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Short survey to collect stakeholder input on some specific network tariff issues:

Fields marked with * are mandatory.

Stakeholders are kindly invited to share their views on some specific network tariff issues by filling in the following short survey by Monday, 23 September 2024. The submissions to the survey will be used for the discussions in preparation for the upcoming ACER transmission and distribution tariff report and may be published by ACER.

Respondent's name and surname

Vidushi Dembi

* **Organisation/company**

WindEurope

* **Country**

Belgium

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* **Stakeholder group (multiple choice):**

- [ ] Transmission system operator (or association)
- [ ] Distribution system operation (or association)
- [ ] National regulatory authority (or association)
- [x] Producer (or association)
- [ ] Storage facilities (or association)
- [ ] Household consumer or prosumer (or association)
- [ ] Non-household consumer or non-household prosumer (or association)
- [ ] European Commission, EU institutions or EU Agencies
- [ ] Ministries or national public authorities (other than energy regulator)
- [ ] Technology provider (including association)
- [ ] Energy suppliers (including association)
- [ ] Academic, think-tank or consultancy
- [ ] Other

1.A. Should power-based network charges (EUR/MW) be preferred for recovering the costs of building, reinforcing and maintaining the network over other network charge bases (e.g. energy, EUR/MWh)?

- ○ Yes
- ○ No
- ◉ The answer depends
- ○ No view

1.B. Further specification and reasoning of your answer

• Power-based network charges can be more reflective of costs for the additional grid capacity that needs to be anticipated and developed to connect new users whether demand, generation or storage.
• However, in the case of variable renewable generation assets (wind or solar) or co-located renewables (with or without storage) sharing the same integration point power-based network charges should not be set in function of the total installed capacity (or total aggregated installed capacity in case of collocated technologies). They should be set in function of the maximum injection (and withdrawal) capacity that the user has agreed in its connection agreement with the System Operator. This agreed injection (and withdrawal) capacity can be lower or equal to the total installed.
• The user should be able to decide whether its maximum injection (and withdrawal) capacity should be lower than or equal to the total installed capacity of its asset depending on the business case and revenue streams of the asset (provided that the asset will never exceed these agreed values during its operation). Any connection or injection network charges that are power-based should be set in function of these agreed capacities.
• If this possibility is not enabled for variable generation developers by the national legislative frameworks, then a combination of power and energy-based network charges can be more reflective of the additional grid capacity costs that will be needed to connect new users and fairer for variable generation developers.
• Additionally, a general comment about network tariff methodologies across Europe. In 2024 we did an internal survey with national wind energy associations covering also network charges. Based on this, there is large diversity on the way network tariffs are structured across Europe and on the various assumptions and cost calculations made to define the tariffs (including for CAPEX, OPEX and fixed costs of system operators). This aligns with the findings that ACER present in the draft report on network tariff methodologies. However the degree of misalignment and whether this is justified and still allows a level playing field among regions is very difficult to assess. There is very little visibility for the relevant stakeholders beyond NRAs on how the various countries treat these issues.
• Moving towards unprecedented grid investments at national level that will also lead to unprecedented increases in network charges for most users. Affected stakeholders will require much more scrutiny on relevant decisions combined with maximum visibility and transparency on how the various countries are treating these issues. Increasing scrutiny and visibility will be the only way forward to ensure the affordability and public acceptability of these investments. This applies even more for network investments that will be made at national level to connect and transfer renewable electricity that will be mostly exported to neighboring countries or network investments that might be subject to non-binding cross-border cost sharing e.g. the Sea Basin Cross-Border Cost Sharing exercise.
• Finally in the context of flexible connection agreements the firm and flexible shares of the connected capacity should be treated separately in terms of power-based network charges. In case these charges are energy-based, the total agreed duration of the agreement and total supplied energy during the lifetime of the asset should be carefully considered in the determination of the charges. For instance network charges for a wind or solar generator connected with a flexible connection agreement (energy-based or partly energy-based) that will be extended from its initially agreed duration due to grid build-out delays or even become permanent should be adaptable to the total (reduced) energy supply of the asset over its life time. In this way the generator will be able to adapt the business case of the asset to the imposed update in its connection contract (and anticipated network charges).

2.A. How should power-based charges be determined? (multiple choice)

- [ ] Based on individual power measured during expected or real system peak(s)
- [ ] Based on individual power peak(s) independently of the expected or real system peak(s)
- [x] Other
- [ ] No view

2.B. Further specification and reasoning of your answer

3.A. Should some network users receive a special tariff design (e.g. exemption, discount, different tariff basis, etc.) compared to other network users?

- ○ Yes
- ○ No
- ◉ The answer depends
- ○ No view

3.B. Further specification and reasoning of your answer

Network users that receive less quantified benefits from being connected to the network e.g. network users connected with flexible connection agreements should be paying network tariffs that reflect this difference from other network users.
WindEurope supports ACER's recommendation that the costs caused by a network user should be properly reflected in its tariffs. But this principle should apply only if also the benefits that the network user gets from connecting to a certain network are properly reflected in its tariffs. To assess and justify costs paid by network users, there needs to be maximum transparency on how these costs are calculated and maximum visibility on how this same exercise is implemented in all EU jurisdictions.
As it stands WindEurope is neither in favor nor against injection charges for generators. What is most important is that NRAs and System Operators provide clear information on how these are calculated and justified in a way that it is also comparable among different country practices. This is not the case as it stands. Also to make sure that workable methodologies are used to confirm that the same costs are not being recovered through different channels e.g. network reinforcement investments paid twice through deep connection charges and injection tariffs.
Theoretically it makes sense that both withdrawal and injection should be considered for the same user when setting the tariffs by properly considering potential cost-offsetting and overall cost-impact. However as it stands there is no transparent and harmonised methodology on how to calculate the cost-offsetting and cost-impact by specific user categories which by default a very complex exercise. Therefore the proper implementation of this recommendation is most probably not realistic and requires further discussion and alignment among NRAs including relevant stakeholders. In some cases implementing special tariff design (in a harmonised manner) for users impacted by such issues might be much more efficient compared to trying to properly reflect all the costs.

4.A. Is there an opportunity for spatial differentiation (i.e. applying locational signals) in network charges for injection and/or withdrawal for some network user groups (within the same TSO/DSO area)?

- ○ Yes
- ○ No
- ◉ The answer depends
- ○ No view

4.B. Further specification and reasoning of your answer

Spatial differentiation of grid connection charges already applies in some countries. At national level it could bring benefits in terms of directing investments towards optimal geographies within restricted regions. However, the implementation often comes with significant challenges that can create severe uncertainty and delays for new investments.
For instance, it can be quite challenging to define proper tariffs per area while making sure that these are being updated these efficiently in a way that does not delay investment decisions and permitting. The administrative cost to achieve this can be too high and the process not efficient enough.
We are more supportive of a centralised system-wide perspective that allows for a fair distribution of costs to all users of the integrated system in function of the benefits these users are getting. Moreover costs, benefits and network impact very often have cross border or regional relevance so their spatial differentiation within a country does not make sense for a fair distribution among users.

5.A. Should flexible or interruptible connection agreements (i.e. where the network user choses a non-firm connection) in exchange for reduced network tariffs be available for network users who are connected to a frequently congested network?

- ○ Yes
- ○ No
- ◉ The answer depends
- ○ No view

5.B. Further specification and reasoning of your answer

This option should be offered as a voluntary one but respecting certain conditions:

- The advantage of a flexible connection for a network user is that they might connect their asset without having to wait until sufficient network reinforcement has been done (and frequent unpredictable delays that apply) while having a clearer idea of how much of their generation will be curtailed without compensation (compared to firm connection cases with no prediction or streamlining of curtailment). From a finance point of view both can be beneficial.
- However, for this to apply, it is important that the terms and conditions regarding the treatment of the firm and flexible part of the capacity by the system operator are very precisely and clearly defined. Network tariffs should reflect costs but also benefits for the connected users. A user connected flexibly will be getting less benefits than a user connected with a firm connection agreement. This must be reflected in the tariff structure for the flexible user.
- Reflecting costs and benefits in network tariffs for flexible connection agreements must also consider the total duration of the agreement and how the tariff structure should be adapted in case the initial agreement cannot be fulfilled by the system operator. The agreement should provide protection /compensation for the network user in case the system operator does not fulfil the initial terms for any reason including for reasons that do not fall within the responsibility of the system operator as for instance several grid build-out delays. Such delays can prevent the transition of the flexible connection agreement to a firm one as initially foreseen. Such changes can be detrimental to the business case of the asset and this risk needs to be foreseen together with streamlined mitigation strategy in the agreement.
- The NRAs have a very important role to play in defining the right frameworks for these agreements and making sure there will be maximum harmonisation across Europe.
- Specifically for offshore wind farms the risk can be higher as developers in most cases do not have any freedom in choosing the grid integration point of the wind farms. If these need to be developed and integrated in a highly saturated part of the onshore grid with slow grid reinforcement, the asset can be subject to severe uncertainty regarding its business case.

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- company names, unless they should be considered as confidential;
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- ACER's evaluation of responses. In the evaluation, ACER may link responses to specific respondents or groups of respondents.

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  - ( ) Yes
  - (●) No

* Do you consent to the publication of the provided answers?
  - (●) Yes
  - ( ) No

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Contact

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