



Department
of Energy &
Climate Change

European Electricity Network Code Implementation

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Network codes and guidelines

- Third Package creates a new legal framework to promote cross-border trade.
- Sets out the mandate and procedures for establishing legally binding network codes and guidelines to promote:
 - the creation of liquid markets,
 - the efficient use of cross-border transmission capacity and
 - the integration of national markets.
- Third Package prescribes a transparent and consultative procedure to develop network codes.
- The European Commission initiates an iterative process involving ACER and ENTSO-E to design, develop and review the network code that concludes with an ACER recommendation.
- Comitology is the ‘committee procedure’ to agree European law - involves Member States voting, the Council of the European Union and the European Parliament ratifying the process.
- Once agreed, the network code is published in the Official Journal of the European Union



Network codes and guidelines become European law in the form of a Regulation. This gives them certain characteristics that shape their implementation at Member State level.

- European Regulations are directly applicable, i.e. they apply automatically, meaning there is no requirement to, and an obligation not to, transpose them into the GB legal framework.
- Supplementary action may be necessary, e.g. to make the Regulation workable and enforceable
- Have to remove any inconsistencies in the GB legal framework and any existing domestic legislation that wrongly duplicates the Regulation.



Tasks and roles

To implement in GB changes to legislation, licences, GB industry codes, access rules, tariff agreements and potentially other industry documentation is likely to be necessary.

- DECC, Ofgem, the system operators and market participants all have a role to play in implementing network codes and guidelines.
- DECC is ultimately responsible for their implementation in the UK. The UK may face the risk of infraction proceedings from the Commission if it is in breach of its Treaty obligations.
- Ofgem, as the GB National Regulatory Authority (NRA), is responsible for monitoring compliance and enforcing that compliance. In order to fulfil this role DECC may need to grant Ofgem new enforcement powers.



The GB framework

Will therefore necessitate changes to the GB framework falling into three categories:

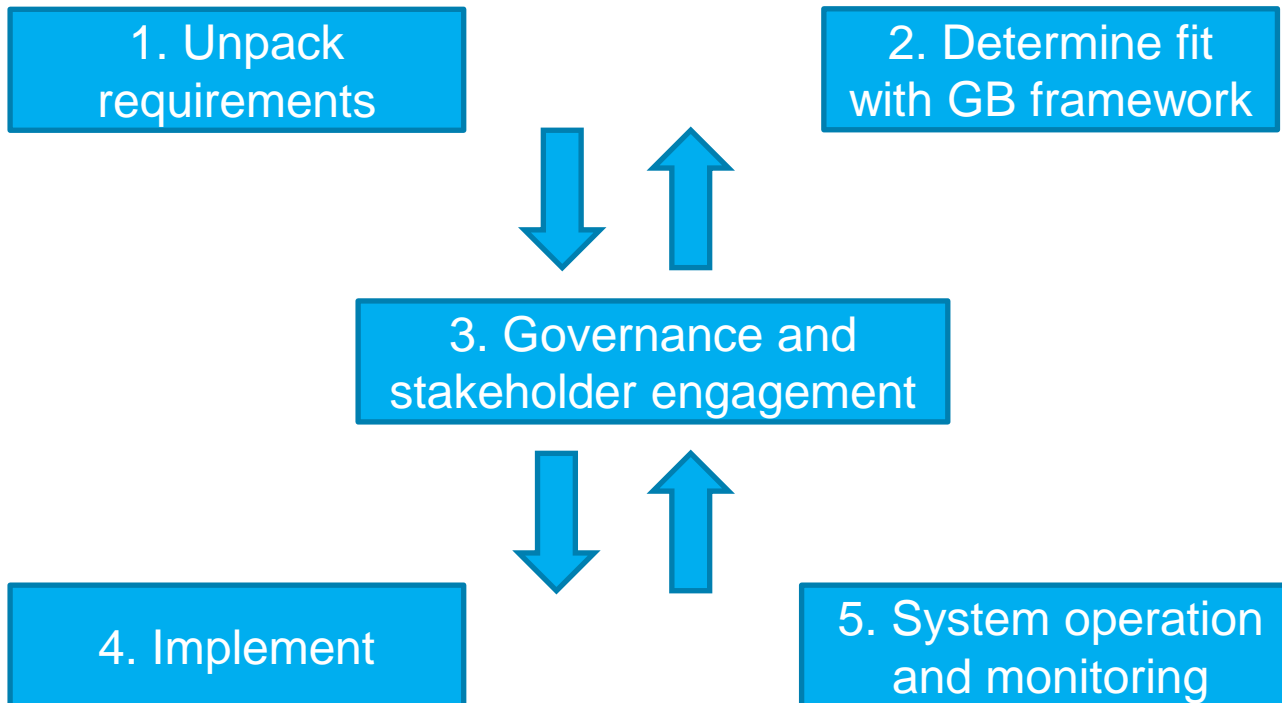
- Supplementary action to make the Regulation workable.
- Due to the hierarchy of laws there is a need to remove any conflict to a network code or guideline that exists in the GB framework
- Changes that support a network code or guideline requirement. These are consequential changes to make sure the network code or guideline can be enforced.
 - Examples, may include DECC giving Ofgem enforcement powers or modifying licences to formalise new requirements.

Our intention is for the UK to comply with the code requirements while incurring the least cost in implementation and delivery.



Implementation approach

Approach developed for CACM can act as a starting point – though as each code differs the precise activities will as well:





1. Unpack requirements

- Clear understanding of what each network code and guideline requires.
- May require the development and proposal of terms, conditions or methodologies, proposing a value from a range or approving a proposal.
- May confer new roles and responsibilities on existing entities or establish new entities.
- Need to identify the market participant(s) that each article and task applies to as well as identify which participants' may be affected by the proposal to ensure we engage with them.
- Some tasks fall directly to NRAs and Member States. E.g. identifying which TSO or group TSOs cannot comply with a TSO requirement.
- Understand the geographic level for proposals, consultations and approvals - Pan-European level, regional level, to synchronous area level or at Member State level
- Vast majority of network code or guideline tasks prescribe the deadlines.



2. Determine fit with GB framework

- Aim is to identify what changes are necessary to the GB framework and to make these in the least onerous way.
- Government policy is that the lowest possible level of implementation will be used.
- Only where those things are not sufficient or practical will we use legislation

The Network Code is clear and requires no supplementary action to make it workable and/or enforceable. Where this is not the case, proceed down the chart

Access rules and tariff agreements modifications are industry led consultative processes that require an Ofgem approval and take a minimum of 6 months

GB industry code modifications are usually industry led. Before taking effect any modification requires Ofgem's approval

Transmission, Generators or Supplier Licences are Ofgem led and take a minimum of 6 months

Primary or secondary legislation modifications are a DECC led process that take a minimum of 9-12 months

This analysis forms the foundation of a project plan.



3. Governance and stakeholder engagement

- DECC and Ofgem have co-ordinating arrangements in place across all codes and will establish implementation groups to oversee each code and sub-groups to consider particular issues where appropriate.
- For each code we will decide the appropriate arrangements for the implementation group - who will do what, how and when to implement a network code or guideline.
- We will then test this with industry.
- The intention is for the parties responsible for those instruments to propose and consult on implementing these changes using the existing procedures in relevant to each instrument of the GB framework.
- We will use ECCAF, its code mapping sub group, JESG or the DECC Ofgem stakeholder group to test this with stakeholders as the first step in an open-ended dialogue.
- Communication with stakeholders is paramount.
- After the comitology vote for that network code or guideline we will make clear to stakeholders what needs to happen and when, who is responsible for these tasks and how we will demonstrate GB is compliant.



4. Implement

- The parties responsible for each GB instrument implement the necessary changes, consulting on individual or packages of modifications and consequential amendments using the relevant processes.
- Ofgem will allow the standard process to run its course but will monitor any industry led process to make modifications to GB industry codes.
- Ofgem may decide to direct timetables for changes to GB industry codes to reduce infraction risk.



5. System operation and monitoring

- On-going operational state that begins after implementing a network code or guideline.
- Responsible parties fulfil their network code or guideline obligations.
- Ofgem along with ACER, NGET through ENTSO-E will undertake their respective monitoring duties:
 - Ofgem is responsible for monitoring compliance with network code and guideline obligations.
 - Ofgem is also responsible for enforcing any non-compliances.
 - Ofgem needs to act in accordance with the network code and guideline requirements.
 - Ofgem enforcement guidance is a relevant reference.



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Thank you