

European Commission
DG Energy – ENER.B.2
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For the Attention of Edith Hofer

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Dear Edith

European Commission Consultation: Establishment of the Priority list for the development of Network Codes for 2012 and beyond.

National Grid welcomes the opportunity to respond to the European Commission Consultation on the 'Establishment of the Priority list for the development of Network Codes for 2012 and beyond'. National Grid, through National Grid Electricity Transmission plc ("NGET") owns and operates the high voltage electricity transmission system in England and Wales and operates the national electricity transmission system, which includes both of the Scottish transmission networks.

National Grid, through National Grid Gas plc ("NGG"), also owns and operates the gas transmission system and four of eight gas distribution systems in Great Britain. This response is made on behalf of the whole of the National Grid group of companies.

As an active member of both ENTSO-E and ENTSG, National Grid welcomes and supports both the ENTSO-E and ENTSG responses to this consultation; however we have used this opportunity to seek clarification on certain points.

2012 Priorities

For gas, we agree that work should continue towards the adoption of binding rules on capacity allocation mechanisms and congestion management, balancing, harmonised transmission tariff structures and interoperability in 2012. We believe that the above five priority areas are the key elements in the transition towards an internal market for gas, and as such think that the full focus of resources should be concentrated on these areas in 2012 to ensure that binding Network Codes are produced which fully meet stakeholder expectations. We do not believe that, operational procedures in an emergency, security and reliability rules, data exchange and settlement rules, and rules for trading should be priority areas for 2012 until the above Network Codes are substantially completed.

National Grid believes that the 2012 electricity priority areas are the correct ones and are broadly in line with company expectations; we agree that there will still be a need to continue work on capacity allocation and congestion management, network connection, system operation and initiate balancing binding rules.

National Grid is committed to ensuring that each Network Code helps the progression towards the implementation of the internal market, however we believe that more thought needs to go into understanding how the Network Codes are going to be implemented once they become binding. Due to the potential technical implications all stakeholders including

TSOs require adequate time to prepare and implement the codes, and more consideration is required to how this can be done.

Network Code Approach

National Grid firmly believes that both options pursued by ENTSO-E and ENTSG in relation to the approach taken towards writing Networks Codes from Framework Guideline are valid, acceptable and move a step closer to the aim of creating internal markets for electricity and gas. National Grid fully agrees with the order in which sub-issues in electricity will be tackled under the Framework Guidelines for capacity allocation and congestion management, network connection and system operation.

3 Year Plans

We think that it would remove any potential for confusion if the consultation milestones in both Annex 1 and Annex 2 stated who the responsible party was for the facilitation of the consultations. For example, it should be stated that consultations completed during the Framework Guideline process are the responsibility of ACER, whilst consultations completed during the Network Code writing process are responsibility of the ENTSO.

Whilst we understand the value of having a target implementation date for the Network Codes, it is important that the deadline should not jeopardise the quality of the Network Codes produced, which is a risk if the deadline is held too steadfastly.

We would also consider adding a level of flexibility into the 3 year plans for electricity and gas; this would allow time for any unforeseen delays. An added level of flexibility would have the potential to stop delays having a ripple effect onto the implementation of Network Codes.

Gas Target Model

National Grid is committed to contributing towards the development of the gas target model, and believes the model should be designed, with a practical approach, based on evidence from successful markets to ensure all the aims of the target model are met. We hope that the process will be completed in a transparent manner and will include all necessary stakeholder involvement. Once completed we expect that the gas target model will be useful as a guidance for future developments to 2014 and beyond

I hope that this response is useful, if you need any clarification on the points made or have any questions please contact myself, via e-mail at chris.logue@uk.ngrid or by phone on +44 (0)1926 65 67 33.

Yours sincerely,

Chris Logue