

**Council of European
Energy Regulators**

CEER



CEER's Paper on Alternative Connection Agreements

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Structure of the report

1. Introduction (background, objective, structure of paper)
2. Legal framework at the EU level
3. Mechanisms for DSO to access flexibility
4. Firm. vs alternative connection agreements
5. Legal and regulatory frameworks on the level of EU MS and existing cases for alternative connection agreements
6. CEER's observations and recommendations
7. Conclusions

- Introduction and problem statement: current and future grid congestion issues due to electrification and decarbonisation ambitions across Europe
 - Analysis of alternative connection agreements (ACAs) as a potential solution for DSOs to access flexibility

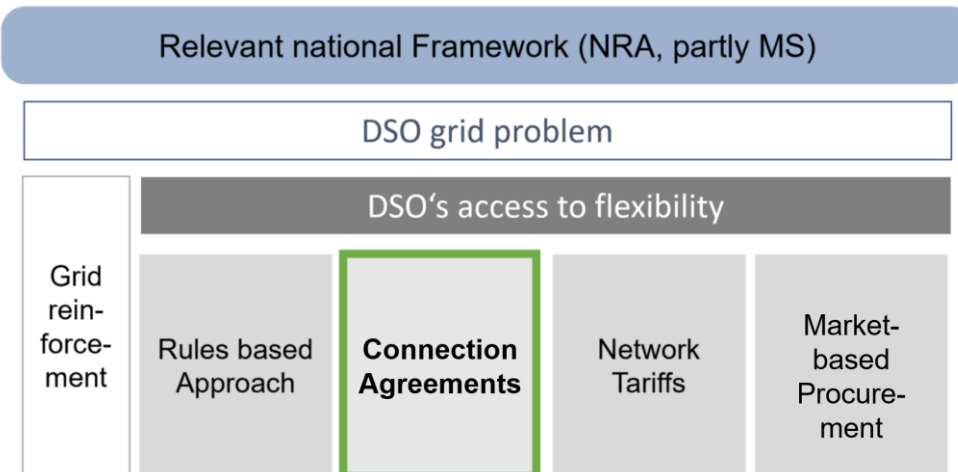
Key questions investigated:

- What is laid down in the European legislation relating to alternative connection agreements?
- What types of different alternative connection agreements exist?
- Interactions between alternative connection agreements and other measures for DSOs to access flexibility?
 - ▶ Other measures are rules-based, tariffs and market-based approaches
- What can be observed from existing country practices?



Mechanisms for DSOs to access flexibility

- Flexibility as an alternative or an interim solution to grid reinforcements
- Connection agreements identified as one of the ways for DSOs to access flexibility in a previous CEER paper



Flex category	Frame	Financial	Time frame	Delivery
Rules based	EU network codes/ guidelines and/ or national rules	Possibly shift of costs from DSO to network user, typically no compensation	As in framework defined (usually continuously)	Binding
Connection agreement	National rules, contract may be individual	Possibly reduction of cash flow from network user to DSO, possibly higher/lower costs network user, initial or when change (e.g. capacity)	As in framework defined (usually continuously; could also be time-limited)	Usually binding
Network tariff	National rules, may include options for network users, may differ per region, DSO etc.	Reduced cash flow network user to DSO	As in framework defined, Periodically / (pre)determined periods (typically monthly with yearly changes)	Usually not binding; interruptible could be binding
Market based procurement	National rules (based on EU legislation)	Typically DSO to flexibility provider Reservation: initial / periodically / without Activation: per delivery; Freedom of design includes: Fixed prices/caps, obligations regarding availability, accessibility etc.	Agreed period Optional / As long as bid is available	Usually Binding

Source: CEER (2020) Paper on DSO Procedures of Procurement of Flexibility

Legal framework for alternative connection agreements at the EU level

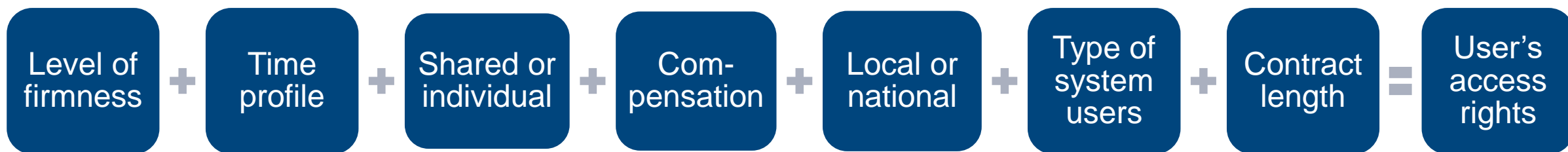
- Relevant articles in the EU Directive that relate to alternative connection agreements for DSOs:
 - ▶ Art. 6 – Third party access (non-discriminatory access (within a reasonable timeframe))
 - ▶ Art. 32 – Incentivising flexibility (incentivise DSOs to use flexibility services, market-based approaches preferred, but derogations possible)
- Note: No Article for DSOs that would mirror content of Article 42 for TSOs (which explicitly allows the use of alternative connections for TSOs)



ACAs' design principles and attributes

- Firm capacity contract = system user can always access their full contracted capacity
- ACAs can be designed to take many forms (see below)
 - ▶ A non-exhaustive list of types of contracts is identified in the report
- Careful consideration is needed on:
 - ▶ Design principles (e.g. non-discrimination, non-distortion, efficiency)
 - ▶ Interactions between other flexibility mechanisms (especially market-based)

Access rights are a combination of different access choices:



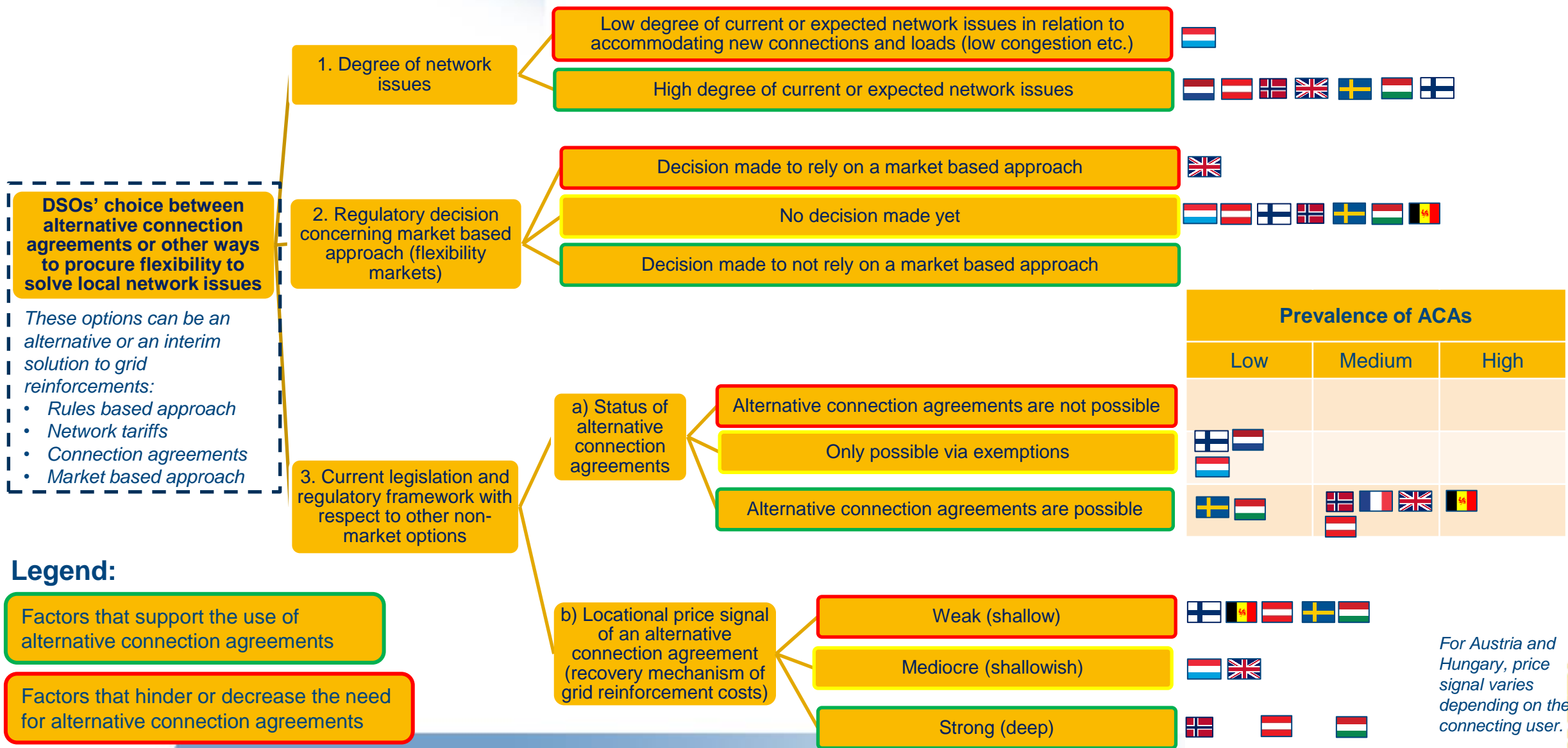
Country analysis of current practices relating to ACAs

- Input gathered from 10 European NRAs on legislative status, existing uses, key benefits and issues etc. (included only countries that are involved with ACAs in any degree!).
- The legislative (and regulatory) status of ACAs varies between countries
 - ▶ Allowed in 7 countries, either explicitly (5) or implicitly (2)
 - ▶ Only possible via exemptions in 3
- High prevalence of ACAs in Wallonia region of Belgium (but very few "activations"), and somewhat prevalent in Great Britain (incentives and reporting for RII02), Norway (for generation since 2019 and consumption since 2021), France and Austria.
- Specifics on the exact practices (e.g. types of contracts) varies greatly and was difficult to summarise at this point.
- Current or expected network issues (congestion) cited as one of the key reasons for consideration across many NRAs (benefit of faster network connection times).



- AT
- BE (Wallonia)
- NO
- FI
- GB
- LU
- SE
- FR
- HU
- NL

Illustration of the key factors that impact the regulatory application of alternative connection agreements



Key observations and recommendations

- There are large differences between countries in the implementation, prevalence and regulation of alternative connection agreements.
- NRAs need to carefully assess the interaction between alternative connection agreements and other, especially market-based mechanisms for DSOs to access flexibility if considering their implementation.
- Alternative connection agreements could be considered in the case of underdeveloped (local) flexibility markets, to prevent strategic bidding in local flexibility markets, or as a temporary instrument to connect new users that can only be connected on a firm basis once ongoing network reinforcements are realised.
- Successful implementation of alternative connection agreements requires smart grid operation by DSOs, a well-informed NRA and a fit-for-purpose regulatory design.
- Inevitably, the current legal and regulatory status of alternative connection agreements affects implementation.





QUESTIONS?

