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**Vattenfall's response to the European Commission public consultation on the "Establishment of the annual priority lists for the development of network codes and guidelines for 2016 and beyond"**

Dear Sir or Madam,

Vattenfall welcomes the opportunity to comment on the European Commission proposal for priorities of network codes and guidelines for 2016 and beyond.

From the start of the development of the network codes, Vattenfall has been closely involved in the process at a European level. In addition, we are providing detailed input in the process of national implementation and application in several European markets. Both development and implementation are of great importance to Vattenfall, as they can have a significant impact on our trading, supply and sourcing activities in Europe.

***Tentative annual priority list 2016 regarding electricity networks rules***

Vattenfall supports the Commission in the proposed priorities of 2016, to continue the work already started with network codes for electricity.

Furthermore, Vattenfall strongly supports the Commission's proposal of last year to put *harmonised transmission tariff structures for power* clearly on the agenda. Non-discriminatory and transparent tariffs are a precondition for an efficient and well-functioning internal market, in order to avoid distortions of, amongst others, investment signals and to create a level playing field for electricity generation in the EU. Vattenfall strongly suggests assigning the task of preparing the framework guidelines for new network code for tariff harmonisation to the Agency for Co-operation of Energy Regulators (ACER).

Vattenfall would like to highlight that insufficient development of transmission capacity is currently the main obstacle for the internal market. Thus, the finalisation of the already initiated network codes and guidelines is of great importance and the network rules should ensure minimised distortions to trade and efficient utilisation of interconnector capacity.

### ***Tentative annual priority list 2016 regarding gas networks rules***

We welcome the fact that ACER prioritises the development of the Network Code regarding harmonised transmission tariff structures (NC TAR) in 2016. Continuing working on the fine-tuning of this Network Code in 2016 is of vital importance, considering its current status. Vattenfall is, and will continue to be, closely involved in the NC TAR process, as the Network Code could and should have a possible impact on the gas markets and the transparency and predictability of the transmission tariffs and tariff systems. We believe it is important that, in line with our comment on electricity codes, market distortions are kept to a minimum and the focus should be on the efficient use of the grid. Increased transparency and stability of the capacity tariffs will decrease the effect it currently has on the market.

The approach taken by the European Commission and other stakeholders, such as, ENTSOG and EFET to find common solutions on the bundling of capacity regarding the implementation of European Network Code Capacity Allocation Mechanisms (NC CAM) is highly welcomed by Vattenfall. The discussed issues between ENTSOG, EFET and relevant stakeholders were addressed when the NC CAM was drafted, but no solution was provided. Vattenfall supports the current efforts to address the expected issues and ask the Commission (and/or ACER) to consider a more permanent and structured mechanism to address issues regarding implementation of the Network Codes on a pan-European level in the future.

It is vital to find solutions regarding certain issues before the Network Codes enters into force on 1 November 2015. The NC CAM application and implementation shows that amendments to the Network Codes might be necessary, before they enter into force. It should be possible - within the framework of the Network Code – to implement technically necessary adjustments, without following the formal amendment process.

### ***Annual priorities beyond 2016 (Electricity and gas)***

#### ***A) Electricity***

A new electricity Network Code with the scope to harmonise the structure of the average national G-components is urgently needed to avoid further distortions of investment signals. The current lack of a level playing field may negatively impact the development of flexibility<sup>1</sup> in a crucial time for the European energy transition.

We urge the European Commission to focus on the priority list of network codes 2016 on the harmonisation of the treatment of losses as well as the method used for charging grid

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<sup>1</sup> E.g. The current Swedish G-component effectively penalize increase of installed capacity in hydro power plants as a new investment of efficiency increase at the margin must carry the cost of the G-subscription fee, a margin that might not used more than a few hours per year, but would constitute a socioeconomically valuable flexibility in times of scarce resources.

connection at a European level. This would promote a level playing field for generators throughout the European Union.

The further development of new Network Codes or guidelines should prioritise the development of additional transmission capacities. Vattenfall encourages the European Commission to look for measures to speed up the processes not only for projects of common interest, but for all transmission development related initiatives and projects and ensure that all countries within the internal market have or provide the option of developing third party market-coupled interconnector projects.

### ***B) Gas***

Vattenfall highly appreciates that the development of the Rules for Trading Network Code (RfT) are not part of the Commission Decision of 13 October 2014 “on the establishment of the annual priority lists for the development of network codes and guidelines for 2015 and beyond” (2014/713/EU). Close cooperation between ACER and market participants, including Vattenfall, have shown that the set-up of RfT, accompanied by certain points related to capacity trading, are currently not necessary to achieve the goal of the European Union to fully integrate the internal energy market.

We strongly believe it is a good initiative to set-up task forces with representatives of European institutions, energy companies and TSOs, in order to determine whether certain actions should be subject to European regulation in order to come closer to the full integration of the internal energy market. ACER should continue this approach also regarding future activities having an impact on the regulatory framework as it gives guidance if the development of certain network codes and guidelines are really necessary.

Kind regards,

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