

European Commission's Public Consultation Paper 'Establishment of the annual priority lists for the development of network codes and guidelines for 2014 and beyond'

A EURELECTRIC response paper



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EURELECTRIC response to the European Commission's Public Consultation Paper 'Establishment of the annual priority lists for the development of network codes and guidelines for 2014 and beyond'

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General comments

EURELECTRIC welcomes the EC's consultation paper on the annual priority lists for the development of network codes and guidelines for 2014 and beyond as a timely occasion to discuss the main work areas to be tackled by the ENTSOs in the coming years.

We also believe that it is important for the Commission to guarantee the coherence and integrity of the network codes and to develop an overview of the actions to be undertaken by the ENTSOs, ACER, TSOs and NRAs in relation to the implementation of the network codes. On many occasions, EURELECTRIC has repeatedly pointed out to the weak content component of the network codes (principally for electricity) given that numerous market/network rules were agreed to be determined after the network codes had been adopted. This will lead to a multiplication of consultations, e.g. the Network Code CACM does provide in its current draft for no less than 18 consultation topics, related to methodologies or items that have not yet been fully addressed in the code itself, this is to be followed by a similar number of regulatory approval processes either at national level, either at regional or European level. Other codes refer to transparency platforms or data platforms that do not exist yet, at least not on the wished European scale.

We do acknowledge the fact that development of many of these rules accompanied by a close stakeholder involvement requires more time to be elaborated than was envisaged for the development of the network codes (one year). In this context, EURELECTRIC wants to stress the high importance of the implementation phase of the network codes and calls upon the Commission to ensure a proper oversight of the process in order to avoid unnecessary delays and better coordination between all parties involved. In concrete terms, we advise the Commission to prepare an agenda for all the implementation items with clear deadlines to be respected by ENTSO-E, TSOs and NRAs, and the needed resources for consultation and implementation. We believe such a guidance instrument will help making the Network Codes "effectively" and "timely" implemented.

We also had a general impression that despite the efforts from the market parties to contribute to the drafting of the codes during workshops and consultations, there seem to be some lack of understanding of market needs reflected in the Network Codes, while it should be exactly the purpose of the codes to improve and integrate the market. We would therefore strongly advise to include in the ENTSO drafting teams experienced market stakeholders from the early phase in the drafting process to improve the understanding.

We also often see that there is a strong drive from market stakeholders towards harmonization on a European scale. However, the level of ambition of the codes to progress fast towards harmonisation is rather limited. Majority of the proposal is left with the individual TSOs, while TSOs should coordinate and make common proposals. The same principle is also valid for the regulatory approval. Most of the key rules are subject to approval of national NRAs and coordination between NRAs is envisaged in limited cases. We are worried that this will not help achieve on a fast track a fully integrated internal European energy market. For this purpose, during the comitology process, we would appreciate the Commission to make relevant changes in the provisions that would require TSOs and NRAs to commonly take various decisions.

Specific comments

General priorities for 2014

EURELECTRIC shares the Commission's view that the general priority for 2014 should be to continue the work already started and we agree with the codes and rules for both electricity and gas listed in the consultation paper.

At the same time, in view of high interdependency of the codes, the proposed timeline for the adoption of the codes may create inconsistencies. One example is the requirements in the LFC&R network code and RfG network code. The requirements for power plants (frequency ranges and time durations of frequency deviations) in the RfG network code to be adopted by the end of 2013, are much higher than the frequency quality requirements for TSOs outlined in the draft LFC&R network code, to be adopted much later. We believe that this is a highly inconsistent approach, creating extra costs of generators related to the requirements that in the end of the day will not be needed by the TSOs to respect their own quality frequency parameters. In the same way, the emergency network code outlining the emergency requirements and procedures and planned for adoption in the late 2014, will contain essential parameters and instructions describing the system management in case (exceptionally) the frequency would leave its usual high quality standards. Another example of a strong interrelation is the LFC&R network code and the Balancing network code, where the first one sets "technical standards" and the second amongst others set the "commercial standards". Consistency between these two codes should be ensured. This very close link between the codes RfG, LFC, Balancing and Emergency requires in our view a common adoption process (end 2014), once all details of all these codes are known and the links between the codes have been clarified.

EURELECTRIC welcomes the view of the Commission to schedule the Network Code related to harmonized transmission tariff structures and/or investment incentives in 2014 due to its importance. This issue should be addressed as a matter of urgency to ensure that there is a level playing field for operators in the internal market and that different transmission charging schemes do not lead to unfair competitive advantages to any market participant.

With regard to the gas network codes, it is not clear at this stage what the "rules for trading related to technical and operational provisions of network access services and system balancing product" encompass, other than the further harmonisation of the design of capacity products and contracts highlighted. We understand that other rules which fall within the scope of this code could become apparent as a consequence of early implementation of other codes, but it would be helpful if the EC could be more specific about what these might be upfront. EURELECTRIC is currently working on a paper looking at the areas of gas market operation impacted by increasing renewables penetration in electricity markets. It is possible this may reveal the need for rules which could potentially be incorporated within this code so we would welcome the opportunity present our findings on this later this year.

Priorities beyond 2014

With regard to the priorities for the post-2014 period, it is highly important to bear in mind that ENTSO-E has been delegated power to prepare binding technical rules by virtue of the third Energy Package and this should be strictly limited to the list of areas stipulated in the cross-border Electricity (art. 8.6) and Gas (art. 8.6) Regulations. Therefore including in the list of proposed network codes for the period beyond 2014 a possible network code or other work on reserves, adequacy and capacity mechanisms does not appear as legally sound. Furthermore, this topic by nature falls within the remit of the national governments and the EC as this is closely linked to national/EC energy policy decisions and should thus not be an item per se that TSOs should deal with. Finally, the period beyond 2014 appears to be rather late for starting developing a legal basis for coordinating capacity mechanisms, while many national initiatives are already underway or under discussion.

There is also a need to clarify in more detail what is included in the proposal for rules on operational coordination.

Whilst we agree with the EC's proposed priorities for gas for beyond 2014 we do not understand the reference to provision of locational signals in relation to the code on network connection rules. This is not referred to in the Gas Regulation.



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