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Position Paper of Stadtwerke München GmbH

Draft Guidelines for Good Practice on Electricity Grid Connection and Access

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The Stadtwerke München GmbH is the major municipal utility company of the Bavarian capital city of Munich and has around 6,600 employees. The Group sales is totalled to € 4.7 billion in 2007. The Stadtwerke München GmbH uses a mix of energy generation, based on combined heat and power (CHP) and renewable electricity generation and plans in the next year investment in renewables in an amount of several billions with a focus in offshore wind power generation. The Stadtwerke München GmbH holds a share of 24,9 % in a project company for the development of the wind power generation Global Tech 1 in the Northsea.

According to the national law the electricity and gas network is legally unbundled in the SWM Infrastruktur GmbH.

The Stadtwerke München GmbH appreciates the opportunity to comment on the draft of the ERGEG and CESR. Please find enclosed our statements:

1. Do you agree with the problems these GGP are trying to solve – are there other problems that should be addressed within grid connection and access not yet included in these guidelines?

The proposed arrangements are in our point of view a good basis to start the implementation of the 3rd Package. Like already stated at the workshop taken place on the 15th of May in Brussels, the draft Guidelines for Good Practice on Electricity Grid Connection and Access focuses mainly on the roles and responsibility of TSO's, especially regarding the terms and conditions for grid connection and access to the/their network set by the TSO's and that have to be implemented and regarded by the DSO's afterwards.

Regarding the development of the technical framework we think it is very important not to involve only the TSO's but also the DSO's. To implement a functioning and harmonised European energy market there is also a need to involve the DSO's as they are the important stakeholders in all the grid-issues. In the GGP it is stated under cipher 5.4.1.2 that the DSO has the responsibility for transposing the requirements set by the TSO and that they have to ensure that generation and consumption units (and also other distribution networks connected) within the distribution network meet these requirements. But when developing the technical framework by the TSO's it has to make sure, that there is an extensive, open and transparent consultation process in an early stage with all the market participants and it has to make sure

as well, that in deed all the relevant market participants are involved in the developing process of relevant methods, procedures and technical requirements. In our point of view it is very important, that the technical frameworks developed by the TSO's are in a very early state coordinated with the DSO's in case that the requirements could affect their issues in any way.

The involvement of the relevant stakeholders, especially the DSO's is important, because at the moment there is a lack of efficient control in developing and implementing the frameworks set out by the TSO's. Only harmonised frameworks supported by all stakeholders (especially the DSO's) can assure a competitive and functioning European energy market.

2. Do these guidelines address the problem - will they lead to more transparent, effective and non-discriminatory grid connection and access?

3. Please outline your views on the description of the roles and responsibilities set out in Section 3.

We accept the roles and responsibility of TSO's related to the development of the terms and conditions for grid connection and access to their grid. But it is important like state already under cipher 1 that all the relevant stakeholders, especially the affected DSO's are consulted and involved adequately before.

Under cipher 3.4 it is stated that the DSOs shall set the terms and conditions for grid connection and access to their networks for ex-ante approval by the national regulators and shall enclose where appropriate, the results of the consultation of the stakeholders. We think, that it is not practical, that a consultation process is accomplished by the DSO's. We find it more effective, if the regulation authority accomplishes the consultation process if needed and if other stakeholders than only the system operators are affected. The process that is currently applied, namely that the regulatory authority approves the terms and conditions set out by the DSO's (like for example the so called "agreement about the cooperation according § 20 Abs. 1 EnWG between the operators of in Germany located gas grid operators") is efficient and

sufficient to cover the interests of the relevant stakeholders. In case of necessary consultations they should be operated by the regulatory authorities and not by the DSO's.

4. Are the technical framework and general provisions for generation, consumption and DSOs relevant and practical? Is there anything else that should be included / excluded? (Sections 4&5).

The technical framework for grid connection in cipher 5 is in our point of view problematic, because it interferes strongly in the existent and functioning system of engineering standards. This will cause many competence problems, especially in regard to cipher 5.1.2.3 and 5.1.2.4.

Further it is proposed e.g. under cipher 5.1.1.3 and 5.1.2.2. that the grid users shall have the possibility of co-determination. This will cause a huge effort of coordination. In this regard we refer to our reply under cipher 3.

We can't support the requirements for Reactive Power like stated under cipher 5.3.2. This requirement should be deleted, because a general obligation of compensation of Reactive Power is not purposeful. The TSO/DSO should instead have the possibility to provide a statement of requirements for Reactive Power and for their steering, like stated under cipher 5.3.2.3.

5. How would the implementation of these GGP affect your business / market – what would the impacts be?

6. We note that respondents to the consultation on the Implementation of the 3rd Package asked for certain areas, such as priority access for renewables, to be dealt with by ERGEG GGP. Priority access has not been covered by these particular guidelines, however, regulators welcome further input on this and other relevant issues.

Priority access for renewables is important for the development of a sustainable and secure energy market. But the development of a sustainable and secure energy market via renewables, combined heat and power and smart grids can only be achieved by involving the

DSO's next to the TSO's. The main aspect is in our point of view the modernisation of the grids in relation to new forms of energy generation and energy use. Therefore the EU should boost and implement accordant projects in Research and Development and create incentives for the necessary investments. Research and Development should focus on a secure and sustainable energy supply. This can only be achieved by a stronger integration of peripheral generation of renewables and combined heat and power via smart grids. Only than the EU can minimize the dependency of energy imports, explore in an optimal manner the own resources and reduce the CO₂-emissions. Research and Development should concentrate on technologies, that afford the according development of the networks. Special interest should focus on steering and storage technologies, that assure in terms of high energy generation (e.g. wind power) and low energy consumption the stability of the grid. In equal measure too much regulation, that endanger investments in grids and therefore in security of supply by the ACER or the national regulation authorities has to be avoided.

A further main problem that has shown up in the development of renewables is the planning- and permission process of network expansion and development of energy generation, especially the well known not-in-my-backyard-effect, that hinder many projects. To support the development of renewables the EU could contribute to raise the awareness of the European citizens for the necessity of network expansion to achieve the goals of the 20-20-20-targets.

Regarding Solar and wind power station we face further problems: Solar and wind power stations are located typically not in the regions where the energy is needed. For the economic and ecologic use of the resources it is necessary to support the network expansion wider than the European frontiers, e.g. the planned Mediterranean and Baltic Sea interconnection.

The realisation of offshore wind power generation faces actual a lot of obstacles.

- Order of components: Especially the practice of some system operators to give a covenant for grid access only against the firm order of **all** essential components of the wind power generation as well of a financial acceptance is a serious obstacle in the realisation process. To facilitate the grid access process the firm order of **one** of the essential components should be sufficient and that the firm order of the remaining essential components should be just in the stadium of advanced negotiation. In our point of view already the firm order of one essential component documents the maturity of the project and the will of the investors to realize it regarding that already for one essential component money in a double-digit amount of millions has to be raised.

- Financing: To start the grid access for offshore wind power generation at the moment there is needed a covenant of financing terms of the financing banks. In terms of financial crisis this faces a lot of obstacles in the early stage of the project. In our point of view should a feasible financing concept be sufficient to start the grid access for wind power stations.