

# *Meeting with ENTSO-E on NC RfG*

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## *CBA and derogation*

*Meeting with ENTSO-E – December, 20<sup>th</sup> 2011 Stuttgart*

## *Treatment of existing (significant) users in the NC RfG*

- Draft NC RfG (27/10) receives the modifications brought by ACER in the Final FG with regards to existing generating units
- However, some unclear points remain:
  - ACER FG defined **grid users** AND **significant grid users**  
=> Although the draft NC RfG (27/10) contains a definition of “significant users”, it is unclear which requirements apply to all users and which ones to significant users only!
  - ACER FG states that “The **format** and **methodology** or **principles** of the cost-benefit analysis shall be prescribed by the network code”  
=> But draft NC RfG (27/10) doesn't prescribe it! (see infra)
  - ACER FG states that the “NC shall provide for **regular re-assessment**”. ENTSO-E proposes 3 years as a default minimum.  
=> Why 3 years? Please provide a justification

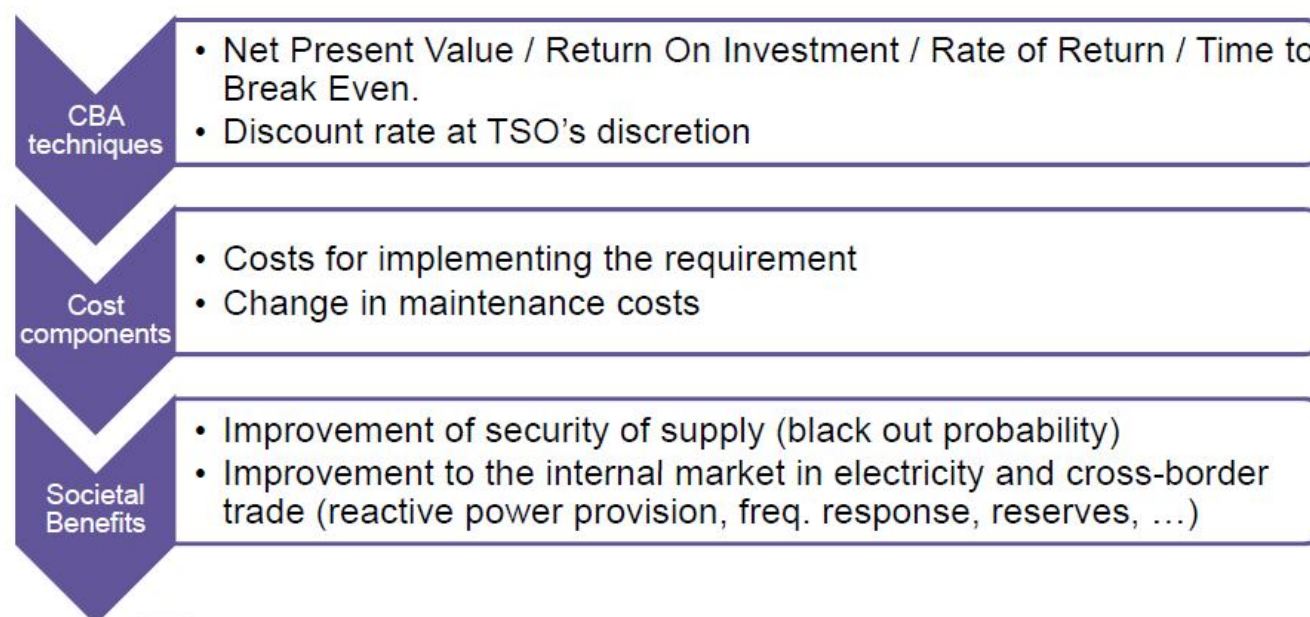
## ENTSO-E proposed approach to the CBA – stage 1



- **Metrics** proposed by ENTSO-E is highly **unclear**, e.g.
  - What is the meaning of “significant” or “insignificant” costs of modification?
  - How are the benefits in reduced balancing costs calculated?

## ENTSO-E proposed approach to the CBA – stage 2

**Green light:** reasonable prospect of justifying retroactive application ⇒ **quantitative CBA (stage 2)**



- Power generating facilities **operate in competitive markets, with multiple drivers influencing the actual costs and revenues**
  - => rate of return or time to break even don't seem to constitute a suitable metrics to understand the costs of compliance of an existing generator with the grid code requirements

## *CBA and the Draft NC*

- **In a nutshell**

- Much more clarity and time are needed to understand and digest the CBA methodology and come up with concrete proposals
- Article 28 doesn't make any reference to the 2-step approach outlined by ENTSO-E so far
- The proposed "calculating principles" -that in our understanding should represent the methodology for performing the CBA- are unclear
- The "quantified benefits" are difficult to measure
  - "Societal cost per hour of loss of supply"?
- Certain costs are assumed to be mutually exclusive
  - "Any attributable loss of opportunity and/or change in maintenance costs"

=> why "or"?

## *Derogations*

- ACER FG states “ACER shall monitor the granting of derogations and may request the relevant NRA to revoke any derogation granted **without due justification**”
  - Draft NC RfG (27/10) does not make reference to “due justification” insofar it merely states that “The Agency may issue a reasoned recommendation to the NRA **to revoke granted derogations**” and “the NRA shall have **the right to issue a motivated decision** revoking the granted derogation”
- => Power generating facility owners need certainty – who decides? ACER? NRAs? – regarding granted derogations, and should presume such derogations are not unilaterally revoked without any justification at all!