



## **Public Consultation Paper<sup>1</sup>**

### **Establishment of the annual priority lists for the development of network codes and guidelines for 2014 and beyond**

The Third energy package has created an institutional set up for developing network codes with a view to harmonising, where necessary, the technical, operational and market rules governing the electricity and gas grids. In this institutional setup there is a key role for the Agency for the Cooperation of Energy Regulators ("ACER"), for the European Network of Transmission System Operators ("ENTSOs") and for the European Commission to work in close cooperation with all relevant stakeholders on the development of network codes. The process of establishing network codes is defined in Article 6 and 8 of the Regulation (EC) No. 714/2009 ("Electricity Regulation") and of the Regulation (EC) No. 715/2009 ("Gas Regulation"). The areas in which network codes can be developed are set out in Article 8(6) of the Electricity Regulation and the Gas Regulation.

As a first step towards binding European network codes, an annual priority list identifying the areas to be included in the development of network codes has to be established by the European Commission in accordance with Article 6(1) of the Electricity Regulation and the Gas Regulation. Before setting the annual priorities, the European Commission has to consult ACER, the ENTSOs and the other relevant stakeholders.

Despite the possibility to develop network codes according to the process laid down in Article 6 and 8 of the Electricity Regulation and the Gas Regulation, the European Commission can develop guidelines by itself and subsequently initiate the adoption procedure to make them legally binding. The areas in which guidelines can be developed are set out in Article 18 (1), (2), (3) of the Electricity Regulation and Article 23 (1) of the Gas Regulation.

The European Commission together with ACER and the ENTSOs has set up a planning group to continuously monitor the work on network codes and guidelines. The planning group drew up a 3-year work plan for electricity and gas which is updated on a regular basis: [http://ec.europa.eu/energy/gas\\_electricity/codes/codes\\_en.htm](http://ec.europa.eu/energy/gas_electricity/codes/codes_en.htm)

The purpose of this paper is to consult stakeholders on the priorities for the development of network codes and guidelines for 2014 and to get input for the further work on the 3-year work plans for electricity and gas.

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<sup>1</sup> This document does not represent an official position of the European Commission and its contents do not prejudice the form or content of any future policy proposal by the European Commission.

## 1. Tentative annual priority lists 2014

The European Council on 4 February 2011 set 2014 as a target for the completion of the internal energy market. The development of network codes and guidelines is an important action to be taken in order to be able to meet this challenge. But not only the actions needed to develop network codes and guidelines have to be taken without delay, also a timely implementation of the Third energy package, the enhancement of investments in energy infrastructure, the work of regional initiatives and the enforcement of competition and State aid rules are needed.

Having regard to i) the various actions needed towards the completion of the internal energy market by 2014, ii) the limits to resources iii) the fact that already adopted network codes and guidelines will require resources in order to be properly implemented, and iv) the fact that any new area that is added to the annual priority list 2014 may not result in a guideline or network code being adopted by 2014, the European Commission proposes to prioritize in 2014 the work already started.

Regarding rules on investment incentives, the new Regulation on guidelines for trans-European energy infrastructure<sup>2</sup> ("TEN-E Regulation"), notably Article 13, foresees rules to ensure that appropriate incentives are granted to infrastructure projects of common interest in gas and electricity, which are subject to higher risks than normally incurred. In this context, the TEN-E Regulation sets out the following tasks:

- Each national regulatory authority to submit to ACER its methodology and criteria used to evaluate investments and the higher risks incurred by them, where available, by 31 July 2013
- ACER to facilitate the sharing of good practices and to make recommendations by 31 December 2013
- Each national regulatory authority to publish its respective methodology and the criteria used to evaluate investments and the higher risks incurred by them by 31 March 2014

Based on the input from the abovementioned tasks, the European Commission will decide whether legally-binding guidelines need to be issued.

### 1.1 Tentative annual priority list 2014 regarding electricity networks rules

As it is foreseen that harmonised rules on i) generator grid connection, ii) distribution system operator and industrial load connection, iii) operational planning and scheduling iv) operational security and on v) capacity allocation and congestion management including governance for day-ahead and intraday markets including capacity calculation will be adopted in 2013 the European Commission proposes to put the following key areas on the annual priority list for 2014 for the development of harmonised **electricity** rules:

- Rules for longer term (forward) capacity allocation (adoption phase)
- Balancing rules including network-related reserve power rules (adoption phase)
- Rules regarding harmonised transmission tariff structures

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<sup>2</sup> <http://register.consilium.europa.eu/pdf/en/12/pe00/pe00075.en12.pdf>

- Network code on high-voltage direct current transmission system connection (finalise network code and start adoption phase)
- System operation:
  - Network code on emergency requirements & procedures (finalise network code and start adoption process)
  - Network code on load-frequency control and reserves (adoption phase)

## **1.2 Tentative annual priority list 2014 regarding gas networks rules**

As it is foreseen that harmonised rules on capacity allocation and balancing will be adopted in 2013 the European Commission proposes to put the following key areas on the annual priority list for 2014 for the development of harmonised **gas** rules:

- Interoperability and data exchange rules (adoption phase)
- Rules regarding harmonised transmission tariff structures (finalise network code and start adoption process)
- Rules regarding an EU-wide market-based approach on the allocation of ‘new build’ gas transmission capacity at existing interconnection points (incremental capacity)
- Rules for trading related to technical and operational provisions of network access services and system balancing (including rules for the further harmonization of the design of capacity products and contracts as regards, firmness, restrictions to allocation, etc.)

## **2. Input to the possible scope and the need of network codes and guidelines beyond 2014**

Even though the European Commission proposes to focus in 2014 on the work already started attention should also be given to scoping work for items which are not yet on the annual priority list. Therefore the European Commission wants to encourage stakeholders at an early stage to give their input on the need and possible scope of network codes and guidelines which could be envisaged as key areas beyond 2014. This will enable ACER also to foresee such scoping work in its work program for 2014.

### **2.1 Electricity network codes and guidelines beyond 2014**

Items in **electricity** which could be envisaged as key area beyond 2014:

- ENTSO-E work on rules on operational co-ordination [new Articles 8(3)(a) and 18 of Regulation 714/2009]
- Possible network code or other work on reserves, adequacy and capacity mechanisms
- Amendment of the Inter TSO compensation scheme in light of the ACER recommendation
- Network code and early implementation work on operational training

## **2.2 Gas network codes and guidelines beyond 2014**

Items in **gas** which could be envisaged as key area beyond 2014:

- Network connection rules with respect to provide locational signals
- Requirements and operational procedures in an emergency

## **3. Consultation**

The European Commission's view on key areas for network codes and guidelines is laid down in the tentative annual priority lists for 2014. The Commission would welcome feedback from stakeholders on whether they agree with the proposed annual priority lists and encourage them to give their input on the possible scope and the need of network codes and guidelines beyond 2014.

Input to the consultation should be sent by **13 May 2013** by e-mail to [ENER-NC-PRIORITIES@ec.europa.eu](mailto:ENER-NC-PRIORITIES@ec.europa.eu).

All responses will be published in full unless it is specifically indicated that the information contained within the response is confidential. Following the consultation period, the European Commission will evaluate the input received and will adopt the priorities for 2014.