

Response to the EC consultation: Establishment of the priority list for the development of network codes for 2012 and beyond

A EURELECTRIC paper



The **Union of the Electricity Industry–EURELECTRIC** is the sector association representing the common interests of the electricity industry at pan-European level, plus its affiliates and associates on several other continents.

In line with its mission, EURELECTRIC seeks to contribute to the competitiveness of the electricity industry, to provide effective representation for the industry in public affairs, and to promote the role of electricity both in the advancement of society and in helping provide solutions to the challenges of sustainable development.

EURELECTRIC's formal opinions, policy positions and reports are formulated in Working Groups, composed of experts from the electricity industry, supervised by five Committees. This "structure of expertise" ensures that EURELECTRIC's published documents are based on high-quality input with up-to-date information.

For further information on EURELECTRIC activities, visit our website, which provides general information on the association and on policy issues relevant to the electricity industry; latest news of our activities; EURELECTRIC positions and statements; a publications catalogue listing EURELECTRIC reports; and information on our events and conferences.

EURELECTRIC pursues in all its activities the application of the following sustainable development values:

Economic Development

▶ Growth, added-value, efficiency

Environmental Leadership

▶ Commitment, innovation, pro-activeness

Social Responsibility

▶ Transparency, ethics, accountability

Response to the EC consultation: Establishment of the priority list for the development of network codes for 2012 and beyond

The response was prepared by the Markets, Energy Policy & Generation and Networks Committees.

Contact:

Pavla MANDATOVA , Policy Officer, Networks Unit – pmandatova@eurelectric.org

Olga MIKHAILOVA, Advisor, Markets Unit - omikhailova@eurelectric.org

Giuseppe LORUBIO, Advisor, Energy Policy and Generation Unit – glorubio@eurelectric.org

GENERAL COMMENTS

- EURELECTRIC recognizes that the decision by the European Council on 4 February 2011 to achieve completion of the internal market for electricity and gas by 2014 increases the importance of efficient work organisation in the process of developing market-related framework guidelines and network codes.
- EURELECTRIC stresses that the development and adoption of the market framework guidelines and network codes should go in parallel with the implementation of the market coupling and intraday projects on the ground. More specifically, the implementation of the decision of the last Florence Forum on establishing a NWE regional market for both Day-Ahead and Intraday by 2012 should under no circumstances be delayed because of the work on the network codes during 2011 and 2012.
- In our understanding, the deadline of 2014 is primarily relevant for the market-related codes. With regard to the other framework guidelines and network codes, it will be important to set the right priorities. EURELECTRIC underlines that particularly the specific definition of common operational security requirements relevant for cross-border market functioning is essential for development of the other technical codes and should be given the immediate priority. Without a clear upfront view upon how the system that will have to accommodate rising share of RES will be operated there is a lack of transparency and a risk for 'over-regulation' of requirements for network users. A clear view on system operation for 2020 and beyond is a basic prerequisite for further development of technical framework guidelines and network codes. Furthermore, it is necessary to avoid a situation where the quality of the technical framework guidelines and network codes is compromised if the aim is to finalise them by 2014. Therefore, the deadline for delivering the network connection and system operation network codes might need to be readjusted and eventually extended. Finally, EURELECTRIC would like to shed light on a mismatch between the actions featured in the plan and current reality. According to the planning, in fact, the system operation and grid connection framework guidelines should have been developed and consulted in parallel, which clearly is not the case.
- EURELECTRIC agrees that network connection and system operation framework guidelines and network codes should set minimum common standards in order to prevent situations that could have a negative impact on cross-border trade and the European system operation and security. However, the subsidiarity principle must always be respected and the network codes should not be over-prescriptive and go beyond cross-border issues.

- EURELECTRIC reiterates that all the draft proposals for the Framework Guidelines and Network Codes should be accompanied by the relevant Impact Assessments outlining the main policy options and underpinned by their comprehensive cost-benefit analysis. We believe that the Impact Assessments should be subject to public consultation (separately or as a part of the consultation on the relevant Framework Guidelines or Network Codes) and that the 3-year work plan should make specific reference to the timing of these public consultations to facilitate preparation of the input by stakeholders.
- EURELECTRIC urges the European Commission to use the same scales while defining the 3-year working plan. In this respect, we are puzzled by the fact that the milestones in the electricity plan are expressed in quarter-intervals, whilst the ones in the gas plan are expressed by monthly-intervals. We would like to see a monthly basis used as a reference for such planning also in the case of electricity.
- The planning proposed by the Commission stops right after the comitology phase is concluded. Although EURELECTRIC hopes that the different processes will always be successful and lead to the adoption of the relevant network codes in comitology, some fall-back provisions should be foreseen by the Commission and evidence of them should be given in the 3-year plan.
- EURELECTRIC would like to better understand what the network code on operational training will be dealing with. Actually, we would find it useful having a short commentary introducing the main topics to be addressed by the proposed network codes. This would allow all stakeholders to better organise their participation in the envisaged consultations.

CONSULTATION QUESTIONS

Q1. Are the priorities proposed for 2012 the correct ones?

AND

Q2. What should be the longer-term priorities for 2013 and beyond? Please also specify in your response the expectations you have for the scope of these priorities.

Framework guidelines and network codes on capacity allocation and congestion management

EURELECTRIC supports the proposed timeline for the adoption of the Framework Guidelines on Congestion Management and Capacity Calculation and the respective network codes. We agree that the network codes on Day-Ahead and Intraday should be taken up as first by ENTSO-E, followed by the Capacity Calculation network code and the Forward Market network code.

We also support the finalisation of the draft EC guideline on governance by mid 2011 as it should provide relevant input on governance-related aspects to the Day-Ahead and Intraday network codes. We would like to point out, however, that the 3-year work plan does not include an indication of the timing of the public consultation on this comitology guideline. In our view, the importance of reaching an agreement on governance principles for Day-Ahead and Intraday has been widely recognised by all the stakeholders. Given that the discussions on this topic have been primarily held between the Commission, ENTSO-E and EUROPEX in the AHAG Day-Ahead governance project, without the market parties' involvement, the public consultation on the final draft proposal will be crucial.

EURELECTRIC welcomes the proposal to launch the preparation of the Framework Guidelines on Balancing during the 2nd half of 2011. However, as many features of the target model for balancing have not yet been discussed in sufficient detail in the PCG, there might be a need for more time for the stakeholder debate. Therefore, we believe that the deadline for the finalisation of this Framework Guideline should be extended till early 2012.

Framework guidelines and network codes on network connection and system operation

EURELECTRIC believes that the main barriers to cross border trade are predominantly commercial, regulatory and political, with those of a technical nature being considered after these. In relation to the technical aspects, we strongly agree that the immediate priority should be the development of the operational security requirements which underpin the other technical codes. The system security criteria need to be determined in order to support the connection codes and this must be done before proceeding with those. Their absence makes the assessment of the technical codes more difficult as stakeholders have no baseline to assess how proportionate the measures being included within pilot code on generation connection (Requirements for grid connection applicable to all generators) are against the security levels which they are required to meet/deliver.

Along with the operational security network code, EURELECTRIC believes that the network codes on operational planning and scheduling and load-frequency control and reserves should be developed. Considering that they are very closely linked to the network code on generation connection, they are tackled very late in the work plan. We believe that a revision of the pilot network code on generation connection before subjection to comitology will be needed once these network codes (the one on operational security in particular) are sufficiently drafted. On the other hand, the network code on operational training under the guidelines on system operation seems to be a less urgent task e.g. compared to third party access aspects.

The network codes on grid connection and system operation need to aim at the right level of detail. With regard to the scope, and drawing lessons from the work on the pilot network code on requirements for generators, EURELECTRIC believes that the technical codes should set minimum common standards for criteria that have a direct impact on European system security. In the case of those requirements which deal with issues which could have only an indirect impact on European system security, the network codes should only define objectives/criteria to be fulfilled. No concrete values should be prescribed at the European level when the requirements are subject to local circumstances and can be sufficiently achieved at the Member State level, in accordance with the principle of subsidiarity. In other words, concrete requirements should stay and/or become a part of the national grid codes in this case.

Accompanying all network codes' proposals with the relevant Impact Assessments underpinned by comprehensive cost-benefit analysis is also necessary for the justification of their scope and for ensuring the transparency of the whole process. Socio-economic benefits and technical necessity should be demonstrated if any new standards or substantial revisions of present standards are proposed which will lead to the introduction of compliance costs. The 3-year plan does not give evidence on who is responsible for it, whether TSOs or Regulators, and it does not clarify what role should stakeholders have in such a process. Alternative solutions for answering new challenges than imposing new requirements on generation, for example further development of markets for ancillary services, must be also taken into consideration.

ENTSO-E is a new organisation with substantial new responsibilities and it will take time to establish the most effective methods for consultation. In this respect, EURELECTRIC believes that the pilot code on generation connection process has been only partially successful and more work must be done to involve those directly impacted in the code drafting process.

In case of the network code on DSO and industrial load connection, the participation of stakeholders representing DSOs in the early phase of the document preparation ("Common scoping discussions") is indispensable since it will significantly affect their responsibilities and processes. DSOs' in their capacity as system operators must not be circumvented by TSOs imposing on them requirements which disregard their specific responsibilities and/or specific design elements of the grid and thus may not allow them adequate operation of their networks.

Framework guidelines and network codes in other areas

The common scoping discussions on possible guidelines on incentives to TSOs to increase cross-border trade and investment incentives to TSOs (as scheduled at the bottom of the ENTSO-E 3-year work plan) seem to be necessary. Moreover, guidelines on planning of the European network and a network code related to the long-term planning criteria should complement the achievement of objectives in the future.

We also support as a priority for 2012 the development of rules regarding harmonised transmission tariff structures as a tool to remove current distortions in the electricity market and welcome the proposal for the scoping exercise to start during 2011.

Framework guidelines and network codes for gas

EURELECTRIC supports the priorities proposed for 2012, especially the completion of the network code on capacity allocation and the subsequent launch of the Comitology process, and the work on the network code on balancing. These two codes will lead the way towards a more efficient allocation of capacity and the optimisation of shippers' management of inputs and off-takes, by guaranteeing in the meantime that the required network investments are delivered. They should be accompanied and supplemented by the tariffs network code which should set the financial rules to ensure that a fair rate of return is apportioned to TSOs and that the balancing regime is underpinned by cost-reflective charges. Interoperability rules are also of fundamental importance as e.g. different gas qualities should not hinder gas flow across Europe.

The consultation also identifies the target model for the gas markets and operational procedures in an emergency amongst other priorities areas for 2012. Whilst EURELECTRIC has already stated its support for the development of the target model, it questions the rationale of agreeing on a target model by September this year and then reviewing it in early 2012. It would be more helpful to organise the target model development as an open, transparent and timely process in which stakeholders are involved along with the

Commission and Regulators through, for example, a common platform for discussion. With regards to operational procedures in an emergency, EURELECTRIC would like to see more clarity on what that means and how such a priority links with Regulation 994/2010 and its implementation.

Q3. In the 3-year-plan for electricity, several network codes are proposed for a single framework guideline. In gas, only one network code per framework guideline is foreseen. The Electricity and Gas Regulations do not specify whether a framework guideline has to be mirrored by a single network code or whether the issue can be divided into several sub-issues. Do you agree that keeping both options, as used by ENTSO-E on the one hand and ENTSG on the other hand, are viable? Do you agree with the order in which the sub-issues in electricity will be tackled under the framework guidelines for capacity allocation and congestion management, network connection and system operation? Do you agree that the sub-issues marked red in the 3-year-plan for electricity in Annex 1 are the essential ones to ensure completion of the single market by 2014?

Framework guidelines and network codes on network connection and system operation

EURELECTRIC believes that the subdivision of Framework Guidelines into several network codes reflects the different attributes of the topics (see also answer to Q1&2). We realize that compared to the integration of all (or some) of them under one network code would require running more comitology processes, often in parallel. On the other hand, EURELECTRIC underlines that the network codes on network connection and system operation will require timely adaptation to the rapidly changing technical environment in order to ensure reliable operation of the system (with regard to rising intake from solar plants and e-mobility in particular) which will be subject to comitology according to Art.7 of the Regulation (EC) No 714/2009.

Therefore, EURELECTRIC believes that integrating all (or several) respective sub-issues into a single network code is not possible unless the subsidiarity principle is considered to a larger extent (see also answer to Q1&2 above). If the precedent of the over-detailed pilot code on generation connection is followed in the other areas, the challenge of timely adjustment of the network codes to new conditions would only be aggravated with a single “big” code.



Union of the Electricity Industry - EURELECTRIC aisbl
Boulevard de l'Impératrice, 66 - bte 2
B - 1000 Brussels • Belgium
Tel: + 32 2 515 10 00 • Fax: + 32 2 515 10 10
VAT: BE 0462 679 112 • www.eurelectric.org