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Summary of the responses to the targeted stakeholder consultation on the Priority list for the development of network codes and guidelines on electricity for the period 2020-2023 and on gas for 2020 and beyond

DISCLAIMER: the received contributions and the resulting summary reflect the views of the stakeholders who responded and cannot be regarded as the official position of the European Commission and its services and thus do not bind the European Commission.

Overview

The public consultation received altogether 46 replies. The replies were divided between 20 industry associations, 19 companies, 3 public authorities, 3 non-governmental organisations and 1 EU agency. The majority of the stakeholders commented on the need and scope for possible network codes on cybersecurity (27 replies) and demand side flexibility (33 replies) in the electricity sector. In terms of general comments, many respondents noted that the timely and correct implementation and enforcement of existing electricity and gas network codes and guidelines remain a priority and that their implementation should be actively monitored by the Commission.

With regards to new network codes in the electricity sector in 2020-2023, the results show strong support for the development of a network code for cybersecurity with 23 out of 27 stakeholders in favour, 2 having reservations and 2 not expressing a view. These replies cover the following categories: 16 industry associations, 8 companies, 2 public authorities and 2 non-governmental organisations. As regards the network code on demand side flexibility, the majority of respondents support its development with 17 out of 33 stakeholders fully in favour, 13 having some reservations and 3 not expressing a view. These replies represent 18 industry associations, 11 companies, 2 public authorities and 2 non-governmental organisations. Finally, out of the 17 replies regarding gas networks rules for 2020 and beyond, the majority of respondents do not see an immediate need for further gas network codes or guidelines. These replies come from 9 companies, 7 industry associations and 1 non-governmental organisation.

As general feedback, the respondents emphasise the need for early involvement of all relevant stakeholders when developing new network codes and guidelines. The Commission's intention to shorten the normal deadlines should be further justified.

Priorities regarding electricity networks rules for 2020-2023: cybersecurity

As regards the need for a new network code, a harmonised EU approach would facilitate energy security, competition, business environment for new market players and clean energy transition. It would help ensure fair treatment of all energy system operators across Member States and curb the proliferation of tailored cybersecurity solutions, which increase development costs and may leave security holes at interfaces. Some respondents maintain that adequate regulations exist at EU and national level and potential gaps could be addressed by amending these.

Stakeholders generally emphasise the importance of letting the energy sector implement the previous regulations before the need for potential new action(s) can be properly identified. However, there are diverging views regarding the alignment of the future network code with existing provisions such as the EU Cybersecurity Act and the NIS directive.

In terms of scope, stakeholders call for a holistic approach and flexibility in the new network code. The holistic approach is described as covering all the energy market participants and the whole electricity system's value chain. One stakeholder suggested that the scope for affected operators should be decided based on their relevance to cybersecurity. Specific proposals on what should be taken into account and/or included in the thematic scope of the network code:

- smart meters;
- national electricity flows
- certification, risk assessment, early warning mechanism and crisis management rules
- supply chain risk management
- sector-specific, transnational, cybersecurity incident reporting scheme
- information classification scheme
- harmonisation of nomination, transmission and message standards
- the particular circumstances of decentralized Virtual Power Plants
- all hazards- approach
- cyber resilience- approach

Regarding flexibility, the stakeholders generally support the use of existing complementary standards. For them, the market participants should be able to choose the most relevant combination of certification schemes to their specific situation. Of the existing standards, the ISO/IEC 27001 and IEC 62443 are mentioned as examples, together with energy-specific standards, such as IEC 62351. Also existing national schemes should be protected.

The development of the network code could be used as an opportunity to clarify the roles and missions of the different bodies or agencies dealing with cybersecurity. Similarly, it is suggested that cybersecurity, data protection and consumer rights considerations should be aligned, e.g. that the consumers can access and control the data generated by smart meters. Finally, the Commission is encouraged to consider economic or other incentive systems to facilitate the adoption of more advanced cybersecurity standards exceeding any given minimum requirements. Further guidance from the Commission on best practices of cybersecurity implementation and crisis management would also be welcomed, although the preferred format for this is not specified.

Priorities regarding electricity networks rules for 2020-2023: demand side flexibility

As regards the **need for the network code** on demand side flexibility, the majority of stakeholders highlighted the crucial role that demand side flexibility will play for the energy system integration strategy. They see a need for a regulatory framework to encourage the further development of demand side flexibility to all the markets, as there are still many obstacles to its effective deployment. The adoption of a stable European regulatory framework for flexibility would allow for mobilizing additional flexibility resources, especially at local level, and prevent market fragmentation within the EU.

In contrast, several stakeholders also maintain that they have not identified significant gaps in the EU framework that would necessitate the development of a dedicated network code for demand side flexibility. The existing regulations, including network codes and the Clean Energy Package, already sufficiently regulate demand side participation or could be amended to include it. They call for a gap analysis before the development of any new network code on demand side flexibility. Rather to support innovation in

parallel to the development of legislation, these stakeholders also pointed out that DSOs are experimenting with flexibility procurement and it would be appropriate to wait for the results of these first experimentations and exchanges before considering working on a new network code in this area.

In terms of **scope for the network code** on demand side flexibility, the respondents consider that the network code first needs to better define and clarify the concept of "demand side flexibility" and set up clear roles and responsibilities for all stakeholders. Likewise, the network code should incentivise market-based flexibility procurement, as detailed in the Clean Energy Package and support the creation of transparent and non-discriminatory flexibility markets at distribution and transmission levels. It should encompass all sources of flexibility, including storage and aggregation. Overall, stakeholders stress that the network code should be technology neutral although some respondents maintain that the code should disincentive the deployment of less efficient appliances.

Some stakeholders call for a certain degree of standardisation of products, licencing, etc. to avoid having a fragmented market, while others express that the network code should not define product standardizations for flexibility services but that design and products always need to take into account local specificities. Developments in the area of flexibility markets are still very strong, but in parallel, commercial flexibility market platforms are being implemented with success, especially in northern EU Member States. Few stakeholders considered that the network code should provide a framework for independent aggregators with a clear procedure for defining the baseline for both when the aggregator is an independent service provider and when it is the supplier.

As regards the **timeline for the network code** on demand side flexibility, 9 out of the 17 stakeholders who support the idea consider that it is needed sooner than in 2022, the other 8 did not express a view on the timing.

Need for other electricity network codes and guidelines in 2020-2023 and beyond

Most stakeholders consider the existing framework sufficient. However, the Commission is also encouraged to consider the following proposals:

- a review of the incentives for the TSOs to adopt and implement new technologies
- rules in relation to the provision of non-frequency ancillary services
- rules on data exchange, settlement and transparency for generation unit's unavailability, availability and use of networks, congestion management measures and balancing market data
- rules on network tariffs, notably a review and harmonization of the allowed reasonable return on TSOs' investments to ensure it is in line with the market for low risk investments

Priorities regarding gas networks rules and guidelines for 2020 and beyond

The majority of respondents do not see an immediate need for further gas network codes or guidelines in addition to those that have already been adopted. A small number of respondents suggest new network codes in areas related to cyber security (3 replies), the integration of renewable and decarbonised gases in the energy system (2 replies) and the management of fugitive methane emissions in gas networks (1 reply).

In addition, a few respondents highlight that it may be necessary to consider introducing amendments to existing network codes (Network Code on Harmonised Transmission Tariffs Structures for Gas and Network Code on Capacity Allocation Mechanisms in Gas Transmission Systems) in the short and mid-term. Finally, some respondents identify specific areas of concern regarding the implementation of network codes or topics to be addressed generally, referring to the decarbonisation of the gas sector and the potential Commission initiatives following-up on the European Green Deal.

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