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Statement on German Grid Development Plan (NEP 2013)

Dear Sirs,

We refer to your invitation to give statements to NEP and O-NEP 2013 at www.netzentwicklungsplan.de, and we would hereby submit our statement to NEP 2013. This statement is also submitted directly at your website.

Statnett appreciates this second German grid development plan. A public grid development plan is an important measure to give stakeholders insight in the future challenges and planned reinforcements of the German high voltage grid. The development of the German power system will affect both power systems and power markets in connected countries, as well as planned interconnectors out of Germany. The German power system constitutes a central part of the European power system, and hence major parts of the German grid development plan are also of European significance.

Scenario assumptions and market simulations

The market simulations in NEP 2013 show an increase in generation from conventional sources, including hard coal, compared to NEP 2012, and a substantial net export from Germany. These results are contradictory to results from recently presented pan-European market studies within Entso-e. We would welcome your considerations on how different export/import scenarios might affect the German grid development plan.

The market simulations also show an almost balanced exchange between Germany and the Nordic countries. Statnett's own scenarios, as well as the scenarios and market simulations from the Regional Group Baltic Sea of Entso-e, show a surplus in the Nordic countries both for 2020 and 2030. We expect that there will be a significant net export from the Nordic countries to Germany in these time horizons.

From 2011 and up to 2023 a slight decrease in load is expected. At the same time the net increase in total installed capacity is from 164,6 GW in 2011 up to more than 232,8 GW in 2023, due to large amounts of RES. The conventional capacity is only decreased with 6 GW during this period. We would welcome some considerations on the drivers for this generation mix in the main scenario. Would some kind of capacity mechanisms be expected, to secure conventional capacity as peak load and back-up?

Statnett would like to point out that possible capacity markets should be designed to allow for participation from interconnectors. Interconnectors may serve as a competitive source for peak load capacity to Germany. This is of utmost importance, to secure the benefits of the investments in costly interconnectors.

Statnett, TenneT and KfW are planning for a new 1400 MW HVDC connection between Norway and Germany to be in operation by the end of 2018. This cable will be connected to the grid in northern Germany, an area with a large expected generation surplus in 2023.

Future challenges and planned reinforcements

NEP 2013 presents extensive measures for reinforcing the north-south corridors of the German grid. The majority of these measures were also presented in NEP 2012. According to NEP 2013, there is a need for 5 GW additional transmission capacity from northern to southern Germany, compared to NEP 2012. This is mainly due to increased on- and offshore wind power capacity in northern Germany, reduced loop flows through neighbouring countries and increased exchange and transits through Germany.

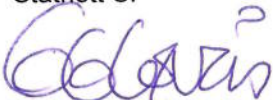
Statnett take notice of, and support, the extensive plans to reinforce the grid between northern and southern Germany. We believe that these reinforcements are crucial to enable more interconnector capacity between the Nordic system and Germany. Transmission constraints in the German grid could have negative impacts on the benefits of new interconnectors, and Statnett will therefore emphasize the need to implement the required grid reinforcements in due time.

The NEP 2013 presents ambitious plans for grid development for the next ten years. The total investment level in the main scenario is 21 BEuros. There are plans for reinforcements of more than 6000 km AC lines, of which 1700 km are new corridors, and 2400 km DC lines, of which 2100 km are new corridors. In addition to this, the O-NEP 2013 presents investments of 22 BEuros in offshore grid by 2023. Failure to reach these targets might in our opinion lead to continual constraints in the German grid, reduced benefits of new interconnectors and possibly delayed integration of RES into the German power system.

We would appreciate an assessment of the feasibility of the investment plan in the final version of NEP 2013, i.e. the realism of the time schedules, and the consequences of delayed implementation of the plan.

As pointed out above, the benefits of the planned interconnector from Norway to Germany is dependent on sufficient transmission capacity within Germany. In the event of delayed implementation of the projects in NEP, capacity constraints must be handled by market based measures, such as market splitting, rather than curtailing the capacity of interconnectors as a permanent or lasting solution.

Yours sincerely,
Statnett SF



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