

# Questions and answers concerning phase 2

## July 26<sup>th</sup> 2006

### **1. How is regulating, reserve and emergency capacity used to restore the balance?**

In the event of an imbalance, for example due to increased demand for electricity or due to failure of a production unit, TenneT will first deploy regulating capacity, followed by reserve capacity and, ultimately, emergency capacity. The market in the Netherlands has been organised in such a way that TenneT issues signals about the situation regarding the electricity supply. The market responds to these signals by restoring the balance. The costs incurred to restore the balance are charged to the party or parties causing the imbalance. Because emergency capacity is more expensive than regulating and reserve capacity, the market will make every effort to quickly restore the balance itself. This is a normal activity that takes place continually every day. However, emergency capacity is only used around once a month.

### **2. Why do you mention that there is an increased likelihood of a not-normal situation now that phase 2 is being invoked?**

The reserve position amounts to less than 700 MW, which means that we may not be able to adequately respond to all disruptions. If there is a considerable national imbalance and we invoke the not-normal situation, we will be able to make use of additional powers. We can, for instance, benefit from mutual support from other countries or we can demand from producers or market parties that they have their production units (as far as available) start producing electricity or increase their production. All parties involved are on the alert and ensure that they are prepared to respond immediately upon request. The market parties (producers, suppliers and large customers) will do all they can to solve the problems as soon as possible, at the energy prices which apply at that moment.

### **3. Why did you not mention the increased likelihood of a not-normal situation during phase 2 in previous years?**

Last year, the Department of Public Works and Water Management introduced a new type of licenses for the discharge of cooling water. Under the old licensing system, more additional capacity would be available in phase 2 if the licenses could be extended. This has changed in the new system: the additional capacity is already available earlier and part of it has already been used. As a result there is a greater likelihood of a considerable national imbalance occurring which cannot be resolved by means of the action plan for cooling water. If this is the case, TenneT will invoke the not-normal situation, so that it can use its additional powers to resolve the situation. For more information about the licenses, you can contact the Department of Public Works and Water Management.

### **4. What exactly does this not-normal situation entail?**

TenneT can invoke a not-normal situation in the grid and/or of the system. A not-normal situation in the grid is invoked if there is a serious transmission problem due to an overload or a voltage problem in the grid. As a result, the energy supply is in danger and a disruption may occur. TenneT will invoke a not-normal situation of the system if there is a considerable national imbalance (demand exceeds supply), resulting in the energy supply being in danger and the risk of a disruption occurring. Once TenneT has invoked the not-normal situation, we will be able to make use of additional powers. For example, we can ask for support from other countries or we can demand from producers and market parties that they have their production units, as far as available, start producing electricity or increase their production. In case of extremely critical problems, it may be necessary to disconnect part of the load to prevent a large-scale disruption.

### **5. How likely is it that such a situation occurs (if it continues to be this hot)?**

Apart from the temperature of the surface water, several other factors also contribute to the quantity of reserve capacity that can be used. Examples of these factors are the consumption and production volumes. The market parties (producers, suppliers and large customers) will also anticipate the critical situation. The price at the energy exchange has gone up and all parties will make every effort to balance demand and supply.

Every afternoon, the market parties must submit their programmes for the following day, after which we determine the quantity of reserve capacity that will be available. Based on this calculation, the Ministry of Economic Affairs, the Department of Public Works and Water Management and TenneT review the situation for the following day.

**6. Have you invoked a not-normal situation before?**

We have done so on more than one occasion. The last time a not-normal situation in the grid was invoked was because of large, unexpected international transmissions which were due to the generation of wind energy in Germany, for instance.

**7. How often does this happen?**

It happens once or twice a year.

**8. Should we start worrying?**

No, TenneT communicates in an open, transparent manner about the situation regarding the electricity supply in the Netherlands. Reserve capacity is required to cover disruptions. If there is less than 700 WM in reserve capacity, we can possibly not respond to all disruptions. Yet even then there are various measures we can take before it will become necessary to start disconnecting part of the load. As yet we have never needed to disconnect any load due to cooling water problems. The market parties and TenneT have always succeeded in maintaining the system balance.

**9. What usually happens when you need to invoke this not-normal situation?**

All parties involved are warned, so that they will be on the alert. We will take measures in accordance with Section 2.2.5, under b to d inclusive, of the System Code (see the DTe website).

**10. Is it really necessary to invoke phase 2 at present?**

Yes, otherwise we wouldn't have done it. TenneT has a duty to safeguard the continuity and quality of the electricity supply in the Netherlands. Therefore, we make sure we take the right measures at the right time.