

European Network Code Workshop



Introduction and Outline

Graeme Steele, European Policy and Interconnectors Manager

15th July 2011

Workshop Format

- Morning Agenda
 - Review of European Network Code Development Process
 - EC / ACER / ENTSOs Three-Year Plans
 - Routes for GB Stakeholders to input into Europe

- Lunch

- Afternoon – Breakout into specific Gas and Electricity Sessions
 - Focus on the detail of the European Network Codes which are under development
 - Further Question and Answers Session

Review of European Network Code Development Process



Chris Logue – European Policy Manager (Gas), National Grid

European Network Codes

- **European Council**

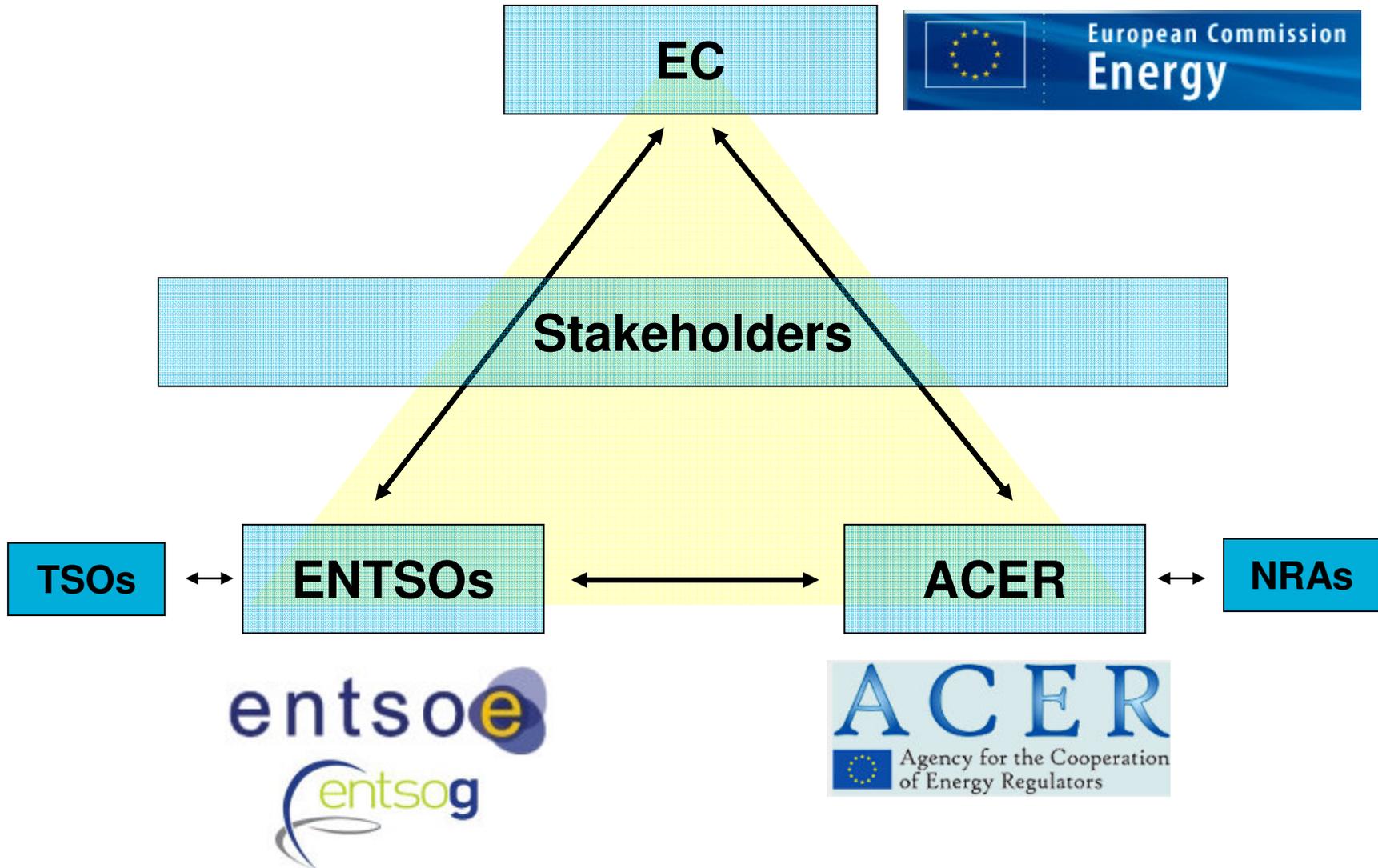
 - **“The (European) internal market should be completed by 2014 so as to allow gas and electricity to flow freely”**

- The construction of pan-European Network Codes, will be based on Framework Guidelines, which are the responsibility of the new European regulator body ACER

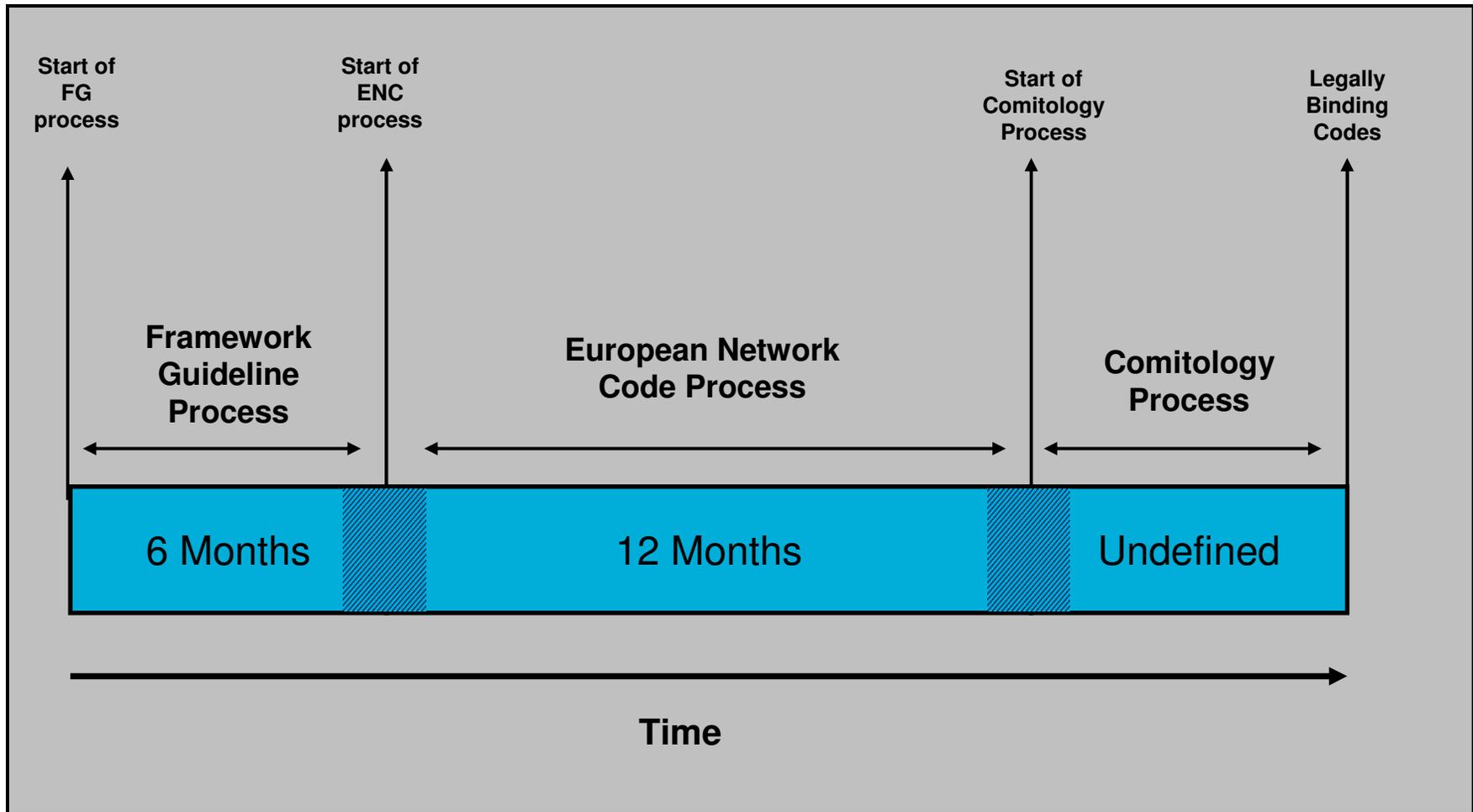
- The responsibility to write the European Network Code will lie with the specific ENTSO organisation

- Finally before the European Network Code can become legally binding, it will need to go through the Comitology process

European Network Code: Key Organisations



European Network Codes: Timeline



European Network Code: Alternative Approach

- There are some cases where it is deemed inappropriate for TSOs to write a Network Code, so an alternative approach has been made available.
- “Legally Binding Guidelines” offer the Commission the opportunity to create binding legislation without going through the standard European Network Code process
- There are already a few examples where this approach has already been used:
 - Transparency (Electricity)
 - EC are expected to launch a public consultation shortly and initiate comitology in Q3/4 2011*
 - Congestion Management Principles (Gas)
 - Currently at pre-comitology stage

* Updated 18/07/11

EC / ACER / ENTSOs Three-Year Plans



Adrian Lewis, European Policy Manager (Electricity)

ENTSOs & ACER Works Plans

- Third package regulations require that:
 - The Commission shall, after consulting with the Agency, the ENTSO and other relevant stakeholders establish an annual priority list...for development of network codes”
 - The ENTSOs develop an annual work programme
 - The ENTSOs shall conduct an extensive consultation on annual work programme
- The ENTSO-E work programme to December 2012 is currently out for consultation
- ENTSOG consultation expected early autumn.

Priority Network Codes

■ Electricity Codes

- Capacity Allocation Congestion Management
- Balancing
- Generator Connection
- Demand Connection
- Operational Security
- Operational Planning and Scheduling
- Load Frequency Control and Reserves

■ Gas

- Capacity Allocation Management
- Balancing
- Tariffs
- Interoperability

Priority Codes for the Next 12 Months - Gas

- **Capacity Allocation Mechanism**
 - Network Code to finish: Q1 2012
 - Acer to evaluate: Q1 2012
 - Comitology to start: Q2 2012
- **Balancing**
 - Framework Guideline to finish: Q3 2011
 - Network Code drafting to start: Q3 2011
- **Tariffs**
 - Framework Guideline to finish: Q4 2011
- **Interoperability**
 - Framework Guideline to start: Q3 2011

Priority Codes for the Next 12 Months – Electricity

- **Capacity Allocation and Congestion Management**
 - Network Code on CACM to start: Q3 2011
 - Network Code on Forward Market to formally start: Q4 2012
- **Network Connection**
 - Framework Guideline to finish: Q2/Q3 2011
 - Generation Connection Network Code drafting to formally start: Q3 2011
 - Demand Connection Code drafting to start: Q1 2012
- **System Operations**
 - Framework Guideline to finish: Q4 2011
- **Balancing**
 - Framework Guideline to start: Q3/Q4 2011



Promoting choice and value
for all gas and electricity customers

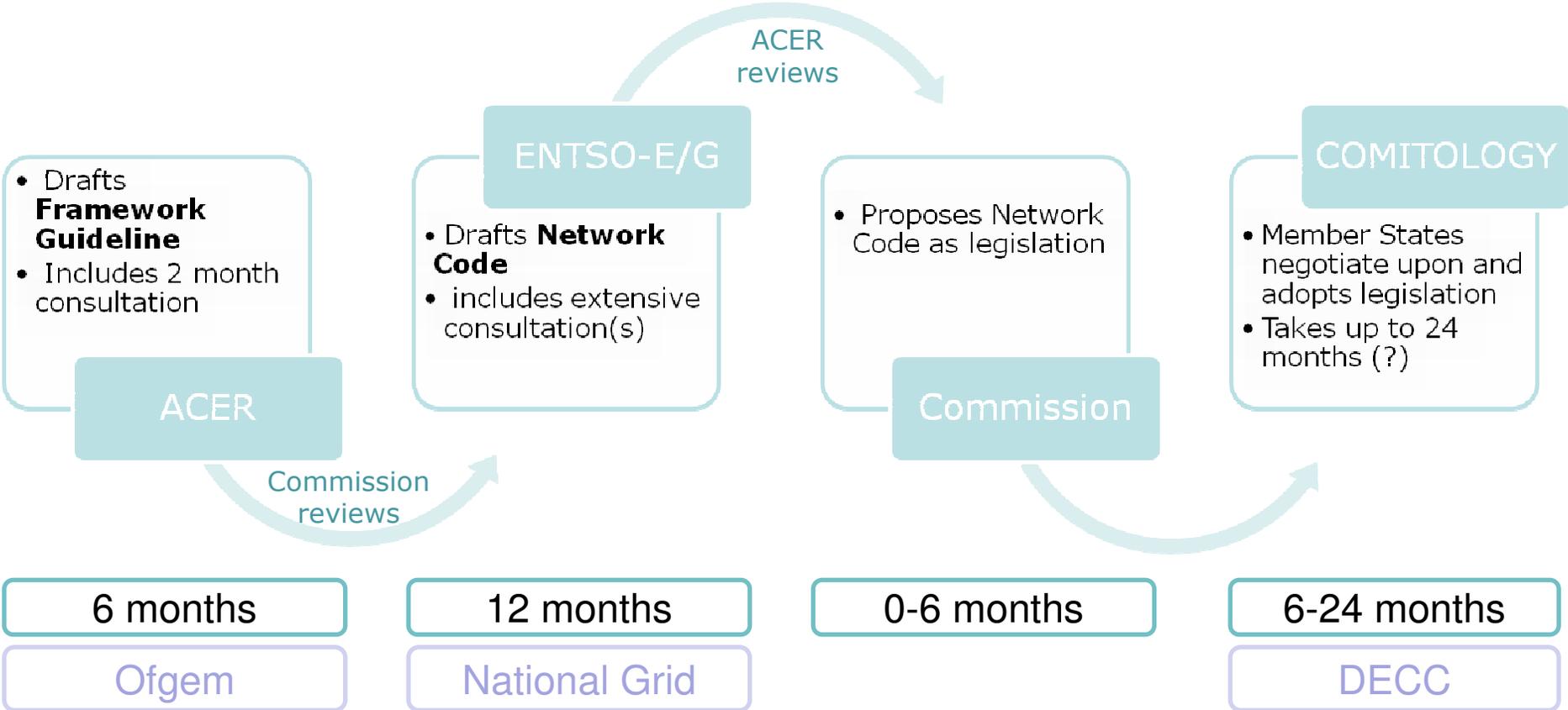
Framework Guidelines and Network Codes - Routes for GB Stakeholders to input into Europe

Martin Crouch

Partner, European Strategy, Ofgem

15th July, European Network Codes Workshop, London

Process for the development of Framework Guidelines and Network Codes



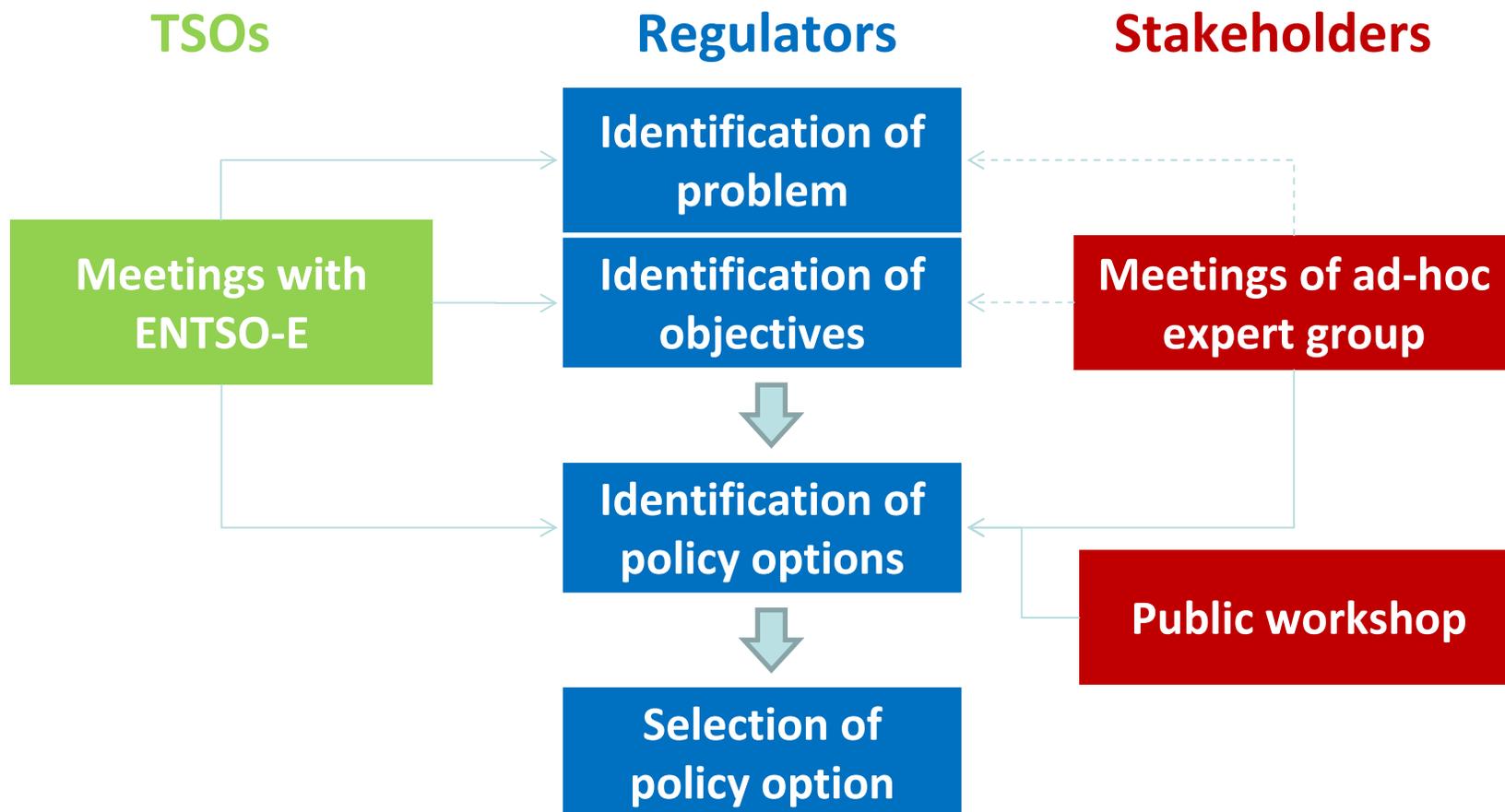
Routes for GB Stakeholders to input into Europe

- **Framework Guidelines (*Ofgem*)**
- Network Codes (*National Grid*)
- Commission Guidelines (*DECC*)

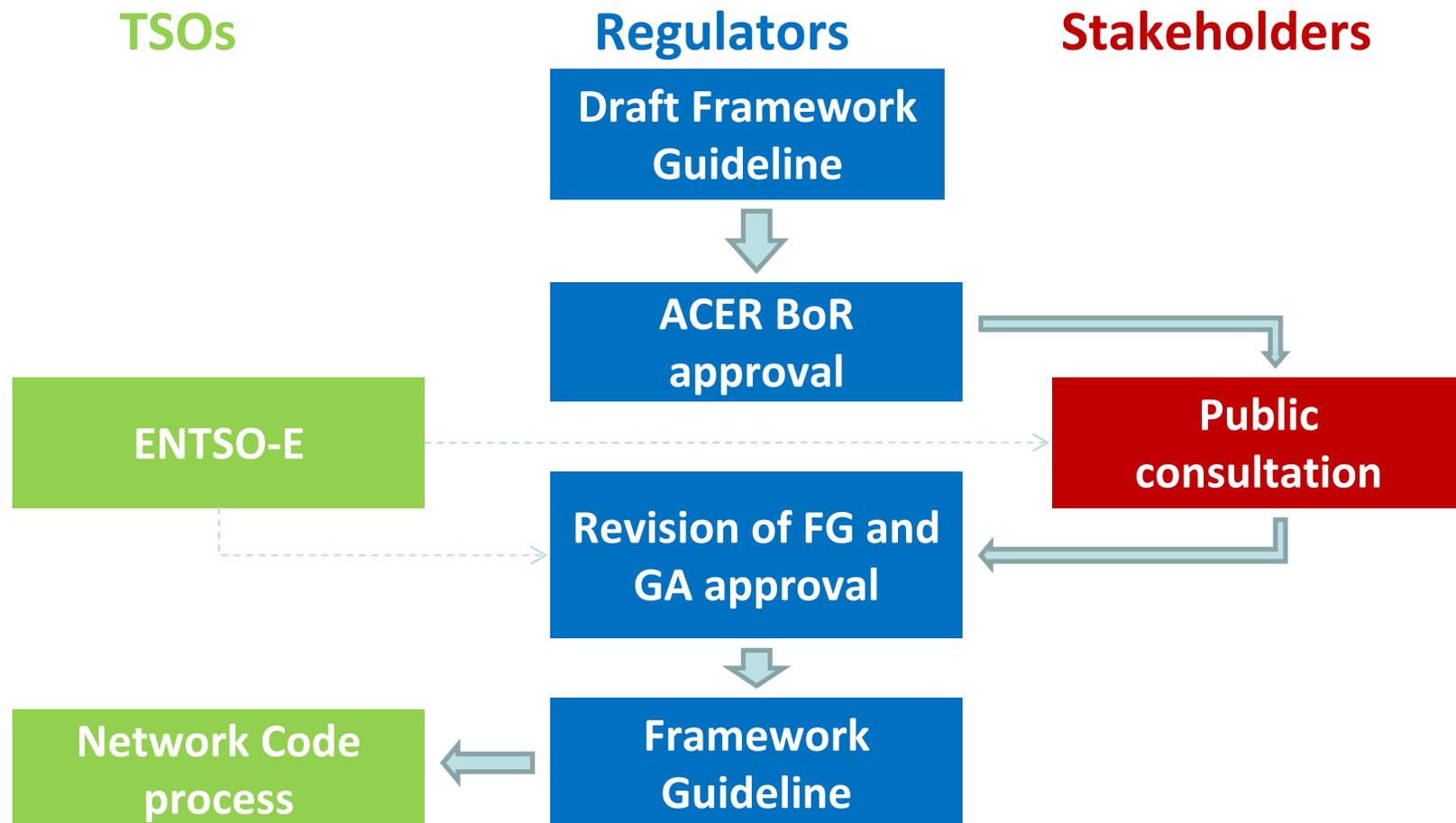
Developing the Framework Guidelines

- **Network codes** will enable cross-border trade and competition to realise an integrated EU energy market
- **Framework Guidelines** set the principles and objectives for Network codes
 - Developed by Regulators (ERGEG then ACER)
 - Non-binding
 - High level, set the scope
 - Process set out in Article 6 EC/714 & 715/2009
- ERGEG worked on FGs in electricity and gas throughout 2010
- From March 2011, ACER (established through third package) will establish framework guidelines with support from NRA's
- ERGEG established a 2 step process for FG development ...

Step1: Initial Impact Assessment (IIA)



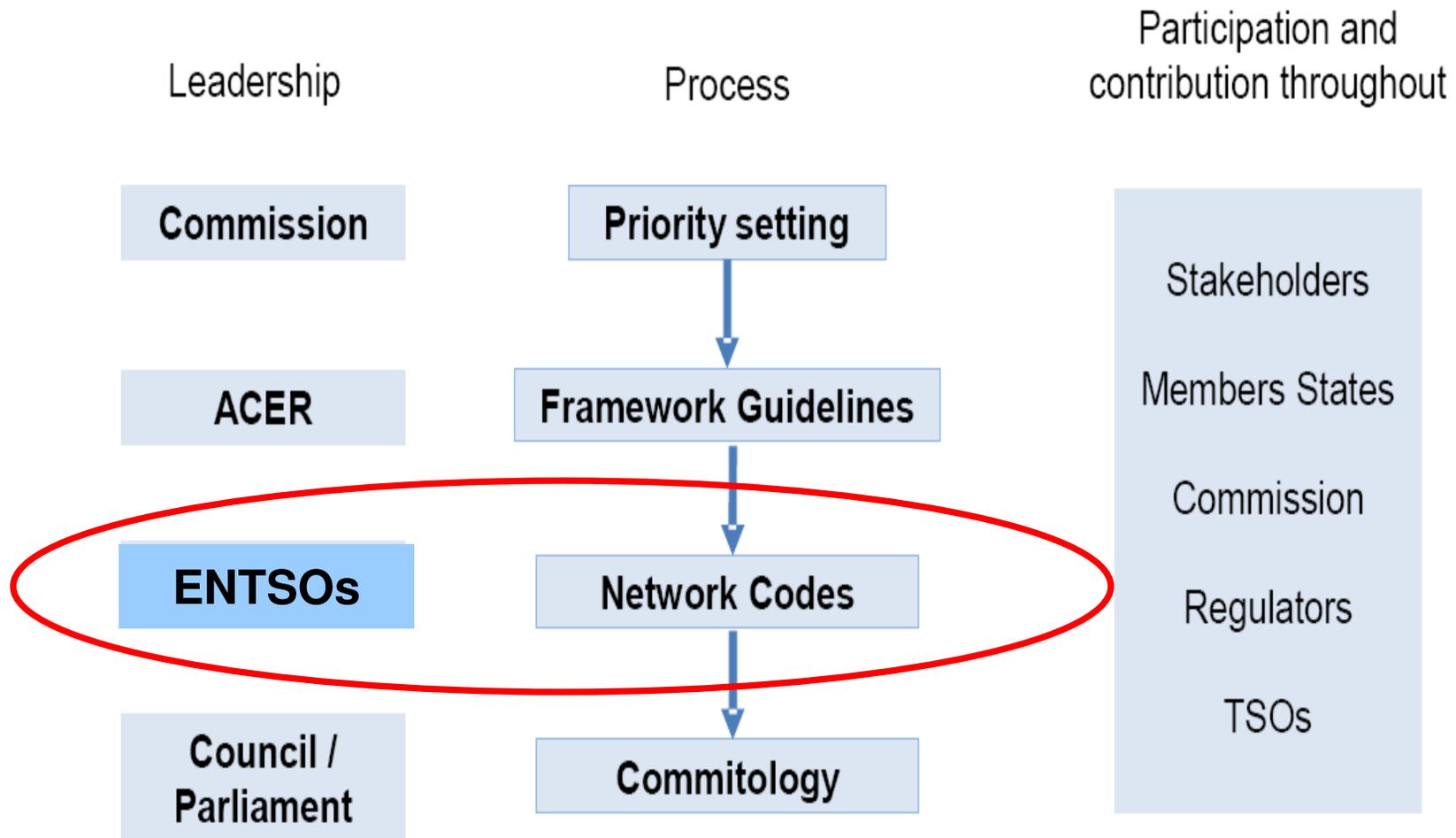
Step2: Framework Guideline Drafting



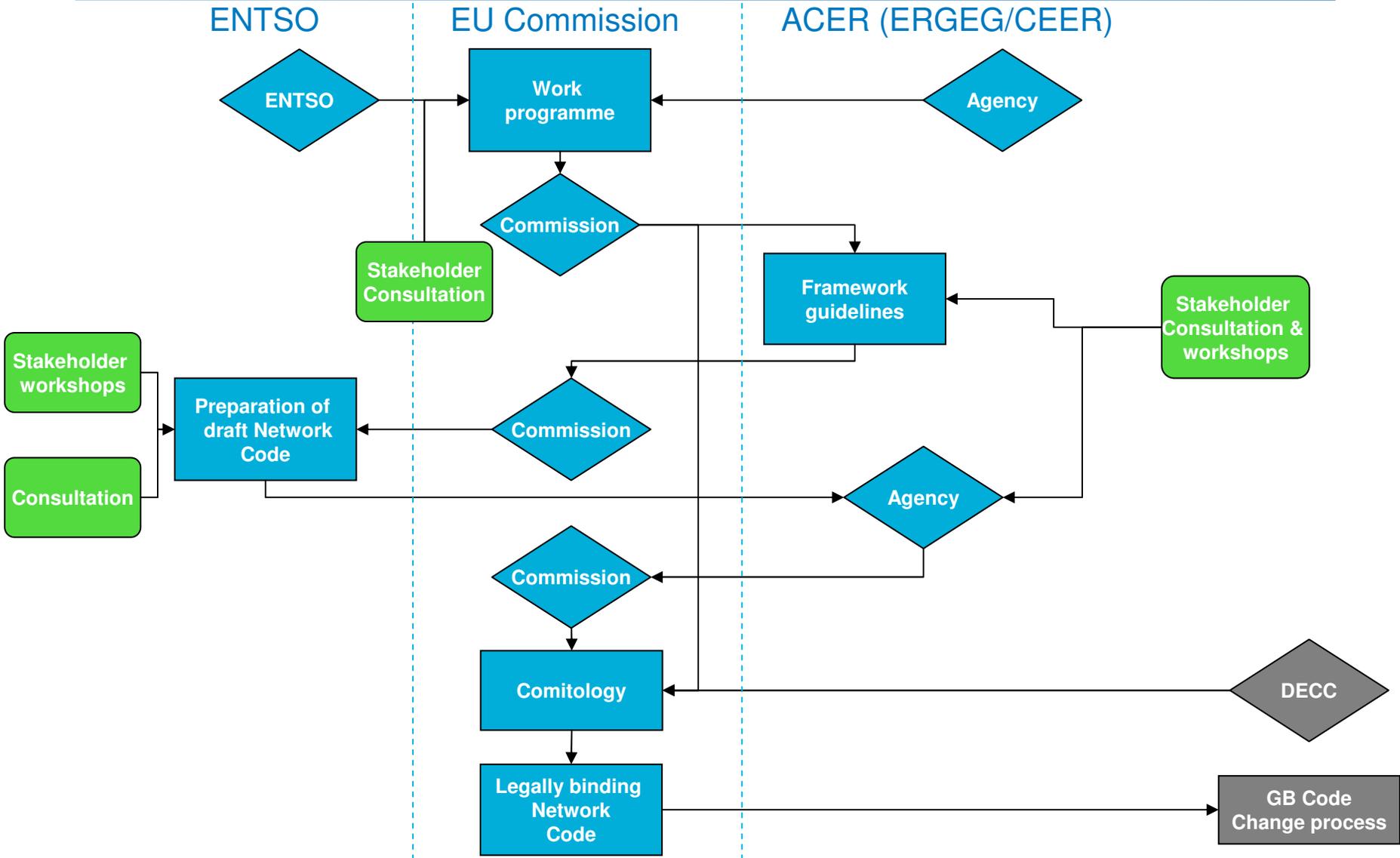
Routes for GB Stakeholders to input into Europe

- Framework Guidelines (*Ofgem*)
- **Network Codes (*National Grid*)**
- Commission Guidelines (*DECC*)

European Network Codes: Key Aspects



European Network Code: Development Process



ENTSOs External Stakeholder Engagement



An open letter explaining our proposed approach at the start of the process.

A workshop to explain process and another to outline conclusions

A stakeholder group of key parties to provide ongoing informal consultation.

Formal consultation on the draft code (once approved by Assembly).

Bilateral meetings with parties as required.

Designed to create an open, transparent and inclusive process.

European Network Codes Workshop Commission Guidelines

15 July 2011

Sue Harrison
Head of European Energy Markets
Department of Energy and Climate Change

Commission guidelines – legal basis (1)

- Provided for in the Electricity and Gas Regulations (714/2009 & 715/2009)
- Articles 18 (electricity) and 23 (gas) give the Commission the power to adopt guidelines on the areas listed in Article 8(6), ie the network codes
- Commission can also adopt guidelines on the issues which are covered by existing guidelines, eg ITC, third party access services for gas
- Code development process includes production of framework guideline by the Agency and draft network code by ENTSO-E/ENTSO-G, followed by formal proposal from Commission to be adopted by Member States (“comitology”)

Commission guidelines – legal basis (2)

- Commission may decide to adopt a code by comitology without the formal Agency and ENTSO-E/ENTSO-G stages if no network code has been developed within the time set or on the Agency's recommendation. In such cases it must consult these bodies and all relevant stakeholders.
- Guidelines on the “other issues” can go straight to comitology or, where covered by a network code, can go through the procedure involving the Agency and ENTSOs
- Once guidelines/codes are adopted they are binding and have precedence over national law, ie no room for flexibility

Commission guidelines – comitology process

- Process for agreeing binding EU rules without formal agreement by Council of Ministers. Used for technical rules which amend or supplement “non-essential elements” of Regulations or Directives
- Decisions are taken by committee of Member States by qualified majority voting. Proposals adopted unless a qualified majority of Member States vote against (this is a lower threshold than for Directives or Regulations)
- Comitology process not designed to give much scope for negotiation – so new process is needed for energy codes and guidelines

Commission guidelines – scope

- Codes are for cross-border and market integration issues and are without prejudice to national codes
- Guidelines are intended to provide the “minimum degree of harmonisation required to achieve the aims of the Regulations”. Codes must take account of “regional specificities”
- The gas guidelines shall “reflect differences between national gas systems” and the Commission must ensure that the electricity guidelines “do not go beyond what is necessary” for the purpose of providing the minimum degree of harmonisation required to achieve the aims of the Regulation.

Commission guidelines – amendment of codes

- Amendments to codes may be proposed to Agency by anyone likely to have an interest, including ENTSOs, TSOs, system users and consumers. Agency may also propose amendments.
- Agency must consult all stakeholders, then propose amendments to Commission. Commission can also propose amendments. Amendments are then adopted by comitology. Comitology committee will only consider amendments, not re-open the whole code.

Break



Stakeholder Engagement at GB level



David Smith, Electricity Codes Development Manager

Content

- Information sharing on European issues with GB stakeholders
 - Electricity proposals
 - Gas proposals
- National Grid European Network Code Development web site

Information sharing on European issues

Electricity proposals

- Joint European Standing Group (JESG)
 - Monthly industry forum with open attendance
 - First meeting 10th August 2011 in London
 - Established under CUSC, BSC and Grid Code Panels
- Code modifications proposed
 - BSC, CUSC and Grid Code

Information sharing on European issues

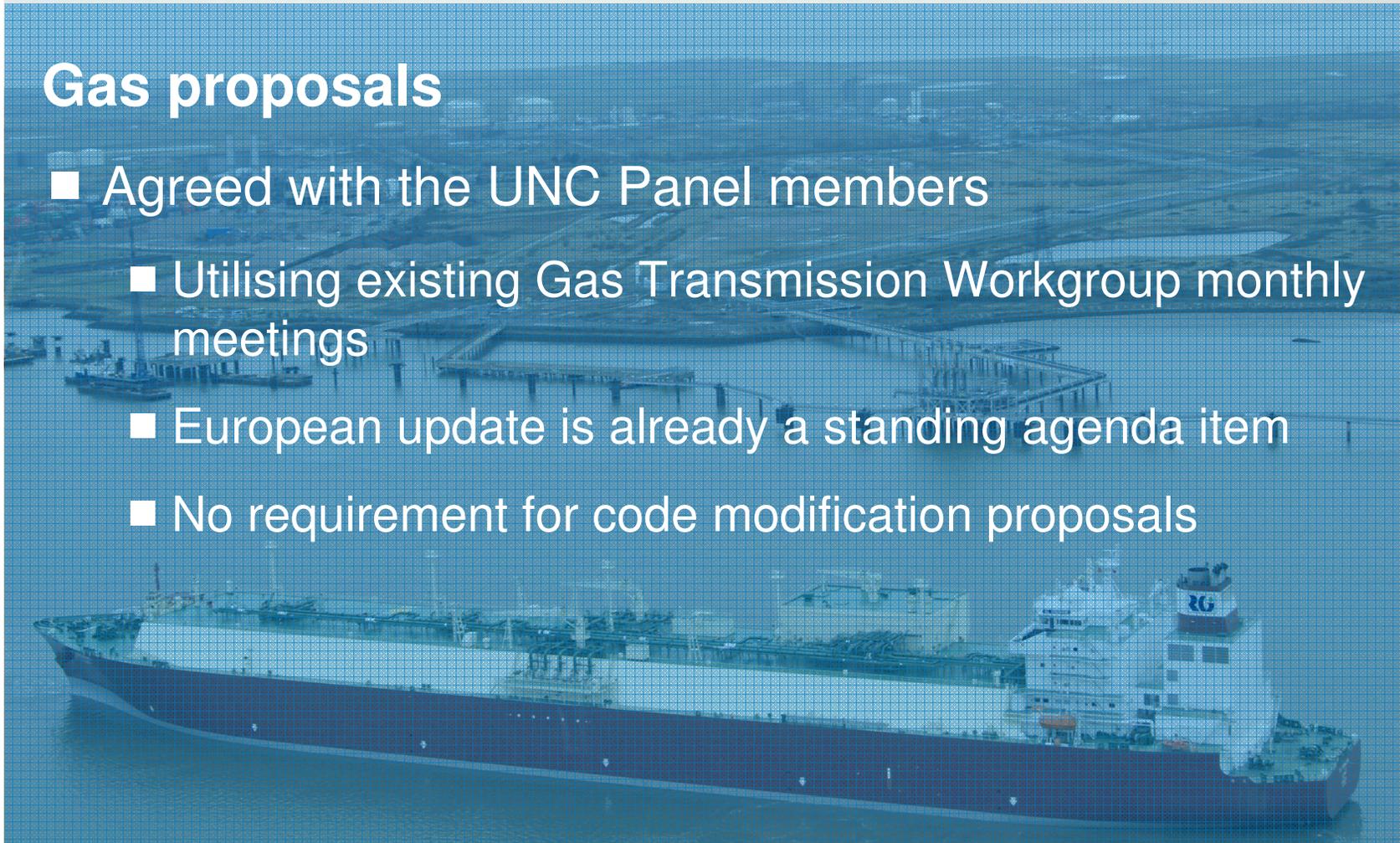
Electricity proposals

- Code modifications
 - Code Administrator consultation – August 11
 - Panel vote – September 11
 - Ofgem decision (indicative) - November 11
- If approved JESG terms of reference may need amendment

Information sharing on European issues

Gas proposals

- Agreed with the UNC Panel members
 - Utilising existing Gas Transmission Workgroup monthly meetings
 - European update is already a standing agenda item
 - No requirement for code modification proposals



National Grid European Network Code Development web site

- Who's who
- How to subscribe for additional information (e.g. ACER, ENSTO)
- GB workshop and events

www.nationalgrid.com/uk/Electricity/Codes/ENCDev

Ofgem / DECC Thoughts on Stakeholder Engagement



Q&A



Lunch



Following Lunch – Workshop participants are invited to join either the gas or electricity specific session