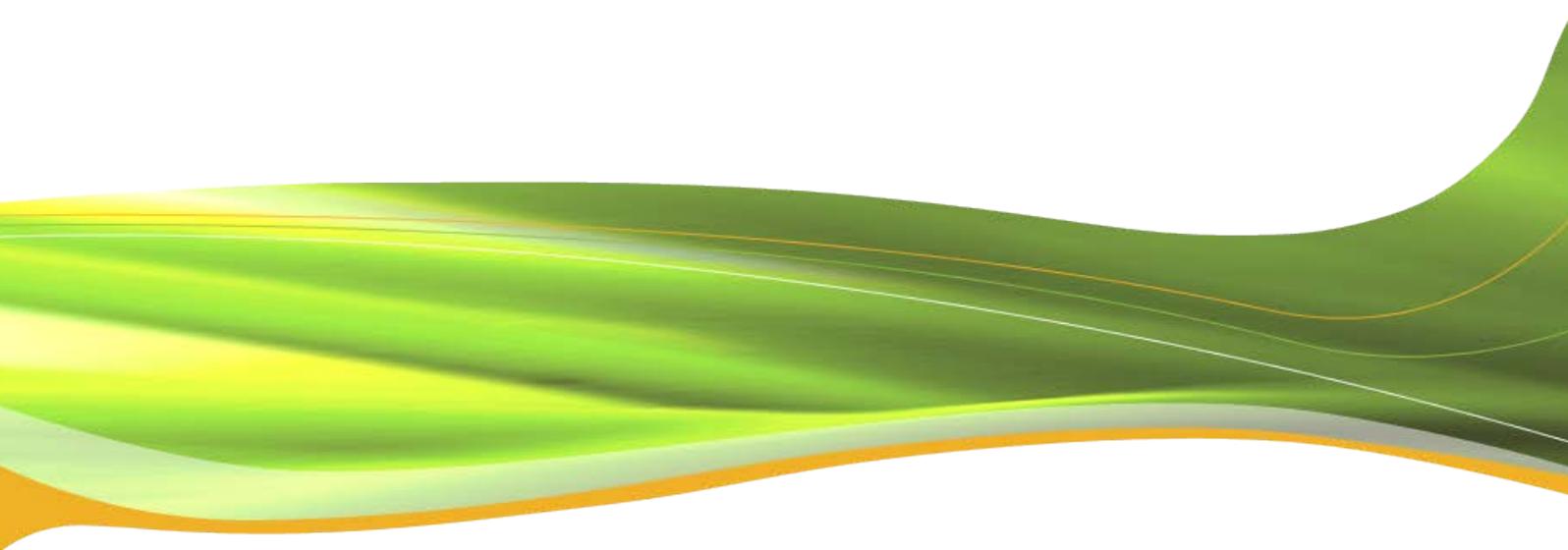


European Distribution System Operators for Smart Grids

Response to the European Commission's
consultation on the establishment of the
annual priority lists for the development of
network codes and guidelines for 2017 and
beyond

13 October 2016



European Distribution System Operators for Smart Grids (EDSO) welcomes the annual consultation of the European Commission (EC) on the establishment of the annual priority lists for the development of network codes (NC) and guidelines (GL) for 2017 and beyond.

Over the last five years, EDSO has deployed considerable efforts to contribute to the development of the network codes & guidelines (NC/GL). By providing input & feedback on documents or consultations, participating in meetings & workshops, and more recently contributing to the activities of European Stakeholder Committees (ESC), EDSO has taken an active part in this process and is satisfied that the attention paid to considerations raised by Distribution System Operators (DSO) has gradually improved throughout the last years.

EDSO recognises that a substantial move toward the completion of this process was achieved in 2016 with the adoption of a majority of NC/GL. However, it should be underlined that some of the most controversial rules are still to be finalised. At the same time, the rules that have already been adopted should be carefully implemented at the national level. Finally, lessons from this long and complex process should be drawn before envisaging the way forward at European level.

All remaining codes should be finalised

In line with the forecasts of the European Commission, EDSO expects the finalisation and adoption of all remaining NC/GL by the end of 2017: the guidelines on System Operation (GL SO) and Electricity Balancing (GL EB) as well as the network code on Emergency and Restoration (NC ER) have required significant efforts to reach the final stages. This, combined with a certain lack of transparency, has led to a high level of uncertainty for stakeholders. Therefore, the finalisation of these codes and their adoption in 2017 is of paramount importance.

The importance of finalising these remaining NC/GL swiftly should however not undermine the necessity to solve lasting issues. EDSO stresses that uninterrupted stakeholder engagement remains indispensable to a successful adoption and implementation of these rules.

EDSO considers that the main issue now for DSO relates to the harmonisation of the imbalance settlement period. This point of view is supported by the results of the cost-benefit analysis (CBA) that was conducted in 2015-2016, which provides that “the net benefits of the different planning cases could be either weakly positive or strongly negative”¹.

Efficient & inclusive implementation

With the soon adoption of the remaining rules, EDSO considers that a stronger attention should be paid to the implementation at the national level, taking into account local specificities. In

¹ [“CBA of a change to the imbalance settlement period – A report for ENTSO-E”](#), Frontier Economics, p. 124.

EDSO's opinion, national regulators should lead this process while ensuring continuous consultation of stakeholders.

In this perspective, EDSO welcomes once again the establishment of ESC and recommends that great care be taken to ensure a productive cooperation within these bodies.

Throughout network codes and guidelines, the DSO must follow a considerable number of provisions. Many of them are yet unknown as they depend on local TSO decisions (e.g. NC ER). It is however possible that the DSO will be unable, or will experience disproportionate difficulties, to comply with the provisions. Therefore, European Stakeholder Committees should be involved to make sure that these future provisions do not lead to unreasonable burden for the DSO.

EDSO considers that an active involvement of European bodies remains necessary, not the least with regards to standardisation and certification. This is particularly true for connection codes in the present energy system, where a very large amount of generators connect to the distribution grid, potentially leading to disproportionate obligations for DSO. Thus, EDSO encourages standardisation bodies to elaborate certification schemes that would facilitate DSO activities in this area.

The NC/GL development process must be adapted

Regarding the mid- to long-term future of NC/GL, EDSO invites all relevant actors, and especially the European Commission, ACER and ENTSO-E, to consider possible ways to improve their development process. EDSO considers the three elements below as absolutely fundamental.

Cost-benefit analyses should be carried out to ensure requirements or new codes bring actual added value

The elaboration of the first set of NC/GL has required a lot of time and efforts from EU bodies as well as from stakeholders. Once adopted, they translate into a high amount of new rules to implement and enforce in energy systems throughout Europe. Taking this into account, EDSO considers that any relaunch of this process should have a real potential for added value. Therefore, the conduct of a CBA should be made a prerequisite to drafting new NC/GL.

EDSO underlines that this necessity does not only concern future rules, but also the few remaining ones. For instance, the aforementioned CBA on the harmonisation of imbalance settlement period within the GL EB is the only one that has been conducted so far. This means that this tool is still underused, especially considering that each code contains dozens of requirements that can lead to disproportionate adaptation costs. This concern is particularly important in the case of regulated entities such as the DSO, as their costs will eventually be supported by the consumers through network tariffs. Furthermore, EDSO expresses the opinion that CBA must be performed by independent parties in order to ensure unbiased assessments.

The development process, especially in comitology, should be more transparent

EDSO regrets that several stages in the development process of NC/GL do not meet a sufficient level of transparency to permit continuous stakeholder engagement. The pre-comitology and comitology phases were particularly difficult, as the successive drafts presented by the EC to Member State representatives have always remained undisclosed. A more open method would have allowed stakeholders to better show and explain the points of consensus as well as problematic elements for each document.

Avoiding this level of uncertainty, for example by making successive versions of draft documents publicly available, would probably lead to a smoother implementation as well as a more efficient and constructive involvement of stakeholders.

DSOs should be more involved in the drafting process

EDSO reminds that, since the first list of network codes was set-up in 2009, the electricity system has experienced a substantial transformation. The DSO is now a key actor of the energy transition, pivotal to deliver on customer empowerment, integration of renewables, electric mobility and digitalisation of the energy system, among others.

Network codes that were first meant to deal with the issue of interconnections, a major priority at the time, may now hamper the rise of these recent trends. Adapting the drafting process of NC/GL to this new reality will require a new framework to better take into account the voice of the DSO.

EDSO reminds that, in the recent years, DSO representatives at European level have proved their capacity to deliver, with one voice, concrete and valuable technical cases. The latest example is the release of a Data Management Report in the framework of the TSO/DSO Platform. EDSO therefore believes that DSO, to fulfil their system operator role, should actively take part in the drafting process of future network codes, preferably through the DSO entity that is expectedly being set up by the European Commission.

No need for new network codes & guidelines (NC/GL) at the moment

EDSO considers that the EC, ACER, ENTSO-E, and all parties involved in the network code development process should now focus on the two main tasks of (1) adopting the three remaining NC/GL and (2) ensuring an efficient and inclusive implementation at national level.

Furthermore, EDSO reminds that new rules should “be developed for cross-border network issues and market integration issues”². The initiatives from the European Commission on Market Design, Renewable Energy Sources, Security of Supply and Governance of the European Energy Market, expected to be published by the end of this year, will certainly address such issues and consequently modify the way European energy systems are organised.

In this context of uncertainty, starting the development of new network codes and guidelines does not seem suitable. Thus, EDSO does not yet see a need for new rules in 2017 or in the coming years.

² Regulation (EC) No 714/2009 of 13 July 2009, Article 8(7)



EDSO for Smart Grids is a European association gathering leading electricity distribution system operators (DSOs), cooperating to bring smart grids from vision to reality.

www.edsoforsmartgrids.eu