



EXPLANATORY NOTE RELATED TO EUROPEAN REGULATION 2017/2196 DOCUMENTS

18/12/2018

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1. Practical information

This note aims to contextualize the documents to be submitted by ELIA as required by Regulation EU 2017/2196 establishing a network code on electricity emergency and restoration (NC ER).

All comments resulting from the public consultation that took place between October 8th 2018 and November 19th 2018 are published on Elia's website, with an explanation of how Elia responded to these remarks or the reasons why they were not considered. There were no requests for confidentiality and/or anonymity of respondents.

Comments concerning items outside the scope of the documents were not considered by Elia.

The following documents can be consulted on the Elia website:

- The documents submitted for consultation
- The consultation feedback received from respondents
- The final version of the documents with and without track changes

2. Introduction

Regulation (EU) 2017/2196 establishes requirements for the management, coordination and operation of the network in the European Union in a state of emergency, blackout or restoration. These requirements are intended to maintain operational safety and prevent the spread of an incident on the power grid that could result in a widespread failure.

In accordance with this regulation, Elia makes available the following two documents:

- Rules for suspension and restoration of market activities and specific rules for imbalance settlement and settlement of balancing energy.
- Terms and Conditions for Restoration Service Providers on a contractual basis

This document gives a brief description of the main principles of these documents and justifies the way these principles have been developed.

Regulation (EU) 2017/2196 also requires Elia to consult on and submit for regulatory approval the **Terms and Conditions to act as Defence Service Provider** if established on a contractual basis. In this note is explained why ELIA will not use Defence Services procured on a contractual basis for the execution of its System Defense Plan and therefore why no document titled on this subject is published for consultation.

However, ELIA does not exclude that in the future, new services could emerge, which could be used by ELIA as Defence Services procured on a contractual basis. If this is the case, ELIA will establish Terms and Conditions to act as Defence Service Provider, in consultation with relevant stakeholders and organise a public consultation in accordance with article 7 of Regulation (EU) 2017/2196, before submitting the rules to the competent authority for approval.

3. Documents subject to public consultation

3.1. Rules for suspension and restoration of market activities and specific rules for imbalance settlement and settlement of balancing energy

3.1.1. Introduction

The rules for suspension and restoration of market activities meet the requirements of Articles 35 to 38 of the European Regulation 2017/2196.

The specific rules for imbalance settlement and settlement of balancing energy in the event of suspension of market activities meet the requirements set out in Article 39 of the European Regulation 2017/2196.

The main principles were discussed during WGSO EMD¹ working groups with stakeholders.

In accordance with Article 4.3 of the 2017/2196 European Regulation, the competent authorities shall decide on the proposals within six months from the date of submission by the TSO. By consequence, the ultimate date for the decision on the proposed rules is June 18th 2019.

3.1.2. Conditions for market suspension

The rules for suspension of market activities aim to **keep the markets open as long as possible** because they are an essential factor for normal grid operation. These rules foresee for the suspension of the market activities in the following extreme cases:

- In case of a **blackout** according to Regulation (EU) 2017/1485. Elia will notify the grid users and market players immediately after the detection of the blackout. The market suspension will be effective **immediately after the notification**.
- In the event of **unavailability of the tools and means of communication** required by Elia to facilitate market activities and their back-up.

During emergency and blackout situations, Elia may also suspend some market activities in case continuation of those market activities deteriorate the grid stability or decrease the effectiveness of the restoration process.

During periods of “TSO Controlled Dispatch²” (a way to operate the transmission system in which TSO-connected grid users execute without undue delay the instructions issued by the TSO), the Balance Responsible Party (BRP) is no longer responsible to keep its portfolio in balance, because this could reduce the efficiency to restore the transmission grid to normal or alert state. ELIA will clearly communicate from which moment the BRP is not responsible to keep its portfolio in balance and then from which moment in time the BRP will be responsible again.

¹ WGSO EMD: Working Group System Operations and European Market Design

² Within Elia, this situation is commonly referred to as ‘Central Dispatch’. However in order to avoid confusion with the definition ‘central dispatching model’ of Regulation 2017/2195, the term ‘TSO Controlled Dispatch’ is used in these Rules.

3.1.3. Procedure for restoration of market activities

ELIA will not proceed with the restoration of the market activities and ending the phase of TSO Controlled Dispatch unless it has sufficient confidence in the grid stability.

When ELIA considers that all market activities may be restored, ELIA will communicate in due time before returning to normal market system operations in order to let the different stakeholders sufficient time to prepare the switch from TSO Controlled Dispatch to normal market system operations.

3.1.4. Communication procedure

A communication procedure meeting the requirements of Article 38 of Regulation (EU) 2017/2196 is described in the rules for suspension and restoration of market activities. This communication procedure aims to inform the stakeholders and facilitate the restoration of market activities by describing the roles of each party.

Two main notifications will be sent out by Elia in due time:

- **“Market suspension Elia”** which, among other information, specifies the market activities that have been suspended and gives information on the best estimate for the time and date for transmission system restoration
- **“Market restoration Elia”** which, among other information, specifies the market activities that will be restored and the associated date and time ELIA intends to switch from TSO Controlled dispatch situation to Self-Dispatch on day D, hour H.

All notifications shall be published on ELIA’s website. When notification or update on the website is not possible, ELIA shall inform via email, or via any other available means, at least those parties directly participating in the suspended market activities.

3.1.5. Imbalance settlement and settlement of balancing energy bids

Elia preferred the introduction of a simple process taking advantage of the existing practices. As discussed in the WGSO EMD, the rules are based on the principles of fairness and non-discrimination.

The rules are developed around the following main principles:

1. Ex-ante registered nominations that refer to the period during which the blackout takes place will be cancelled.
2. Imbalances are not penalized/remunerated during the TSO controlled dispatch period following the blackout.
3. A **restoration tariff** is determined to be paid by BRPs for the energy offtaken from the ELIA grid and to be received by BRPs that inject energy into the grid.
 - a. For PGMs with power scheduling obligation, cost-based principles of the CIPU contract may be applied.
 - b. For the ELIA interconnection points with the DSOs, the energy volumes during the periods of TSO Controlled Dispatch shall be allocated in accordance with allocation procedures
4. In order to ensure the financial neutrality of ELIA, potential differences between the received and paid amounts will be added to the transmission tariffs.

3.2. Terms and conditions for Restoration Service Providers

This document outlines the terms and conditions to act as Restoration Service Provider on a contractual basis (T&C RSP). As Elia currently has contracted 5 units providing black start services until the end of 2020, the first version of the T&C RSP (provided here for public consultation and to submit to CREG by 18 December 2018) corresponds to the current black start contract.

In accordance to the Network Code on Electricity Emergency and Restoration, ELIA has added a description of the (current) target geographical distribution of power units with black start services.

Parallel to this 1st version of the T&C RSP, Elia has published for public consultation a design note reflecting Elia's vision for the future organization of black start service. This new design will be translated into a future version of the T&C RSP that will be subject to public consultation in due time.

3.3. Terms and conditions for Defence Service Providers

3.3.1. Legal framework

European network code on electricity emergency and restoration (Regulation (EU) 2017/2196)

Art. 3, definition (1) - '**defence service provider**' means a legal entity with a legal or contractual obligation to provide a service contributing to one or several measures of the system defence plan;

Art. 4.4. The terms and conditions to act as defence service provider and as restoration service provider shall be established either in the national legal framework or on a contractual basis. If established on a contractual basis, each TSO shall develop by 18 December 2018 a proposal for the relevant terms and conditions, which shall define at least: (a) the characteristics of the service to be provided; (b) the possibility of and conditions for aggregation; and (c) for restoration service providers, the target geographical distribution of power sources with black start and island operation capabilities.

Art. 18.3 Each TSO shall be entitled to establish an active power set-point that each SGU identified pursuant to point (c) of Article 11(4) shall maintain, provided that the set-point fulfils the technical constraints of the SGU. Each TSO shall be entitled to establish an active power set-point that each **defence service provider** shall maintain provided this measure applies to them pursuant to the terms and conditions referred to in Article 4(4) and the set-point respects the technical constraints of the defence service provider. The SGUs and **defence service providers** shall execute without undue delay the instructions given by the TSO directly or indirectly through DSOs and shall remain in that state until further instructions are issued. Where the instructions are given directly, the TSO shall inform the relevant DSOs without undue delay.

Art 18.4. Each TSO shall be entitled to disconnect SGUs and **defence service providers**, directly or indirectly through DSOs. SGUs and **defence service providers** shall remain disconnected until further instructions are issued. Where SGUs are directly disconnected, the TSO shall inform the relevant DSOs without undue delay. Within 30 days of the incident, the TSO shall prepare a report containing a detailed explanation of the rationale, implementation and impact of this action and submit it to the relevant regulatory authority in accordance with Article 37 of Directive 2009/72/EC as well as make it available to the significantly affected system users.

Art 20.2. Each TSO shall be entitled to establish an active power set-point that each SGU identified pursuant to point (c) Article 11(4) shall maintain provided that the set-point respects the technical constraints of the SGU. Each TSO shall be entitled to establish an active power set-

point that each **defence service provider** shall maintain provided this measure applies to them pursuant to the terms and conditions referred to in Article 4(4) and the set-point respects the technical constraints of the defence service providers. The SGUs and **defence service providers** shall execute without undue delay the instructions given by the TSO directly or indirectly through DSOs and shall remain in that state until further instructions are issued. Where the instructions are given directly, the TSO shall inform the relevant DSOs without undue delay.

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The Regulation (EU) 2017/2196 (NC ER) foresees the potential provision of defence services either on a legal or on a contractual basis (article 3). Defence services contribute to measures of the system defence plan. Article 4 imposes regulatory approval of terms and conditions to act as Defence Service Providers only if established on a contractual basis.

The NC ER charges the transmission system operator to design a System Defense Plan, in consultation with the relevant Distribution System Operators (DSOs), Significant Grid Users (SGUs), National Regulatory Authority (NRA) and neighboring Transmission System Operators (TSOs). The TSO has to notify the NRA of the System Defense Plan by 18 December 2018. The process of adaptation of the Federal Grid Code will specify the exact procedure, identifying also the competent authority.

For the measures in its System Defence Plan, Elia coordinates with other TSOs, DSOs, SGUs, SGUs identified, and BSPs. The NC ER suggests the use of services from Defence Service Providers explicitly for measures in the frequency deviation management procedure and in the power flow management procedure.

In these procedures Elia only makes use of measures implemented by SGU and SGU identified.

Neither has Elia included in other procedures of its System Defence Plan measures that require a service to be provided by a Defence Service Provider.

According to the NC ER, measures of a TSO's System Defense Plan can be based on capabilities that are mandatory for the Grid Users, as required in NC RFG, NC DCC and NC HVDC ("minimum operational requirements") or in national legislation. These capabilities can thus be directly used by the TSO in its System Defense Plan. In the design phase of its System Defense Plan, the TSO is requested to identify these capacities, and to identify the concerned grid users.

In addition the Regulation (EU) 2017/2195 establishing a guideline on electricity balancing (EB GL), which applies to all system states (article 1), allows the TSO to activate balancing energy bids when the system is in a state of alert or emergency. In this case the TSO may decide to balance the system using only bids of the BSP in its own control area and the TSO may even activate balancing energy bids before the balancing energy gate closure time if this helps to bring the system back within its operational limits (articles 29 & 31).

3.3.2. ELIA proposal regarding the establishment of defence services

ELIA considers that all measures of the System Defense Plan are based on capabilities that are mandatory according to the connection codes or the national legislation.

As Elia has not identified a need for additional defense service that are not yet provided through another platform, no “Terms & Conditions to act as a Defence Service Provider” on a contractual basis are required.

The TSO will activate and financially reward the reserves according to T&C BSP in place when the system is in Normal, Alert and Emergency State, provided the exceptions allowed in articles 29 and 31 of EB GL as explained above (activation before Balancing Gate Closure Time and activation in own control area).

In case of persisting absence of control area adequacy, after having activated all balancing energy bids and inter-TSO contractual reserves, the TSO can decide to activate the Assistance for active power procedure from the System Defense Plan and declare the Emergency state. In this case, the TSO might activate inter-TSOs emergency assistance in accordance with Article 14 of Regulation 2017/2196. ELIA could request Balancing Service Providers (BSPs) and Significant Grid Users (SGUs) to activate their balancing energy bids.

Hence, there are no additional defense services to procure on a contractual basis.

However, Elia does not exclude the use of defense service providers on a contractual basis in the future. In this case, terms and conditions will be proposed in accordance to Network Code on Electricity Emergency and Restoration to reflect the design of the service.