



EUROPEAN REGULATORS GROUP FOR ELECTRICITY AND GAS

The Chairman

London, 12th December 2006

Mr. Andris Piebalgs
Commissioner for Energy
European Commission
1049 Bruxelles

Dear Andris,

Subject: Lessons to be learned from recent disturbances and interruptions in European power supply

Whilst we shall deliver, as promised, our Interim Report before Christmas and the Final Report in early February 2007, I thought it would be helpful to provide you with the latest information on our investigation into the recent system disturbance on the UCTE grid. We shall set out in fuller and more technical detail these analyses. At this stage, however, we have based our views on a careful analysis of the recent and previous large scale disturbances and blackouts; the 2005 ERGEG recommendations on the UCTE Operation Handbook which was published at the XI Florence Forum and this month's ERGEG (internal) report on the required cooperation and coordination between TSOs.

There are a number of important lessons that can already be drawn which we consider to be of central importance to the security and reliability of Europe's electricity network operations. They require an immediate and comprehensive response from the European Institutions and from the Transmission System Operators (TSOs) together with the national energy regulators and ERGEG at European level.

In essence our recommendations fall under two broad headings: first, the need for an improved legal and regulatory framework to minimise the risk of future interruptions. And second, the requirement for measures from the TSOs themselves, under regulatory oversight, to secure fully effective coordination and cooperation.

The Framework

There is a major legal and regulatory gap in Europe's electricity (and gas) market. The interconnected electricity network's operational security rules are not embedded within a Europe-wide operational and legal framework. An integrated EU Grid requires such a legally binding framework based on fully effective compliance, monitoring and collaboration. Such a framework can only partially be achieved under Regulation (EC) 1228/2003, i.e. mainly in respect of TSO to TSO coordination and collaboration. Further to the Regulation, additional legal steps will be needed in implementing accordingly the provisions from the Electricity Directive 2003/54/EC and Security of Supply Directive 2005/89/EC. We particularly need detailed and specific obligations placed on TSOs in relation to the coordinated operation of the networks across the Single Energy Market and to provide for information exchange between TSOs. TSOs must be clearly accountable to regulators and also publicly in respect of the effective operation of the networks they run, and for the way in which networks interact.

The application of such framework including the legally binding operational security rules will be vital as we move towards a fully integrated electricity market. Effective governance arrangements must be established to safeguard the public interest. At national level that issue is already addressed although in an incomplete and inconsistent manner. At EU level major challenges face us. ERGEG would welcome the opportunity to contribute to developing such proposals at an early stage with respect to their contents, role, responsibilities and powers at both national and EU level.



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Work in ERGEG itself is already underway on a number of issues that could form part of these EU-wide rules which would cover: (i) system operation (balancing; operational security; congestion management); information management and transparency; network access issues; and security of supply. It is anticipated that some of this work will lead to further Guidelines or legislative amendments prepared by ERGEG in respect of Regulation (EC) 1228/2003.

The role of TSOs

We have identified a second broad category that relates to the obligations on and actions required from the TSOs to bring greater security to the operation of integrated power systems in Europe (similar comments were made by regulators following the Italian blackout of September 2003). Recent events have confirmed their analysis. Action is essential to resolve these concerns in order to meet the requirements of Article 9 c) and d) of the Electricity Directive 2003/54/EC. Action must be taken within the deadlines set for the implementation of the Security of Supply Directive 2005/89/EC which deals (in Article 4) with operational network security, including the joint preparation of emergency plans with agreed protocols for coordinated actions and responsibilities by TSOs within a synchronous area. The development and regular testing of restoration plans should also be mandatory for all involved TSOs – this has also been emphasized in the already mentioned ERGEG Recommendations on the UCTE OH at the XI Florence Forum.

Much higher standards of coordinated real-time security assessment and common control are needed from TSOs to facilitate secure network operation in synchronous areas. More effective co-operation, communication and information exchange between TSOs will provide an essential platform to improve system operator situational awareness. They would also allow more effective operational planning to enhance thereby the coordination of operational system security within the synchronous areas.

Exchange of real-time data among neighbouring TSOs must be precisely defined and duly implemented in all the details and consistency, in the most efficient way and strictly followed by all TSOs. Harmonisation of data standards is also essential if the quality of information is to be improved thereby promoting swift and effective information exchanges between system operators. Joint operator training programmes and decision support systems will further improve the operational security of the networks.

Then there are the conclusions we shall draw with greater explanations when we issue our preliminary report. When that analysis is complete I can reaffirm our commitment to work with your officials to develop appropriate responses to the challenging agenda ahead. Our 2007 Work Programme sets out in more concrete terms how we intend to go about delivering a properly researched and effective response to the challenges ahead.

With good wishes
Yours sincerely,
