

DECC-Ofgem Stakeholder Workshop – Elexon, 16 July 2013

Load Frequency Control and Reserves Network Code – Prioritisation of GB Issues

Purpose

1. This meeting was organised to identify and prioritise GB stakeholders' key concerns with the Load Frequency Control and Reserves (LFCR) Network Code. The outcome will inform Ofgem's approach to discussions in ACER when preparing the ACER opinion on the code submitted by ENTSO-E and the position DECC will take when the code reaches comitology.

Background

2. ENTSO-E submitted its final draft of the LFCR code to ACER on 28 June 2013. This is the third of the European Network Codes on system operation for electricity. ACER is reviewing the code and has issued an invitation for views that closes on 8 August 2013. ACER is scheduled to issue its opinion on the LFCR code by 28th September. Should ACER publish a positive recommendation for the code, it will be sent to the Commission for further consideration, including a legal "scrubbing" exercise which prepares the text for comitology.
3. The final draft code is likely to start comitology in Q4 this year alongside the Operational Security and Operational Planning and Scheduling Network Codes. These latter two codes are currently with ENTSO-E following ACER opinions calling for amendments. ENTSO-E is planning to resubmit them at the same time as the LFCR code. The Commission has given no indication of dates for comitology meetings making it difficult to clarify the timing of the UK's preparation process.

Discussion

4. Detailed discussion focussed on the key areas summarised below.

National Regulatory Authority Oversight

5. Stakeholders raised an overall concern about National Regulatory Authority (NRA) oversight of those parts of the code that leave decisions and development of methodologies to Transmission System Operators (TSO's). For example, Article 29(1)(b) which provides for TSO's to determine mitigation measures to meet synchronous area or load frequency control block targets requires NRA oversight. Stakeholders also noted the importance of meaningful Performance Indicators for TSOs.

Retrospective Application

6. Stakeholders raised concerns about the retrospective application of the code to generators and demand-side facilities, particularly where that would impose costs through requiring new equipment. Stakeholders recognised that some retrospective application of the code was necessary to properly implement it, but there should be clear cost-benefit analysis overseen by the NRA beforehand to minimise risks to investor confidence. Specific drafting was not proposed to address this issue.

Impact of Multiple Transmission System Operators

7. There are various provisions in the code that apply to multiple TSOs. In particular where synchronous areas or load frequency control blocks cover more than one TSO area. Stakeholders were concerned and wish to see effective language in the code to ensure transparency in agreements between TSOs. Stakeholders also noted that multiple TSOs can exist within a Member State, which is not addressed in the code.

Imbalance netting

8. One stakeholder raised concerns about obligations on TSOs to fit new equipment to cater for imbalance netting, particularly in the case of interconnectors. The current draft is inconsistent between Articles 36 and 58. This could be resolved through replicating the specific reference on HVDC interconnectors in Article 58 to be clear that “each operator and/or owner of an HVDC interconnector interconnecting Synchronous Areas shall provide the capability where the technology is installed permitting the connecting TSOs of the HVDC interconnector to perform exchange and sharing of FCR, FRR and RR on HVDC interconnectors”.

Frequency Containment Reserve Sharing

9. There was also a brief discussion about the current carve out for GB and Ireland on frequency containment reserve sharing. Whilst stakeholders supported this carve out in the current draft of the LFCR code, there was a high risk that the Commission would look to remove it during the legal “scrubbing” process although the provision is justified. It may therefore be necessary to re-visit this issue during political comitology.

Summary

10. In conclusion, stakeholders agreed that the GB priorities arising from the workshop were:
 - Explicit reference to NRA oversight, particularly to cover Article 29(1)b and agreements between TSOs;
 - A clear obligation to produce a cost benefit analysis with NRA oversight before any retrospective application of the code;
 - Effective language on where the code refers to multiple TSOs, in particular to ensure transparency in agreements between TSOs; and
 - The reference to applicability and obligations on existing equipment related to imbalance netting in Article 58 should also be included in Article 36.
11. It was also noted that the current GB and Ireland carve out on frequency containment reserve sharing may need to be re-visited if it gets removed from subsequent drafts.
12. These points will be taken to the wider DECC-Ofgem Stakeholder Strategy meeting on 31st July.
13. David Bunney (National Grid) agreed to draft a short explanation for the group on imbalance netting and interactions with the Grid Connection and Operational Security codes.

14. DECC/Ofgem would also welcome feedback on the value and structure of these code by code prioritisation meetings.

Present

Reuben Aitken	-	Ofgem
Dipali Raniga	-	Ofgem
Hannah Kruimer	-	Ofgem
Steve Davies	-	DECC
Will Francis	-	DECC
Raya Corry Fitton	-	DECC
Paul Wakeley	-	National Grid
David Bunney	-	National Grid
Adam Hipgrave	-	National Grid
Bec Thornton	-	National Grid
Garth Graham	-	SSE
Esther Sutton	-	EON
Stephen Powell	-	Irish Commission for Energy Regulation
Lorcan Murray	-	Britned
Elizabeth Ferry	-	Britned