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QUARTERLY BULLETIN OF INFORMATION FROM UCTE,
UNION FOR THE CO-ORDINATION OF TRANSMISSION OF ELECTRICITY

UCTE LIFE

EDITORIAL

UCTE reports to the 4th Athens Forum (3-4 June, 2004) about the preparation of the North-South reconnection

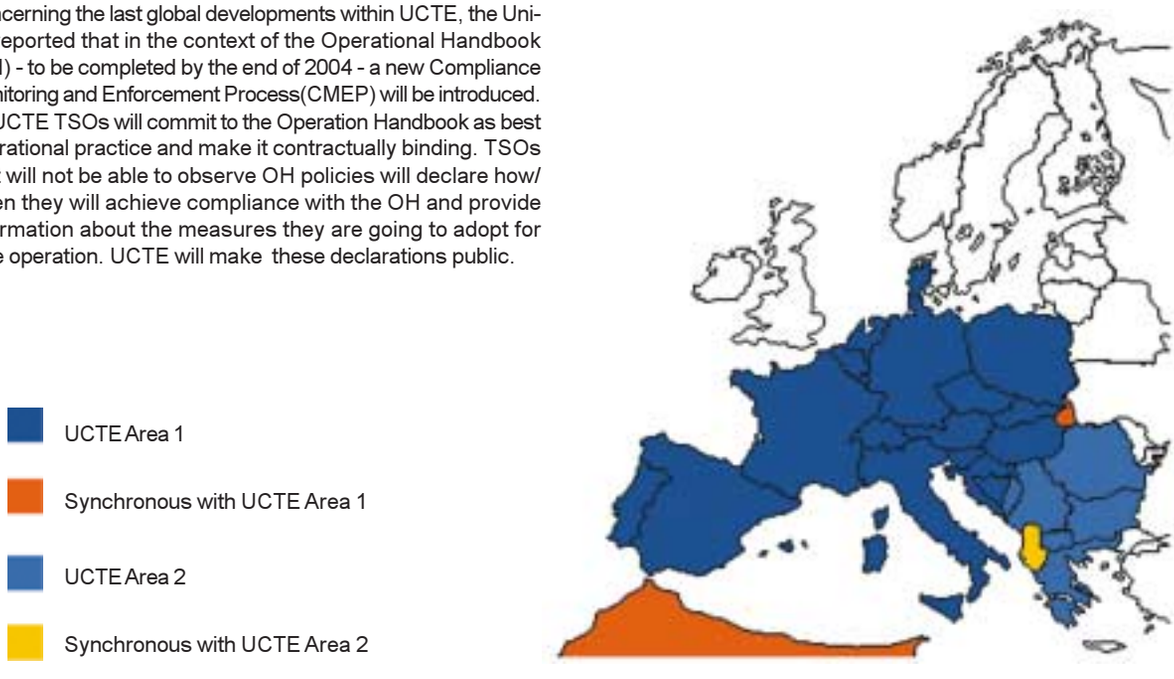
Amid several presentations about regional strategies concerning a future regional integration of generation, planning and regulatory issues for the South-East of Europe (including Turkey and Albania), UCTE addressed both the progress achieved since the last Forum in the context of reconnecting both UCTE zones as well as the last developments within UCTE that are set to impact the full UCTE area. UCTE reminded that the reconnection process has been defined as a 3-step process to be agreed as a whole before being started: a) creation of missing infrastructures (as fundamental pre-requisite, but in itself not sufficient); b) re-synchronization program (for the reconnection sequence itself); c) Multilateral Operational Co-ordination for the time after reconnection.

1. The infrastructure issues as reported by UCTE up to now (concerning Croatia, Bosnia-Herzegovina) have been solved: The Forum highly appreciated the very substantial efforts by both the Croatian and Bosnian TSOs.

2. The final layout of the control blocks has been defined. UCTE approved a detailed partition of responsibilities among all TSOs involved on a precise timeline, and accepted to separate the issue of maintaining the Albanian TSO within the UCTE synchronous zone from the reconnection process itself. Provided that all deliverables are presented as committed to, reconnection is scheduled for **autumn 2004**.

3. UCTE will assess the global impact of reconnection of the complete UCTE area and approve the above mentioned Multilateral Operational Co-ordination for the time after reconnection. KESH will be requested by UCTE to fulfil a set of minimum requirements in order to be maintained within the UCTE interconnection.

Concerning the last global developments within UCTE, the Union reported that in the context of the Operational Handbook (OH) - to be completed by the end of 2004 - a new Compliance Monitoring and Enforcement Process(CMEP) will be introduced. All UCTE TSOs will commit to the Operation Handbook as best operational practice and make it contractually binding. TSOs that will not be able to observe OH policies will declare how/ when they will achieve compliance with the OH and provide information about the measures they are going to adopt for safe operation. UCTE will make these declarations public.



MEMBER NEWS

UCTE AGENDA

UCTE STEERING COMMITTEES

June 24, 2004 in Poland
September 23, 2004 in Bosnia-Herzegovina
November 25, 2004 in Bulgaria
January 20, 2005 in Romania
March 17, 2005 in Serbia/Montenegro
May 11, 2005 in Italy

ASSEMBLY

May 12, 2005 in Italy

COMMON WG MEETING

September 10, 2004 in Slovenia

UCTE

Feasibility study on the interconnection of UCTE and CIS/Baltics transmission systems – the present status of the project

The feasibility study on the synchronous interconnection of the IPS/UPS transmission systems to UCTE was launched by the UCTE governing bodies on 25 March 2004. The study that will investigate the relevant technical, operational, organizational and legal issues linked to the request addressed to UCTE for a synchronous East-West interconnection will be performed in close cooperation among all countries involved. The project will be mastered by a consortium of UCTE TSOs. Their counterpart on the IPS/UPS side will be a team of experts within KOTK (Commission for Operating and Technological Coordination of the Joint Power Systems of CIS and the Baltic States). The general project organization was outlined during a first common meeting. The parties agreed to sign as a next step an official cooperation agreement defining the details of the future cooperation. The project itself will address important issues in the context of the EU-Russia Energy dialogue. The study shall be supported by the TEN – Energy Programme, the funding application was submitted to the European Commission on 23 April 2004.

HEP

Successful completion of commissioning program for key 400 kV facilities in the Croatian grid

At the beginning of June, the end of the commissioning program for two substations (Zerjavinec and Ernestinovo) and three lines (Tumbri-Zerjavinec, Zerjavinec-Ernestinovo and Zerjavinec-Heviz /HU/) marked also the completion of the main phase of the HEP investment program, realized with a domestic commercial loan from the year 2002, to the amount of 115 million EUR.
The largest part of this transmission investment program for (re)construction of the Croatian transmission grid focused on facilities that are of crucial importance to the realisation of synchronous reconnection to the UCTE grid. The most important facilities in this context are the Ernestinovo 400/110 kV substation (completely reconstructed or in fact newly constructed on the location of the orginal substation that was destroyed in 1991-1997) and the new Zerjavinec 400/220/110 kV substation (located in the vicinity of the capital of Zagreb) with reconstructed connecting 400 kV overhead lines for the Ernestinovo substation (Ernestinovo-Zerjavinec, Ernestinovo-Ugljevik /B-H/, Ernestinovo-Mladost /S&M/). In total, apart from the Ernestinovo substation, the investment program included the reconstruction of 160 km of overhead lines (110, 220 and 400 kV) needed for establishment of all pre-existing connections, together with the installation of 150 km OPGW, and the construction of four new overhead lines and/or links (total length of 28 km) for connection of the new Zerjavinec substation.
Internally, these investments contribute to the restoration of the 400 kV connection between eastern Croatia and the rest of the country, as well as to the enhancement of the electricity supply of the capital of Zagreb and its surroundings. After careful preparations and collaboration with neighbouring TSOs, particularly with the Hungarian TSO, the nine-days commissioning program was passed according to schedule and without any interruptions of supply to the customers. Various tests (short-circuit, protection, communication…) and measurements (e.g. line parameters) were performed in order to ensure future secure operation of the lines which are also important to several other countries whose TSOs are UCTE members. With the removal of the last provisional connections in the 400 and 220 kV grid (some after almost 13 years), the Croatian grid has finalized its preparations for the resynchronization of systems operating in the 2nd UCTE synchronous zone to the main UCTE system.
Both substations, Ernestinovo and Zerjavinec started their trial operation and the Croatian-Hungarian 400 kV interconnection, operated since 1999 as Tumbri-Heviz single - circuit line, is now operated as Zerjavinec - Heviz double - circuit line. All Croatian 400 kV lines were put in full operation, with the exception of lines towards Bosnia-Herzegovina and Serbia & Montenegro, that are waiting either for the completion of their reconstruction outside Croatia or for the resynchronization itself.

Ernestinovo

Zerjavinec substation: Short-circuit test on 400 kV line

MEMBER NEWS

REE

Red Eléctrica reinforces the Spain-Portugal electricity interconnection

The development of the Spain-Portugal interconnections is a basic requirement for the implementation of the Iberian Electricity Market. It will increase the electricity capacity for interconnection between the two countries, as provided for in the MIBEL Protocol.

With that in mind, a decision was reached to strengthen the Cartelle-Lindoso transmission line, laying a second circuit that will increase the reliability of this interconnection. The construction of the Balboa-Alqueva line, together with the reinforced lines in the Douro and Taegus areas, will virtually double the interconnection capacity between both countries by the end of 2005.

At the end of March 2004, a second circuit on the 400 kV Cartelle-Lindoso line was commissioned by Red Eléctrica, two years ahead of schedule. The first circuit started operation in 1996.

The line runs mainly through Spanish territory. 47 km of the line, extending over 48.5 km, are laid on the Spanish side, across the Orense Province, and 1.5 km in the Alto Minho area in Portugal.

The Balboa-Alqueva line is part of a 400 kV alignment that runs from the Sines substation, in the Atlantic shore, up to that at Bienvenida, in the Southern Badajoz area. The Sines-Ferreira do Alentejo-Alqueva-Balboa-Bienvenida lines are enclosed in this corridor. A busbar connection is enclosed in the 41 km long Spanish stretch at the Balboa substation; its completion is planned for December 2004.

The work for laying out the conductors was started last May, while the construction of the Balboa substation for the Alqueva busbars connection will be started next September. The Transeuropean Electricity Grids scheme of the European Union has subsidised the second circuit of the Cartelle-Lindoso line and part of the surveys for the corridor where the Balboa-Alqueva line is enclosed.

PSE SA

Congestion Management in Poland

On 1st May 2004, with the accession of Poland to the European Union, the Polish energy market was opened up for EU market participants. This means that the third-party access rule now applies also for the Polish cross-border connections with EU countries - Germany, Czech Republic and Slovakia. Since the capacities of these interconnections are fully utilised, adequate congestion management measures are needed. Starting from 1st April 2004, PSE SA as Polish Transmission System Operator allocates cross-border capacities along the Czech, German and Slovak borders in monthly auctions. The principles of these auctions as well as other issues related to cross-border exchange are gathered in Part 4 of the Instruction of Transmission System Operation and Maintenance. Currently, this auction mechanism refers only to the Polish side of interconnection. However, the neighbouring TSOs: PSE SA, CEPS,a.s., SEPS,a.s., and VE-T have already started necessary activities on a co-ordinated approach for the allocation of cross-border capacities. The allocation methodology being worked out aims at facilitating international trade within the region, maximising cross-border capacity available on all borders concerned, and ensuring the security and reliability standards. It is expected that the co-ordinated allocation process will start from January 2005.
In addition, PSE SA will join the CBT mechanism from 1st July 2004.

CEPS, a.s.

CEPS, a.s. – The Czech TSO and electricity market developer

Pursuant to the new energy law, CEPS has an obligation to securely and reliably operate and develop the transmission system and to provide system services whereas market participants are not obliged to provide ancillary services at reasonable prices. In 2001, imbalance settlement was supposed to be provided by a new company, a Market Operator which was established at the beginning of 2001. Since this Market Operator had no tools for this activity so shortly after its establishment, CEPS was put in charge of the imbalance settlement operation. CEPS had prepared this operation on an electronic business basis and started test operation fully in accordance with the new legislation within about 3 months after it had been charged with this task. This operation was successfully provided by CEPS until the end of 2001 and was taken over by the Market Operator at the beginning of 2002.

CEPS started to build up its market in 2000 as the only way to obtain ancillary services and to be able to provide system services. Until then, the only ancillary services' provider was the Czech company CEZ. This possibly could have been a very weak position for CEPS regarding the price settlement. Therefore, CEPS started to open up the ancillary services market. In the first year, 5 categories of ancillary services were provided, covering all load-frequency control. The market was started with 5 participants – power producers - certified ancillary services providers with yearly contracts for each service. In 2001, CEPS opened a day-ahead market of ancillary services operated via Internet-based application. Today, there are 10 participants in this market. During 2 years, CEPS has established common rules for this market and developed ancillary services definitions and assessment. To improve competition in the ancillary services market, a new category was added – an ancillary service from abroad - as one of the most important ancillary services. Internet trade ePortal of CEPS, called Damas, was completed with all other TSO's services – mainly a transmission module that includes capacity reservation – daily auction – and abroad transmission contracting. An assessment module, which was added as well, allows each participant to see detailed results of its contract the day after (billing data) and to claim them via ePortal. This year, we started with electronic tenders for long-term ancillary services' contracts vie ePortal. The rest of our requirements are demanded on the day-ahead market, which is operated in ePortal Damas as well. Damas is a unique e-business application taking account of security and reliability requirements.

The criterion for ancillary services' bids acceptation is a criteria price that combines a reservation bid price and a balancing electricity bid price. Ancillary services' providers are paid by CEPS for reservation and, in case of activation, they are paid by the Market Operator through an imbalance settlement procedure, where marginal pricing is used. Ancillary services' activation by the dispatching center of CEPS is strictly based on a balancing electricity bid price. The marginal balancing electricity price is a basis for the imbalance price. Our experience shows that ancillary services can be effectively obtained in a completely competitive environment. An essential condition is to create a market that is attractive enough and has at least more than one potential participant. In addition, CEPS with the cooperation of PSE, Vattenfall Europe and SEPS, is strongly involved in developing rules for transmission capacity allocation, especially towards the coordinated procedure in their region with the aim to make access to the European grid easier for market participants.

Ing. Martin Apko

UCTE NEWSGRID - N.8

Quarterly Newsletter from Union for the Co-ordination of Transmission of Electricity (UCTE)
Boulevard Saint Michel, 15 B-1040 Brussels - Belgium
Tel +32 2 741 6940 - Fax +32 2 741 6949
Internet: www.ucte.org

Contributors: UCTE Communication Correspondents
Editor: Vattenfall Europe Information Services
Internet: www.vattenfall.de/is