



GEODE COMMENTS ON CEER REGULATORY ASPECTS OF THE INTEGRATION OF WIND GENERATION IN EUROPEAN ELECTRICITY MARKETS

GEODE the European association representing the interest of **energy distribution companies** welcomes CEER consultation on regulatory aspects of the integration of wind generation in the European electricity markets.

Nevertheless **GEODE** considers that CEER paper mainly focuses on TSO's problems to integrate wind generation while DSO's concerns are briefly addressed. **GEODE** would like to highlight that DSOs are facing similar problems as TSOs when connecting wind power to the distribution grids and therefore we would like to ask CEER to include in the final conclusions paper a more detailed description of DSOs current problems when it comes to integration of wind generation.

GEODE recommends CEER to study the implications for DSOs arising from the management of renewable energies integration to their grid. Renewable energies do not assure security of supply due to its intermittent nature as it can not be guaranteed if there is going to be sun, water or wind in a certain moment. Then alternative generation is required to guarantee security of supply, being gas generation the most frequent alternative. All this implies management costs for DSOs.

GEODE supports EU binding renewables target of 20% of energy consumption from renewable sources by 2020. Nevertheless, according to RES Directive provisions, DSOs are obliged to give priority access and dispatch the energy produced by renewable energy generators, to assure network connectivity to renewable energy generators, to reinforce networks and to integrate new producers feeding electricity produced by renewable energy sources. The fulfilment of the obligations mentioned above require large investments on the grid that cannot be achieved in a short period of time. It has to be considered that wind generation, and other renewable energies, are located where resources are available (good wind in case of wind generation) though they are often far from consumption. A strong and reinforced distribution grid is required to integrate forecasted large amounts of wind power generation and other renewable energies in general.

GEODE stresses that DSOs or TSOs should be given financial allowances in order to recover the costs of the investments done for the integration of renewable energies to their grid. **GEODE** supports the approach to recover the total investment done by DSOs through network tariffs, so all those that use the enhanced network pay for it.



In the case of balancing obligations **GEODE** thinks wind generation should be subject to equal treatment as other types of renewable energy generators as for all obligations and charges.

The small and medium sized energy companies that form the basis of **GEODE** are well suited to play important roles in the development of renewable energy due to the fact that this development requires solutions of moderate size that take advantage of local conditions.

The increase amount of renewable energies integrating into the grid over the coming years, with a significant impact of wind generation with its intermittent nature and more embedded renewable generation —domestic micro-generation— make at the same time necessary that distribution grids evolve towards Smart Grids (including Smart Meters as a key tool). Smart grids will facilitate better use of the network infrastructure through active management of demand and generation essential to manage renewable production, otherwise it will become impossible on the long term. Therefore **GEODE** points out the urgent need to establish a legal framework providing incentives to allow DSOs realizing the necessary investment on smart grids, both at European and national level.

As proposed by CEER on its Consultation paper, the development of Smart Grids is linked to the deployment of new technology. Therefore **GEODE** asks DSOs to provide us a specific return or incentive for R&D, to address needs of the power system to enable renewables. Since distribution is a regulated activity, national regulators have to accept R&D costs as grid costs being part of grid tariffs. The European Commission can also play an important role promoting and funding R&D projects, such as the TENS funding project.

GEODE shares the view with CEER that rapid actions to remove administrative barriers and accelerate permission processes should be taken urgently. Permits for building and construction of a new grid and distribution lines are far too slow. National authorities may have in mind that if considerable improvements are not made into the grid, this will jeopardise the fulfilment of the renewables target in many MS.

GEODE supports the idea of a European supergrid which would connect the electricity grids of Member States and numerous offshore wind farms across Europe. In our view, an integrated European supergrid may require a single integrated energy market with a “super-regulator” and a “super-system operator” which is far to be a reality in the short-term.

Lastly **GEODE** would like to see in CEER final conclusions paper a more detailed description of the problems DSOs are facing when it comes to integration of wind



generation, addressing some possible solutions. **GEODE** would be delighted to offer any collaboration you may require for this.

Barcelona, 16th. February 2010