agency considers RIPs an important ENTSO-E deliverable whose time planning till December 2015 should be made public.

With regard to projects of common interest and cost-benefit-analysis (CBA), the WP (p. 12) includes work on improving the CBA methodology in 2015 in collaboration with various stakeholders, e.g. on the assessment methodology of storage infrastructure, of avoided generation investment, and of ancillary services.

The Agency supports this initiative.

As regards interaction with the gas TYNDP, the WP (p. 12) points out that both ENTOSOs are already exploring how scenario building can be more closely linked.

The Agency welcomes this collaboration, hoping, in line with the Opinion on the WP 2013<sup>6</sup> that the efforts of ENTSO-E and European Network of Transmission System Operators for Gas will finally contribute to the joint submission of a consistent and interlinked electricity and gas market and network model.

In terms of interaction with stakeholders in general and the Agency in particular, the WP (p. 13) foresees a public consultation on scenarios in mid-2015 and an Agency opinion on the TYNDP 2014 by the end of 2014.

The Agency appreciates these intentions and the alignment of ENTSO-E's planning with the approach outlined in the Agency's letter of 18 July 2013 on ENTSO-E Scenario Outlook and Adequacy Forecast 2013-2030, on generation adequacy

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<sup>4</sup> p. 6.

<sup>5</sup> p. 7,

[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%2011-2014.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2011-2014.pdf)

<sup>6</sup> p. 5.

assessments and on scenarios for the ENTSO-E Ten-Year Network Development Plan (letter of 18 July 2013)<sup>7</sup> and in the Opinion on the WP 2013.<sup>8</sup>

## **2.5 System adequacy reports**

The WP (p. 14) states that ENTSO-E intends to continue its past practice of issuing an update of the Scenario Outlook and Adequacy Forecast (SOAF) in the years in-between the TYNDP packages. The related specific time planning table does not include a public consultation on the SOAF 2015 while such consultation is indicated for scenarios in the context of the TYNDP planning (p. 13).

The Agency is concerned that issuing SOAF on a yearly basis is not in line with the process which the Agency commended for scenarios in its letter of 18 July 2013<sup>9</sup>. In the Agency's view, ENTSO-E should conduct a formal consultation on a draft comprehensive document containing the scenarios proposed for TYNDP planning and for adequacy assessments, submit the scenarios after their update from the public consultation to the Agency for opinion and use these scenarios, updated as appropriate on the basis of the Agency's opinion, for the TYNDP market and network studies as well as for the adequacy assessment.

Further, the WP (p. 14) envisages no public consultation for the Winter Outlook 2014/15 and 2015/16, the Summer Outlook 2015 and the SOAF reports with regard to the finalisation and implementation of the adequacy methodology consulted in summer 2014.

The Agency notes that 'continuous public consultations' are however foreseen by ENTSO-E's Target Methodology for Adequacy Assessment<sup>10</sup>.

## **2.6 Projects and tools**

The WP (p. 17) includes, among the system development activities, an update of the ENTSO-E Market Modelling Database aiming at data integration of system adequacy and market modelling types of data.

The Agency considers such update very useful and welcomes this project.

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<sup>7</sup>[http://www.acer.europa.eu/Official\\_documents/Lists/Other%20documents/Attachments/1/Letter%20Konstantin%20Staschus\\_ENTSOE\\_SOAF\\_130718.pdf](http://www.acer.europa.eu/Official_documents/Lists/Other%20documents/Attachments/1/Letter%20Konstantin%20Staschus_ENTSOE_SOAF_130718.pdf)

<sup>8</sup> p. 5.

<sup>9</sup> p. 4.

<sup>10</sup>[https://www.entsoe.eu/Documents/SDC%20documents/SOAF/141014\\_Target\\_Methodology\\_for\\_Adequacy\\_Assessment\\_after\\_Consultation.pdf](https://www.entsoe.eu/Documents/SDC%20documents/SOAF/141014_Target_Methodology_for_Adequacy_Assessment_after_Consultation.pdf), p.7

## **2.7 Continental Europe dynamic model**

The WP (p. 18) explains briefly the establishment and importance of the Continental Europe (CE) dynamic model. It includes a list of numerous activities in the area of system protection and dynamics which are underlying the CE dynamic model (p. 21), though it does not explain all of them.

The Agency welcomes the increased granularity and transparency of the complex tasks in this area. It encourages ENTSO-E to elaborate more, in the forthcoming work programmes, on the relevance of the listed underlying activities and their interplay, as well as on how the challenge of data collection is being tackled.

## **2.8 Regional market development**

The WP (p. 23) focuses on the market developments in day-ahead and intraday timeframes.

The Agency acknowledges that the work for these two timeframes is important. At the same time, the Agency deems it essential that the work for the long-term timeframe is not neglected and is not perceived as less relevant. ENTSO-E should therefore clearly state its plans for the long-term market, e.g. its work on the harmonisation of auction rules.

## **2.9 The challenges of financing infrastructure – investment incentives**

The WP (p. 24) deems it vital that the regulatory and financial barriers to infrastructure investments are tackled, and proposes close cooperation of ENTSO-E with the Agency and lawmakers to make appropriate Europe-wide rules on investment incentives binding.

The Agency welcomes ENTSO-E's proposition to work closely with the Agency. Such cooperation might facilitate increasing regulatory certainty through measures taken by national regulatory authorities or by Member States.

However, the Agency does not agree that there are regulatory barriers to infrastructure investments. The Agency is not aware of evidence for such barriers.

The Agency also regrets that ENTSO-E did not consider the Agency's earlier comments on possible Europe-wide rules on investment incentives. As already stated in the Agency's Opinion on ENTSO-E's draft work programme 2012 through 2013 (p. 5)<sup>11</sup> and the Opinion on the WP 2013<sup>12</sup>, a Europe-wide harmonisation of the relevant

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<sup>11</sup> p. 5,

[http://www.acer.europa.eu/Official\\_documents/Acts\\_of\\_the\\_Agency/Opinions/Opinions/ACER%20Opinion%2002-2013.pdf](http://www.acer.europa.eu/Official_documents/Acts_of_the_Agency/Opinions/Opinions/ACER%20Opinion%2002-2013.pdf)

rules might be a possible, but not the only solution. The Agency still believes that the risks of different types of projects and the barriers found in practice should be assessed first and that ENTSO-E should focus on this assessment. In fact, the Agency senses an emerging consensus on the inappropriateness of a 'Europe-wide' one-size-fits-all approach.

### **2.10 Inter TSO Compensation (ITC)**

The WP (p. 24 *et seq.*) states that ENTSO-E will continue to manage the ITC process under Regulation (EC) No. 838/2010 and lists the tasks that would be involved.

The Agency notes that the outlined tasks do not refer to the calculation of the estimated amount of losses on the transmission system, and the publication of this calculation and its method (point 4.3 of Part A of the Annex to Regulation (EC) No. 838/2010). This task should also be mentioned in the WP.

### **2.11 Delivery of the annual tariffs report and congestion revenue report**

The WP (p. 25) announces that ENTSO-E will deliver its annual congestion revenue management report to regulators, as set out in Regulation (EC) No. 714/2009. In this context the WP (diagram on p. 26) envisages the Agency's opinion on this report.

The Agency welcomes ENTSO-E's initiative of issuing such report while it acknowledges the challenge of efficient reporting. Further, the Agency notes that according to its current view it is not obliged to issue an opinion on ENTSO-E's annual congestion revenue management report.

### **2.12 Plan of major publications dates in 2015**

ENTSO-E presents in this Section of the WP some general deliverables (like the ENTSO-E Work Programme and the ENTSO-E Annual Report) which are not included in previous sections focused on specific arguments.

The Agency notes that it is not clear why the calendar also includes the Winter Outlook Report and Summer Review, which is already presented in the calendar of Adequacy Reports (p. 14).

### **2.13 Conclusion**

The WP (p. 30) states that for ENTSO-E there is a clear aspiration to improve the quality of deliverables and the interaction with stakeholders in the development and consultation stages of the work.

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<sup>12</sup> p. 3.

The Agency welcomes this intention and commitment. Stakeholder involvement is a valuable tool for supporting and enriching ENTSO-E's outputs. The Agency sees a positive correlation between the quality of stakeholder involvement and the quality of ENTSO-E's deliverables. It is therefore important that ENTSO-E allows enough time not only for stakeholders to submit their comments but also for itself to consider those comments before finalising the deliverable at issue.

Done at Ljubljana on 18 December 2014.

For the Agency:

  
Alberto Pototschnig  
Director



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