

Risk-preparedness in the electricity sector

2016/0377(COD) - 30/11/2016 - Legislative proposal

PURPOSE: to establish appropriate tools to prevent, prepare for and manage electricity crisis situations.

LEGISLATIVE ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: even where markets and systems function well, the **risk of an electricity crisis** as a result of a variety of circumstances (e.g. extreme weather circumstances, malicious attacks including cyber-attacks, a fuel shortage) cannot be excluded. In addition, given that electricity systems are integrated, where crisis situations occur, they often have a cross-border effect. Some circumstances (e.g., a prolonged cold spell or heat wave) might affect several Member States at the same time and even incidents that start locally they may rapidly spread across borders.

Currently, **Member States behave very differently** when it comes to preventing, preparing for and managing crisis situations. National rules and practices tend to focus on the national context only, disregarding what happens across borders. The assessment of the national legal frameworks and current practices across Europe has shown that: (a) Member States assess different risks; (b) Member States take different sets of measures to prevent and manage crisis situations, and that such measures are triggered at different moments in time; (c) roles and responsibilities differ; and (d) there is not common understanding as to what constitutes a crisis situation.

This situation is the result of a regulatory gap. The current EU legal framework ([Directive 2005/89/EC](#) and [Directive 2009/72/EC](#)) only sets general objectives for security of supply, leaving Member States to decide how to achieve these. In particular, while the rules allow Member States to take ‘safeguard measures’ in crisis situations, they do not set out how Member States should prepare for and manage such situations. The **current legislation no longer reflects the reality of today’s interconnected electricity market**, where the likelihood of crisis situations affecting several Member States at the same time is on the rise.

The proposed Regulation complements the provisions of the [Third Energy Package](#), which is revised in parallel. (Please see [2016/0379\(COD\)](#), [2016/0380\(COD\)](#), and [2016/0378\(COD\)](#)).

IMPACT ASSESSMENT: the impact assessment examined a number of options. The preferred option seeks to establish a greater comparability and transparency across Member States in the area of risk preparedness. In particular, **regionally coordinated plans ensure that risks are identified at regional level** and that consistent measures are adopted to prevent and manage crisis situations. The results of simulations show that well-integrated markets and regional coordination during periods of extreme weather conditions are crucial in addressing the hours of system stress (high demand) and minimising the probability of interruption of electricity supply.

CONTENT: the Regulation lays down rules for the cooperation between Member States in view of preventing, preparing for and handling electricity crises in a spirit of solidarity and transparency and in full regard for the requirements of a competitive internal market for electricity.

The proposed Regulation contains the following elements:

Common rules on crisis prevention and tools to ensure cross-border cooperation: the main provisions are as follows:

- Member States should designate a **competent authority** to be in charge of carrying out the tasks set out in the Regulation, in particular drafting the risk preparedness plan;
- Member States must draw up **risk-preparedness plans**, after consulting stakeholders, in order to ensure maximum preparedness for electricity crisis situations and an effective management of such situations should they occur. The plans should be developed on the basis of **electricity crisis scenarios** identified by ENTSOE and Member States, respectively, and set out the measures planned or taken to prevent and mitigate the scenarios;
- before adopting a plan, the competent authority should **submit a draft** to the competent authorities in the region and to the Electricity Coordination Group for consultation. After consultation, the **final plan** should be sent to the Commission, made public and updated every three years, unless circumstances warrant more frequent updates;
- plans should consist of **two parts**, setting out national measures and coordinated measures agreed between the Member States in each region. They should take account of the specific characteristics of each Member State and set out clearly the roles and responsibilities of the competent authorities;
- all measures contained in the plans should be clearly set out, transparent, proportionate, non-discriminatory and verifiable. They should **not endanger the security of electricity supply of other Member States** or of the Union as a whole; and
- the plans should include measures to ensure that simultaneous crisis situations are properly prevented and managed. They must be agreed in a regional context and include specified elements set out in the text, including measures to mitigate the impact of a crisis.

Managing electricity crisis situations: the proposal requires Member States to inform neighbouring Member States and the Commission without delay in the event of an electricity crisis situation. They must also provide information on the causes of the crisis, measures taken and planned to mitigate it and the possible need for assistance from other Member States. In addition:

- Member States are required to inform the Commission and the Electricity Coordination Group if they have specific, serious and reliable information that an event may occur that is likely to result in a significant deterioration of electricity supply;
- Member States are to cooperate in a spirit of solidarity to prepare for and manage electricity crisis situations, with a view to ensuring that electricity is delivered where it is most needed, in return for compensation; and
- in the event of an electricity crisis, Member States must act in full compliance with internal electricity market rules. Non-market based measures can be used only as a last resort and must be necessary, proportionate, non-discriminatory and temporary.

Security of supply indicators and risk assessments: the proposal requires ENTSO-E to develop a methodology for identifying electricity crisis scenarios at regional level, considering at least the following risks:

- rare and extreme natural hazards;
- accidental hazards going beyond N-1 security criterion;
- consequential hazards such as fuel shortages; and
- malicious attacks;

For the preparation of the risk preparedness plan, ENTSO-E should: (i) use this methodology to identify the most relevant crisis scenarios; (ii) develop a methodology for assessing **short-term adequacy**, namely seasonal adequacy as well as week-ahead to intraday generation adequacy forecasts. Once ACER has approved this, Member States and ENTSOE should use it in their short-term assessments. The short-term adequacy assessment proposed complements the long-term resource adequacy assessment proposed in the

revised Electricity Regulation, which ensures a coordinated European adequacy assessment to assess the need for capacity mechanisms.

Evaluation and monitoring: in order to ensure transparency following an electricity crisis, Member States affected should carry out an ex-post evaluation of the crisis and its impacts. The proposal involves systematic monitoring via the Electricity Coordination Group, of security of supply in the EU.

BUDGETARY IMPLICATIONS: the only budgetary impact associated to this proposal (part of the recast of the Third Package) concerns the resources of the Agency for the Cooperation of Energy Regulators (ACER). Essentially, the new tasks to be carried out by ACER require a phasing in of 18 additional full-time staff in the Agency in 2020, as well as corresponding financial resources amounting to EUR 1 038 000 in 2020.