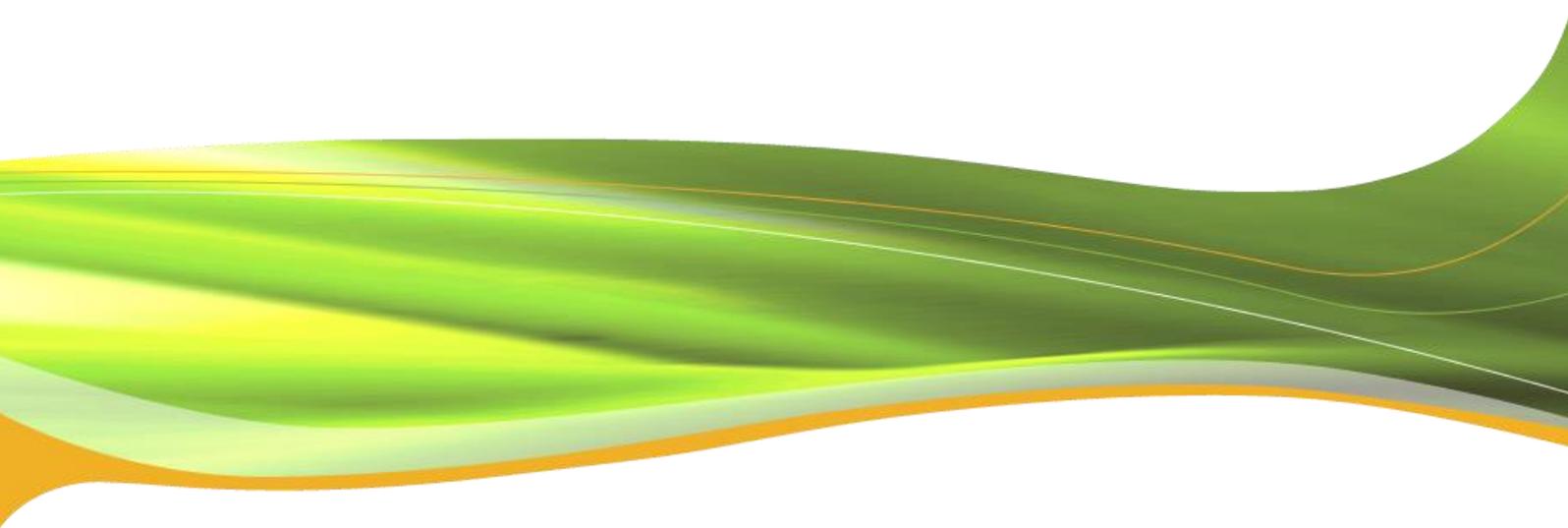


## **European Distribution System Operators for Smart Grids**

Establishment of the annual priority lists for the development of network codes and guidelines for 2016 and beyond - EDSO response to European Commission public consultation

*August 2015*



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 and guidelines for 2016 and beyond. The network codes are essential pieces of legislation for the realisation of the single energy market and, as such, we appreciate the opportunity to express our opinion on such an important endeavour.

Over the last four years, EDSO has contributed to the development of the network codes by providing input and feedback on texts drafted by ENTSO-E, and taking part in meetings with Distribution System Operators (DSOs) as well as official stakeholder workshops held by ENTSO-E and ACER. EDSO is pleased to see that the attention paid to DSO concerns has slowly risen over time.

EDSO acknowledges that after a difficult year in 2014, when several network codes were blocked in pre-comitology due to legal issues, the EC has now put back on track these important regulations and is pushing for their swift finalisation. Nonetheless, in spite of progress, the network codes development process could still be improved.

## Priorities for 2016: finalisation of network codes and implementation

EDSO agrees that completing all network codes initiated in the last few years should be a top priority. The Demand Connection Code (DCC), the merged System Operation codes (OS OPS and LFCR) and the Emergency and Restoration (ER) code will require significant efforts to be concluded and implemented if they are to be relevant when applied.

The establishment and launch of the three European Stakeholder Committees (ESCs) which are to monitor the implementation of the Connection, System Operation and Market codes should also be a top priority for 2016. Even if these committees will be managed by ACER and ENTSO-E, EDSO would like to see the EC taking an active part in all meetings, in order to be fully and directly informed of all challenges encountered during the implementation phase.

## Priorities beyond 2016: rethinking the network code drafting process

Although EDSO considers that the network code drafting process has improved over time, i.e. through a better consultation process and a more inclusive approach to key stakeholder involvement through regular meetings between these and ENTSO-E, we believe there is still room for improvement. The planned re-opening of several directives and regulations in 2016 could be an opportunity to rectify the shortcomings of the process. EDSO's main suggestions are presented below.

### Cost Benefit Analyses are needed to define optimal requirements

For any new network code or revision of an existing network code, EDSO invites the EC to assess the potential effects of the new requirements proposed. So far, only one requirement of the Electricity Balancing (EB) code, namely the imbalance settlement period, has been subject to a cost benefit analysis (CBA). As network codes can contain dozens of requirements, specific attention should at least be paid to the ones deviating significantly from current practices in many member states. The absence of thorough studies create the risk that significant and unforeseen adaptation costs will arise during

the implementation phase and which may outweigh the expected benefits of some requirements. This is a serious concern, as additional costs incurred by network operators will have to be paid by consumers through increased network tariffs. Furthermore, CBAs should be performed by an independent party in order to ensure a neutral assessment.

#### More transparency during the comitology process

EDSO regrets the lack of transparency prior to the start of, and during the comitology process. The successive draft network codes presented to Member State representatives by the EC have never been made publicly available. This uncertainty around progress in comitology is detrimental to the whole electricity value chain. If key stakeholders were to know which articles are problematic, and which ones are consensual, the implementation phase could be speeded up. A simple webpage on the DG Energy website – if regularly updated – could help to clarify the status of each network code, its progress towards finalisation, and the amendments being discussed.

#### Increased involvement of DSOs

According to paragraph 7, article 8 of the electricity regulation (714/2009), network codes “shall be developed for cross-border network issues and market integration issues”, but have effectively touched upon many more aspects of power system management. For instance, by setting requirements for distributed generators, which are mostly connected to distribution grids, the Requirements for Generators (RfG) code will have a significant impact on distribution system planning and operation.

As the EC is currently assessing the need for additional network codes, EDSO would like to stress that any new network code impacting distribution grids should be drafted with the direct involvement of the DSOs from the start. DSOs, as TSOs, are system operators and are responsible for the safe operation of the power system. In the past, EDSO experts have commented, reviewed and proposed amendments to network codes but are prepared to be more directly involved in the drafting process.



*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](http://www.edsoforsmartgrids.eu)**