

NETWORK CODES SHALL PROVIDE ENOUGH FLEXIBILITY FOR MARKET DEVELOPMENT, NOT DEVELOP THE MARKET AS SUCH.

Based on the relevant provisions of Electricity and Gas regulations, the European Commission (EC) consults on priority list of network codes. The CEZ Group would like to thank for the opportunity to express its views on the matter. This paper reflects on priorities suggested by the Commission and outlines issues, which should from our point be duly considered by the EC when amending existing and drafting new network codes and guidelines.

PROFOUND GAP ANALYSIS SHOULD PRECEDE ANY CHANGES TO EXISTING OR DEVELOPMENT OF NEW NETWORK CODES. RETAILERS, GENERATORS AND TRADERS MUST BE PART OF THE DRAFTING PROCESS.

We are in the middle of the implementation process of not only the Clean Energy Package, but also of existing network codes. Just to name the most important events: By July 2022 at the latest, balancing energy will be procured within pan-European platforms; auctions for intraday cross-zonal capacity will be introduced as of 2023 and all Member States must implement the 15-minutes imbalance settlement period till the end of 2024. This is complemented by the implementation of the Net Transfer Capacities (NTC) and consequently flow-based market coupling in the CEE region.

We therefore call for a profound gap analysis to be conducted not only by the TSOs and DSOs, but also by retailers, generators and traders before any changes to existing network codes are made or drafting of new network codes or guidelines have started. Inclusion of these stakeholders is crucial as the topics suggested by the Commission (flexibility and data interoperability) have crucial impact on the retail, trade and electricity generation business – and thereby directly affect electricity prices for end consumers. We also call for a geographical balance of representatives present in the respective drafting teams.

We would like to note that the consulted document did not outline whether the Commission plans to make any changes to existing network codes. EC also did not outline any priorities for data interoperability guideline. We believe that any such proposals should be aligned with the procedure mentioned above and consulted well in advance. Changes to network codes do not affect EU market development only, but also national grid codes and tariff setting. EC should firstly wait to see whether there are any gaps after the Clean Energy Package and existing network codes have been thoroughly implemented.

PROPOSED NETWORK CODE ON DEMAND SIDE FLEXIBILITY

We believe that as a starting point, term demand-side flexibility must be clarified. In our understanding, it represents several terms, such as: (a) flexibility provided by aggregators or individual customers on electricity markets, (b) flexibility provided on balancing markets or (c) flexibility provided for local grid management – via non-frequency ancillary services.

We believe that at least the first two cases are already sufficiently covered by the CACM and electricity balancing guidelines, electricity regulation and electricity directive.

Regarding the third case – non-frequency ancillary services procured by TSOs and DSOs for local grid management – this area is currently being heavily discussed in Member States as Articles 31-36 of the electricity directive are being implemented. In this context, ‘flexibility’ is not restricted to demand-side response but encompasses all sources of flexibility (generation, storage, etc.). We believe that a network code dealing with this issue is not necessary at the moment. Nevertheless, should the EC go forward with its drafting, then:

- NC should provide incentives for network operators to procure flexibility from market-based resources, on non-discriminatory terms, and strive to create an equal level-playing field.
- NC should provide a set of common overarching principles ensuring a coordinated access to resources and allowing their optimal utilisation. Those common principles shall be established at European level, while nonetheless allowing national variations to reflect differences between networks in terms of customers’ density, line’s length, network physical capacity, voltage level and potential to connect decentralised electricity resources.
- In line with this, NC shall not define harmonised market for local flexibility services, as this could hinder solutions under the Clean Energy Package implementation.
- NC should take into account the ongoing pilot projects for local grid flexibility and related lessons learnt. We prefer a bottom-up approach when it comes to market rules set-up.
- NC should not interfere with tariff policies – as acknowledged by the Electricity Regulation, these shall remain in hands of NRAs as they reflect different geographical conditions and consumption patterns in each Member State
- It should be avoided to develop a technology specific NC that might create unnecessary lockdowns, where there is still room for further innovation. It should not

focus on existing market rules between market parties among themselves for demand side response and aggregation that are implemented at national level.

- NC should not address prequalification criteria, which reflect national specificities (this approach is currently applied by e.g. RfG network code, where national implementation differs country-by-country, e.g. for reactive power requirements).
- NC should not impact balancing markets and redispatching market – and possible overlaps should be clearly addressed.

We recommend to follow a sequential process by starting with an assessment to identify where gaps currently exist and whether these gaps can be filled by any other measures than a dedicated NC or a change of existing NCs.

PROPOSED NETWORK CODE ON CYBERSECURITY

As a result of the Directive on Security of Network and Information System (“NIS”) (EU) 2016/1148, all Member States had to define minimum security standards for all operators of essential services which include based on Annex II in the energy sector/subsector electricity both DSOs and TSOs. Many countries have introduced those requirements based on ISO/IEC 27001, sector specific CSIRTs and in the strengthening of public-private partnerships to identify the risks and agree on the measures to be taken.

We would like to stress that existing implemented standards, such as ISO standards, must be duly considered when developing a cybersecurity network code. Certification procedure should remain national or voluntary in order not to break the ‘continuum of trust’. Also, existing powers of national cybersecurity bodies shall be preserved. NC should not create new obligations which would lead to weakening their position. Network code should also be well aligned with the Emergency and Restoration Network Code (EU) 2017/2196 and Risk-preparedness regulation (EU) 2019/941.

PRIORITIES REGARDING GAS NETWORKS RULES

We agree with the EC proposal of not adding any new items on the priority list for 2020 for the development of harmonised gas rules. Instead, we prefer to focus on the full and correct implementation of the existing market rules at Member States’ level.