

**OPINION OF THE AGENCY FOR THE COOPERATION OF ENERGY
REGULATORS No 08/2018**

of 2 October 2018

**ON THE ENTSO-E SUMMER OUTLOOK REPORT 2018
AND WINTER REVIEW 2017/2018**

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 Regulators¹, 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 1228/2003², and, in particular, Article 9(2) thereof,

Having regard to the favourable opinion of the Board of Regulators of 19 September 2018, delivered pursuant to Article 15(1) of Regulation (EC) No 713/2009,

Whereas:

- (1) On 30 May 2018, the European Network of Transmission System Operators for Electricity (“ENTSO-E”), pursuant to Articles 8(3)(f) and 9(2) of Regulation (EC) No 714/2009, published its annual summer generation adequacy outlook report for 2018, together with the review of the main events which occurred during the winter 2017/2018. The report is entitled “Summer Outlook Report 2018 and Winter Review 2017/2018” (the “SOR 2018 & WR 2017/18”)³.
- (2) Pursuant to Article 6(3)(b) of Regulation (EC) No 713/2009, the Agency shall provide an opinion to ENTSO-E in accordance with the first subparagraph of Article 9(2) of Regulation (EC) No 714/2009 on relevant documents referred to in Article 8(3) of Regulation (EC) No 714/2009. Point (f) of Article 8(3) of Regulation (EC) No 714/2009 refers to annual summer and winter generation adequacy outlooks to be adopted by ENTSO-E. It does not explicitly refer to the summer and winter reviews. However, such reviews are of utmost relevance for the preparation of future outlooks and, equally, constitute a long-standing

¹ OJ L 211, 14.8.2009, p. 1.

² OJ L 211, 14.8.2009, p. 15.

³ ENTSO-E, “Summer Outlook Report 2018 and Winter Review 2017/2018”, May 2018.

<https://docstore.entsoe.eu/Documents/SDC%20documents/SOAF/summer-Outlook-2018-with-cover.pdf>

practice of the associations of transmission system operators (“TSOs”). In light of the above, it is appropriate to consider in this Opinion not only the Summer Outlook Report 2018 (the “SOR 2018”), but also the Winter Review 2017/2018 (the “WR 2017/18”),

HAS ADOPTED THIS OPINION:

1. Summer Outlook Report 2018

According to the SOR 2018 (p. 9), *“the [upward] adequacy assessment consists of analysing the ability of available resources (generation, availability of imports and demand side response) to meet the demand by calculating the ‘remaining capacity’ (RC) under normal conditions and severe conditions”*. The SOR 2018’s analyses are based on the methodology described in Appendix 2 of the SOR 2018. They are performed first at country level and then at a pan-European level, with a focus on the extent to which neighbouring countries can contribute to the power balance of a power system under strain.

The SOR 2018 is based on inputs provided by the TSOs and the pan-European climate database, and provides a forecast of the pan-European adequacy situation for the period from 30 May 2018 to 30 September 2018.

The SOR 2018 concludes that there are no adequacy-related issues expected under normal or severe weather conditions during this period.

Regarding downward regulation (i.e. the assessment of potential generation excess under minimum demand conditions), ENTSO-E foresees a potential need for curtailments of renewable energy sources (“RES”) production in Southern Italy, Ireland and Northern Ireland.

The Agency positively acknowledges the hydro reservoir analysis and that, in the SOR 2018 *“Italy was modelled in six bidding zones—Northern (IT01), Central-Northern (IT02), Central-Southern (IT03), Southern (IT04), Sicily (IT05) and Sardinia (IT06) - in line with other adequacy studies”*.

The SOR 2018 (pp. 18-19) states that *“[d]espite its limitations, the current Seasonal Outlook methodology indicates most critical periods within the coming season and provides strong support for system operation planning. Efforts are continuously being made to devise advanced methodology to overcome limitations, thus providing additional realistic insight on possible European system operational states during each country's most critical moments. For this purpose, ENTSO-E is currently developing a full probabilistic methodology with hourly calculations at the pan-European level”*.

Bearing these limitations in mind, the Agency notes that most of its past requests for improvement of the seasonal outlook methodology have not been implemented. In particular, in its previous Opinions, the Agency requested that ENTSO-E:

- perform market simulations to understand how periods of both upward adequacy and downward regulation problems may affect electricity prices and market behaviour,
- further work on the identification of probabilities of individual events leading to inadequacy situations (i.e. severe atmospheric conditions and their link to power-plant and infrastructure outages, reductions of Net Transfer Capacity, etc.).

The Agency thus restates these observations and asks ENTSO-E either to implement them or to provide a justification as to why they are not implemented.

Furthermore, the seasonal outlooks seem mainly to assess how demand and generation would react to different weather conditions and if demand could be met by generation, while grid limitations are taken into account only as the foreseen transfer capacity provided to the market. Since ENTSO-E itself defines system adequacy as the ability of a power system to meet demand at all times and thus to guarantee the security of supply, the Agency finds it vital that ENTSO-E improves its methodology with assessments of infrastructure outages affecting the potential exchanges between bidding zones (i.e. outages of interconnectors). It is also imperative that ENTSO-E provides insight into the definition of reliably available capacity (RAC), how generation outages are considered in both normal and extreme conditions and to include the probabilities of outages of both infrastructures and generators when determining the probabilities of adequacy crisis.

In short, the Agency calls on ENTSO-E to continue and complete the improvements of the seasonal outlook methodology, and in particular the “probabilistic approach” objective, which ENTSO-E identified already in its Summer 2014 consultation on the target methodology for adequacy assessments⁴.

2. Winter Review 2017/2018

The WR 2017/18 covers the period from 29 November 2017 to 1 April 2018, providing an overview of the most impacting events, such as grid outages or extreme weather conditions. The Agency misses an additional overview of:

- recorded voltage violations⁵ and significant frequency deviations,
- misalignments of such situations with the forecast of the previous outlook (comparison of seasonal outlooks and reviews).

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https://docstore.entsoe.eu/Documents/SDC%20documents/SOAF/Seasonal_Outlook_Report_Evolution_s.pdf

⁵ ENTSO-E included a question on voltage violations in the TSO questionnaire, but no analysis of results was provided in the winter review 2017/18.

In addition, the Agency sees benefit in covering all the months of the year, including April, May, October and November, which are currently not in the scope of ENTSO-E's analysis, especially regarding the analysis of downward regulation.

Done at Ljubljana on 2 October 2018.

For the Agency:


Alberto Pototschnig
Director *ad interim*