



## Targeted Stakeholder Consultation Paper

### **Priority list for the development of network codes and guidelines on electricity for the period 2020-2023 and on gas for 2020 (and beyond)**

In the frame of the European Green Deal and the decarbonisation efforts expected, supplying clean, affordable and secure energy will require to integrate a large quantity of renewable energy sources while ensuring security and affordable costs. For this to happen, it is essential to ensure that the European energy market is fully integrated, interconnected and digitalised.

The electricity and gas internal market rules already create 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. This institutional set-up has been recently improved through the new Electricity Market Design, in particular with the adoption of Regulation (EU) 2019/943 (“Electricity Regulation”) as part of the Clean Energy for All Europeans Package.<sup>1</sup> It sets out a key role for the Agency for the Cooperation of Energy Regulators (“ACER”), for the European Networks of Transmission System Operators (“ENTSOs”), for the European entity for distribution system operators (“EU DSO entity”) and for the European Commission to work in close cooperation with all relevant stakeholders on the development of network codes.

The process of developing network codes is defined in Articles 58 and 59 of the Electricity Regulation and in Articles 6 and 8 of Regulation (EC) No. 715/2009 (“Gas Regulation”). The areas in which network codes can be developed are set out in Article 59(1) and (2) of the Electricity Regulation and in Article 8(6) of the Gas Regulation. Besides the possibility to develop network codes, the European Commission can develop guidelines on its own initiative. The areas in which guidelines can be developed are set out in Article 61(2) of the Electricity Regulation and Article 23(1) of the Gas Regulation.

According to Article 59(3) of the Electricity Regulation and Article 6(1) of the Gas Regulation, where there are plans to develop new network codes, the Commission has to establish a priority list (every three years in electricity and annually for gas) identifying the areas to be included in the development of network codes.<sup>2</sup> Under the same provisions, before establishing the priority list, the Commission has to consult ACER, the ENTSOs, the EU DSO entity and the other relevant stakeholders.

The purpose of this document is to have a targeted consultation of relevant stakeholders on the priorities for the development of network codes and guidelines for the period 2020-2023 for electricity and for 2020 for gas. Input on priorities beyond these time horizons is also welcome.

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<sup>1</sup> Regulation (EU) 2019/943 of the European Parliament and of the Council of 5 June 2019 on the internal market for electricity (OJ 2019, L 158, p. 54).

<sup>2</sup> Annual priority lists were adopted in the past for years 2013, 2014, 2015, 2016, 2017 and 2018. For 2019, the Commission did not establish any list, as there were no plans to develop new network codes or guidelines.

## 1 Priorities regarding electricity networks rules for the period 2020-2023 (and beyond)

Harmonised rules on electricity markets, grid connection and system operation have already been adopted, published and are being implemented in the Member States<sup>3</sup>. The correct implementation of these existing rules remains a priority in the short term, and updates to the existing network codes or guidelines will be proposed where necessary over the 2020-2023 period.

As regards new items for the development of harmonised electricity rules, and following the scoping work started in 2017<sup>4</sup> and finalised in 2019 via the Smart Grids Task Force<sup>5</sup>, the Commission has identified the following key areas where new proposals for developing harmonised rules could be required:

- **Cybersecurity:** The increased digitalisation of the energy sector brings many advantages to achieve the objectives of the European Green Deal and bring new business opportunities for the European economy, but at the same time, it brings new challenges for the energy sector regarding cybersecurity. To address potential cyber threats and to be fit for the digital age, Article 59(2)(e) of the Electricity Regulation provides for the establishment of a network code on sector-specific rules for cyber security aspects of cross-border electricity flows, including rules on common minimum requirements, planning, monitoring, reporting and crisis management.
- **Demand Side Flexibility:** The cost-effective large-scale integration of renewable energy sources will require demand side flexibility. The aim of the network code is to create a transparent and non-discriminatory flexibility market where the distribution and transmission system operators can procure flexibility products to solve congestion in their grids. It is also to facilitate market access and operation of new market players, such as active consumers and independent aggregators, thanks to transparency and harmonisation of the pre-qualification rules and standardisation of flexibility products. The network code will be based on Article 59(1)(e) referring *inter alia* to rules in relation to demand side flexibility.

The European Commission has the intention to launch the process for the network code on cybersecurity during 2020. The start of the process for the network code on demand side flexibility will depend on flexibility market developments, which might lead to start the process not earlier than 2022.

The European Commission therefore welcomes stakeholder input on:

1. the need and adequate scope of new electricity network codes on cybersecurity;
2. the need and adequate scope of new electricity network codes on demand side flexibility;
3. the need and possible scope of new electricity network codes and guidelines that could be envisaged beyond 2023.

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<sup>3</sup> Rules on capacity allocation and congestion management, rules on connection of generators, rules on demand connection, rules on high voltage direct current, rules on forward capacity allocation, rules on system operation, rules on emergency and restoration requirements and procedures and rules on balancing.

<sup>4</sup> Commission Communication "Clean Energy for All Europeans" (COM/2016/0860 final).

<sup>5</sup> <https://ec.europa.eu/energy/en/topics/markets-and-consumers/smart-grids-and-meters/smart-grids-task-force>

## **2 Priorities regarding gas networks rules for 2020 (and beyond)**

In gas, harmonised rules on congestion management procedures, capacity allocation, balancing, interoperability and data exchange, and harmonised transmission tariff structures have already been adopted, published and are being implemented in the Member States.

The Commission therefore proposes not to include new items on the priority list for 2020 for the development of harmonised gas rules but to focus on the full and correct implementation of the existing market rules in all Member States.

The European Commission welcomes stakeholder input on the need and possible scope of network codes and guidelines that could be envisaged beyond 2020.

## **3 Consultation**

The Commission would welcome feedback from stakeholders on whether they agree with the proposed priorities for the relevant periods and beyond.

Input to the consultation should be sent **by 14 May 2020** 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 Commission will evaluate the input received and where it identifies new areas for the development of network codes, it will adopt a decision setting the priorities for 2020-2023.

The Commission notes that even when a key area is set on the priority list 2020-2023, it may not result in a network code or guideline being adopted by the end of this period. Furthermore, the Commission can initiate work on other areas.