Network codes and the European Commission's Winter Package

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Network codes - history

- Until now the harmonization of detailed rules concerning technical and economic matters of electricity market has been voluntary.
  - For example, ETSO-E handbooks

- The integrated market needs harmonized rules
  - Mandatory rules prepared and adopted on European level
  - network codes
  - Enhancing market competition – lowering barriers to entry, higher liquidity
  - Improving security of supply – a better coordination and collaboration among TSOs
Essential information

- Regulation (EC) No 714/2009 (third energy package)
  - art. 6 a art. 7 – adoption and recasting
  - art. 8 par. 6 – content of network codes

- Technical rules ensuring the functional internal market

- Preparation in a collaboration with the EC, ACER and ENTSO-E

- A consultation with stakeholders – especially European associations such as
  - IFIEC, Euroelectric, Europex, Efet, etc.
Adopted network codes

a) COMMISSION REGULATION (EU) 2015/1222 of 24 July 2015 establishing a guideline on capacity allocation and congestion management (CACM),
b) COMMISSION REGULATION (EU) 2016/1719 of 26 September 2016 establishing a guideline on forward capacity allocation (FCA),
c) COMMISSION REGULATION (EU) 2016/631 of 14 April 2016 establishing a network code on requirements for network connection of generators (RfG),
d) COMMISSION REGULATION (EU) 2016/1388 of 17 August 2016 establishing a Network Code on Demand Connection (DCC),
e) COMMISSION REGULATION (EU) 2016/1447 of 26 August 2016 establishing a network code on requirements for network connection of high voltage direct current systems and direct current-connected power park modules (HVDC).
Pending network codes

- Electricity Balancing
- Emergency and Restoration
- System Operations Final

Above-mentioned codes were approved by Electricity Cross-Border Committee made up of specialists from national energy ministries and are waiting for approval of the Council of the European Union and the European Parliament.
Tohle jsem tam doplnil navíc opotřebování protože mi přišlo dobrý vedoucí, kdo sedí v té komisi, když tak to prosím smaž

Škrha Tomáš Mgr.; 10.4.2017
Development in Czechia

- Acknowledgement of the common responsibility for an implementation and a collaboration with Ministry of Industry and Trade
- Set up working group focused on the particular network codes
- The implementation group
- Analysis of necessary changes
- Approval of methods, exemptions,…
- Balancing – a revolution in the electricity sector
Network codes
- conclusion

- Implementation is a necessary step
- Harmonization of electricity sector in the EU
- National competencies might be constrained
- NCs result in fundamental and profound changes
Winter package

- Official title: Clean Energy for All Europeans – strengthening of European growth potential
- Proposed by the European commission (DG ENER), 30/11/2016
- The package is a bulky legislative material and ERO examines particular proposals

Two levels of an involvement of ERO

(1) National
(2) European
Why Winter Package

- Part of the initiative „Energy Union“ announced on February 2015.
- Winter Package was preceded by a consultation process about a new organization of the electricity market held in summer 2015, where ERO participated.
- The aim is to sustain European leading role in transition to carbon-free energy sector to help shape the future.
- A reduction emission CO\textsubscript{2} by at least 40 \% until 2030.
- The consumer will be the key and active player in the energy market.
Why Winter Package

Three main objectives:

- Emphasize role of energy efficiency
- Reach leading role in renewables (RES)
- Integration of RES into market – adjustment of market rules
  - Decentralized electricity generation
  - Ensure fair condition for customers
  - Customers rights
- Energy poverty
## Contents of Winter Package and assigned responsibility

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<td>Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Directive 2012/27/EU on energy efficiency</td>
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Key articles in the proposal for recasting directive 2009/72/ES on the internal market for electricity

- The consumer’s rights → dynamic price contract (art. 11; dynamic contracts), a monitoring of Energy poverty (art. 29)
- Contracts → conditions for switching suppliers, comparison tools (art. 14), billing and billing information (art. 18)
- Aggregators (art. 13) → contracts
- Demand side response (art. 17) → prosumers and their participation in the electricity market (contact with TSO, DSO, etc.; art. 15)
- Smart metering (art. 19-24) → a legal definition, a stipulation of conditions.
- Tasks of distribution system operators (art. 31-36) → tasks for DSO, connection of storage, demand response and prosumers; integration of electro-mobility
- Transmission network → tasks (art. 51), ownership limitation of storage and a provision of ancillary services by transmission system operators (art. 54)
- NRA → duties and powers (art. 59), duties and powers of regulatory authorities with respect to the regional operational centers (ROC); (art. 62)
Key articles in the proposal for recasting directive 2009/72/ES on the internal market for electricity

- Balancing responsibility ➔ all market participants shall be financially responsible for imbalances they cause in the system (art. 4). All market participants shall have equal access to the balancing market (art. 5).

- Rules for wholesale markets ➔ organization of the markets (art. 6, 7), imbalance settlement period 15 minutes by 2025 (art. 7), price restrictions (max. VOLL, min. -€2000, art. 9).

- Priority access to the network for renewables ➔ equal access to the network regardless of used technology of generator with exceptions of small generators and existing generators.

- Definition of bidding zones (art. 13) ➔ a new process for revision of bidding zones.

- Capacity allocation and congestion management ➔ stipulating principles and rules contained in network codes.

- Principles for the regulation of DSO ➔ regarding PV (allowed revenues) and tariffs. Requests for new incentives of the smart networks. Distribution tariffs must not discriminate accumulation or demand management.
Key articles in the proposal for recasting directive 2009/72/ES on the internal market for electricity

- Capacity mechanisms ➔ opening capacity mechanisms for cross-border participation except strategy reserves (art. 21)
- Regional operating centres (ROC) ➔ foundation, organization, function, tasks: coordination of calculation of capacity, creation of common system models, etc.; (art. 32-44)
- EU DSO ➔ European Entity for Distribution system operators (art. 49-51). Tasks: operation and network planning, integration of renewables and accumulation, digitalization (smart networks), smart metering, etc.
- Network codes ➔ The Commission's authority to issue delegated acts for accepting as network codes or guidelines. (art. 54-57)
Key articles in the proposal for recasting directive 2009/72/ES on the internal market for electricity

- ACER‘s powers
  - Security of supply ➔ system adequacy and preparedness for states of emergency
  - Supervision over new subjects (NEMO, ROC, allocation platform, etc.)
  - Approval of network codes
  - Decide on conditions and methods regarding network codes.
  - Decide on matters with regional importance (not European importance)

- ACER‘s structure and internal decision-making process
  - Relationship between the Board of regulators and working groups
  - Voting in the Board of regulators by simple majority
  - ACER can established detached offices in other member states
Procedure in civil service

- Key role shall play by working groups set up by Ministry of Trade and Industry
- ERO nominated their representatives
Proposal of MTI for creation of working group

- PS1 „Consumer“
- PS2 „Distribution“
- PS3 „Transmission“
- PS4 „Electricity market“
- PS5 „Generation adequacy“
- PS6 „Risk preparedness“
- PS7 „Renewable energy directive + Governance+ Energy Efficiency (EED)“
- PS8 „Energy performance of buildings Directive (EPBD)“
Negotiations about legislative proposals within ACER and CEER

Policy Committee (PC) is a high-level group for a discussion between ACER/CEER and EU institutions (predominantly the EC and the EP)

- At third meeting 13.12.2016 of PC following steps were agreed on:
  - „White papers“ – The working groups taking part in PC propose White papers. The working groups prepare White papers for particular topics corresponding to focus of groups.
  - White papers will be documents with 4-5 pages. Working subgroup EWG - FP TF (Future Policy Task Force) has prepared the internal document with list of topics suitable for White papers.
  - Joined team of ACER and CEER – consists of NRAs experts – will lobby for ACER/CEER during negotiations with EU institutions (detail counter-proposals and additions towards relevant proposals).
Selected points of the package from ERO standpoint

ERO supports:

- Banning general and non-proportional regulation which distorts the market. Nevertheless NRA should have targeted tools for strengthening consumer’s protection in case of a market failure.
- The proposal for constraining priority access to the network, a broaden responsibility for imbalance and prioritizes market attitudes towards redispach and generation curtailment.
- The proposal allowing changing borders of bidding zones in cases where their incorrect setting is the main reason of loop flows from Germany through Czech transmission network. However this power will be transferred form the EC to Agency.
ERO disagrees with:

- The vague proposal for strengthening powers of ACER allowing a potentially unrestricted power to interfere in the activities of NRAs. Such power would limit an independence of NRAs!

- The proposal for Regional operating centres would constrained a sovereignty of member states in the question of security of supply.

- The proposal for a harmonization of network tariffs within the EU. On European level DSOs are different from each other, therefore an unified methods are contra-productive from the point of the right settings of tariffs.
Conclusion

- An implementation of third energy package hasn’t been finished and a thorough assessment of impacts and benefits hasn’t been done yet. Nevertheless the EC put forward a new legislative package with significant impacts on the energy sector in the EU.
- The new proposals unprecedentedly interfere into organization of the electricity market.
- The new proposals strengthen powers of Agency with a potential to significantly interfere in the actions of NRAs.
- ERO long advocates for national dimensions and interests in energy sector.