



ENA response to DG ENER consultation on the priority list for the development of network codes for 2012 and beyond

April 2011

## Introduction

Energy Networks Association (ENA) represents the interests of its member companies, who operate the national and regional networks for energy that transport gas and electricity into UK and Ireland homes and businesses.

We welcome this consultation from the Commission on the priorities for the future development of EU framework guidelines and network codes.

## Timescales

The Commission accepts that it “might not be realistic” to finalise all of the framework guidelines and network codes listed in the Electricity and Gas Regulations in time to meet the 2014 deadline set by the Council for the completion of the internal market. Whilst we strongly support the early completion of the internal market, the pace of this important work, particularly for the more technical codes, must not be hurried simply to meet this political deadline.

## General priorities

The real barriers to cross border trade are commercial, regulatory and political, with technical considerations generally being secondary. We believe that ACER should only deal with technical issues when it is clear that they are material. We are currently concerned that the level of detail, for example in the pilot code for generator connexion, goes beyond what is actually required to assist cross border exchanges in electricity. We are surprised at the level of technical prescription. We believe it will be hard to justify on cost benefit basis, and in any event we are not convinced it will affect cross border trade until the right commercial frameworks and incentives are in place.

## Stakeholder engagement

ACER and ENTSO-e and ENTSO-g are newly formed organisations with substantial new responsibilities, which need time to establish the best approaches to stakeholder consultation. Last year's pilot code consultations, which were intended to test the process, were only partially successful. More work needs to be done to ensure that those stakeholders materially affected by the new codes can most effectively contribute to the drafting process. Distribution companies must be able to participate at every stage of the drafting process for those network codes which directly their business and the management of their system operation responsibilities, for example the draft grid connection code.

## System security and contingency priorities

The key drivers for the work on the network codes are market coupling, and the establishment of fully integrated energy markets. It could be argued that the main barriers to cross border trade are largely commercial, regulatory and political, with technical networks issues of secondary importance. Accordingly, we would recommend that ACER should prioritise only those technical networks issues which are demonstrably needed to achieve full cross border market functioning.

As far as the 3 year plan for electricity is concerned, we would suggest that ACER and ENTSO-e should prioritise their work on the operational security and contingency

requirements which underpin so many of the other codes. The absence of system security criteria makes the assessment of the technical codes much more difficult, since there is no baseline to assess the proportionality of the proposed measures. For example, a lot of work was done in the pilot process on a grid connection code last year that had to assume the underlying contingency criteria. This made it difficult to assess whether the technical requirements in the pilot connection code were proportionate. Accordingly, we would request that ACER now prioritise its work on the system operation framework guideline, and that ENTSO-e prioritise its work on the network codes on operational security, operational planning and requirements on operational procedures in an emergency.

#### Gas Target Model

In general the proposed priorities for the work on the gas codes appear sensible.

However, we do have some concerns on the timelines for the development of the gas target model, namely agreeing the target model by September 2011, and reviewing it in early 2012. The development of the target model will take time and must be done in an open, transparent and timely process in which all the relevant stakeholders are fully involved in discussions. This work should not be rushed.

#### Impact Assessments

As a matter of good governance, all draft proposals for framework guidelines and network codes should be accompanied by the relevant impact assessment outlining the main policy objectives required to be achieved, and underpinned by a comprehensive cost benefit analysis. Every impact assessment should also be subject to its own public consultation, and included in the Commission's 3 year plan timelines.

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