

Newsletter

Priority to the transmission of Renewable Electricity

June 2009

Amendment of the Electricity Act 1998 – Priority to the transmission of Renewable Electricity

On 27 March 2009 the Minister of Economic Affairs submitted the bill "Priority to renewable electricity" to the House of Representatives to amend the Electricity Act 1998.¹ The objective of the bill is to grant priority to the transmission of renewable electricity by way of congestion management. In practice the grid operator will use congestion management to grant unrestricted grid capacity to the producers of renewable electricity.

Congestion

In order to secure a reliable grid management, a grid operator has a number of obligations under the Electricity Act. The grid operator has for example the obligation to provide a grid connection without any form of discrimination. Also transmission of electricity should be provided, unless no capacity is available. On the other hand the grid operator has the obligation to maintain sufficient capacity on the grid to meet the total capacity needs.

In practice the grid operator is not able to provide the capacity required. The demand for capacity on the grid has grown considerably over the past two years, while the capacity remained more or less the same (congestion). This resulted in the

¹ Parliamentary document number 31 904 "Amendment of the Gas act and Electricity Act 1998 to improve the operation of the Gas market and to improve the supply capacity with regard to the priority of renewable electricity and also other amendments of these acts."

situation that the new and existing renewable initiatives could not receive a grid connection or had to wait to be connected.

Congestion management

One of the objectives of the bill is the introduction of priority to the transmission of renewable electricity by way of congestion management. In the event of congestion the network operator is under the obligation to prioritise the transmission of renewable electricity. Renewable electricity under the bill means energy of non-fossil sources, such as wind, solar, tidal, hydropower, biomass, landfill gas, sewage and biogas (including electricity produced by means of combined heat and power plants).

The grant of priority to the transmission of renewable electricity of hybrid plants will be considered in a Governmental Decree. These kinds of production of electricity were initially excluded from the bill, contrary to the definition of renewable electricity in the current Electricity Act 1998. Further to an advice of the State of Council, also the transmission of electricity from these origins can be prioritised, if this has been determined in a decree.

The system of congestion management

In the event of congestion the grid operator is obliged to assure transmission of renewable electricity. In practice the grid operator will use congestion management to grant unrestricted grid capacity to the producers of renewable electricity. Congestion management will only be used between the producers of not renewable



electricity. These producers will be obliged to reduce their production in time to provide grid capacity to the producers of renewable electricity.

The system which will be used for congestion management will be determined in a Governmental Decree. The allocation systems suggested at the moment are (i) the reduction of the production of electricity in the situation of congestion and at the same time seeking electricity outside the congestion area, (ii) sale by auction, (iii) allocation by lot, or (iv) allocation by CO2 emissions. The most appropriate system of allocation has still to be determined.

The costs of congestion management

Also the cost allocation of congestion management will be laid down in a Governmental Decree. TenneT is performing research in this respect. One could think of socialising the costs in the transmission tariffs or passing on most of the costs to the producers in the congestion area. In the explanatory memorandum to the bill the preference is stated to allocate fewer costs to the producers of renewable electricity. After adoption of this Governmental Decree, the cost allocation system will be applied in the tariff regulation by the Administrative Council of the Netherlands Competition Authority.

Status of the bill

The bill is an implementation of the upcoming Directive of the European Parliament and the European Council of 23 January 2008 to promote renewable energy sources in the internal electricity market.² With the bill the Dutch government is anticipating to this Directive and mainly to article 14, which obliges the member states to ensure that grid operators will guarantee the transmission of electricity produced from renewable energy sources. The European Council agreed on 7 April 2009 to the proposed Directive. After adoption of the Directive the member states will be under

² Also the Directives 2001/77/EC (Promotion of renewable energy sources), Directive 2003/54/EC (Second Electricity Directive for the internal market), Directive 2004/8/EC (Promotion of cogeneration) and the Directive 2005/89/EC (Security of supply and infrastructure investment).

the obligation to implement the Directive in local legislation.

The Dutch government is anticipating to the upcoming Directive. The entry into force of the bill is expected on 1 January 2010.

Ministerial Decree

In the meantime, the Dutch government adopted on 20 May 2009 a Ministerial Decree.³ The adoption of this Ministerial Decree creates more opportunities for grid operators to provide grid capacity. Hence capacity will be created for existing producers and newcomers alike.

The Ministerial Decree is provisional and will be a solution to solve the scarcity in transmission capacity until the bill will enter into force. Now that the Ministerial Decree has entered into force, the Grid Code will be amended. This will result in a legislative framework to provide better allocation of the available grid capacity. The Ministerial Decree does not grant priority to the transmission of renewable electricity, contrary to the upcoming new legislation.

³ Regulation of the Minister of Economic Affairs of April 29, 2009, nr. nr. WJZ/9078738, amendment of the regulation rate structures and conditions of electricity with regard to better utilization of the grid capacity.

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