

COORDINATED DSO POSITION 24th FLORENCE ELECTRICITY FORUM

Network Codes should be consistent with EU policy

- Smart Grids are key for maintaining high level of system security in an efficient and sustainable way

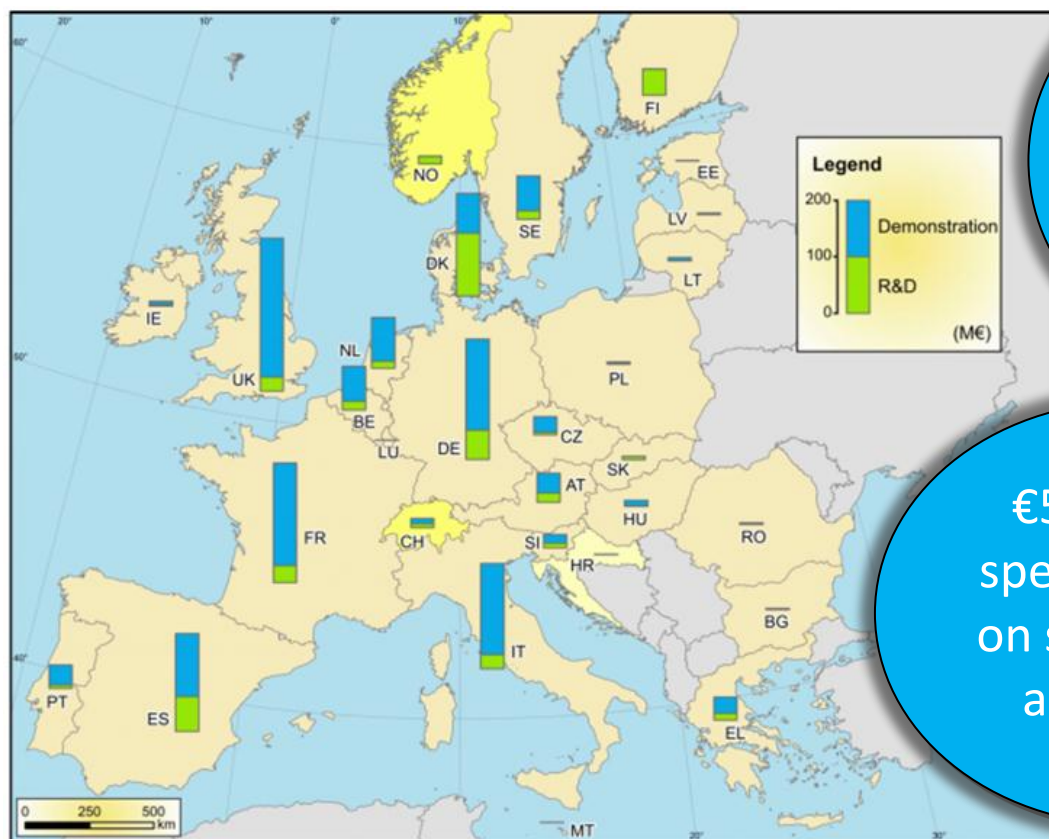
*EC Communication 'Making the Internal Energy Market Work':
'In electricity, **new technical rules** such as on cross-border balancing markets and on liquid intra-day markets, should, **in combination with smart grids, help improve system flexibility and the large-scale integration of electricity from renewable energy sources and participation of demand response resources alongside generation.**'*

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**European
Smart Grids
Investments**
(Source: EC
JRC 2012/13):

**DSOs are
major
investors in
Smart Grids**



€56
Billion to
be spent
by 2020

€5,8 Billion
spent by 2012
on smart grids
and smart
meters

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Some of the network codes may result in creation of unwanted barriers to Smart Grids' development instead of exploring synergies

- **Depriving Significant DSOs from operational tools and data to necessary contribute to the system security & efficient RES integration (OS-OPS-LFCR) → not in line with the ACER Framework Guidelines on System Operation**
- **Bureaucratic compliance monitoring & testing procedures in grid connection & system operation codes are likely to discourage customers from joining demand response programmes rather than facilitating their uptake**

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Prevent inefficiencies in the Network Codes & take a system approach

- Initial CBA revealed substantial inefficiencies of the codes
 - Triggering short-sighted investments of at least €6Bn, that could be invested in more flexibility and grids at the DSO level
- Technical capabilities and needs vary among European distribution networks and its users
 - One-size-fits-all approach is not suitable!

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Network Codes should explicitly provide for recovery of costs

- Current national regulatory frameworks do not systematically allow for most cost-effective investments and adequate rate-of-return for DSOs
- Requirements for recovery of reasonable and proportionate costs in a timely manner via network tariffs should stay in the codes - not to leave DSOs with a number of new obligations without the relevant means to pay for them.