

ENTSO-E perspective & outlook for the drafting of the network codes

ERGEG workshop on FG for CACM

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Overview

- **A brief introduction to ENTSO-E**
- **ENTSO-E's role in network code development**
- **The code development process**
- **The importance of the FG on CACM**
- **ENTSO's approach to code drafting**
- **Lessons learned to date**
- **Concluding remarks**

ENTSO-E is *THE* European TSO platform

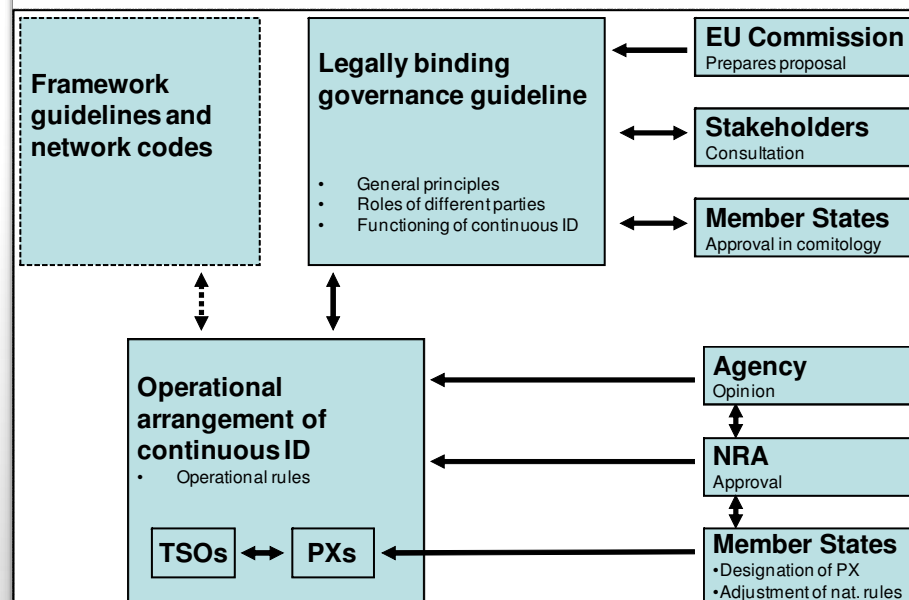
- **Founded on 19 December 2008 and fully operational since 1 July 2009**
 - **525** million citizens served
 - **880** GW generation
 - **270,000** km of EHV trans-mission lines (220 kV upwards)
 - **3,300** TWh/year demand
 - **400** TWh/year exchanges
- **Replaced former TSO organisations: ATSOI, BALTSO, ETSO, NORDEL, UCTE, UKTSOA**



Governance Guideline and Network Codes

Two-tier approach to governance

1. The legislative tier (based on European Rules)
 - Legally binding governance Guideline (covering DA & ID)
 - Legally binding Day-Ahead and Intraday Network Codes, covering:
 - Capacity-allocation and congestion-management rules; and
 - Rules for trading related to the technical and operational provision of network access and system balancing services
2. The operational tier
 - Contractual arrangements between TSOs and Power Exchanges



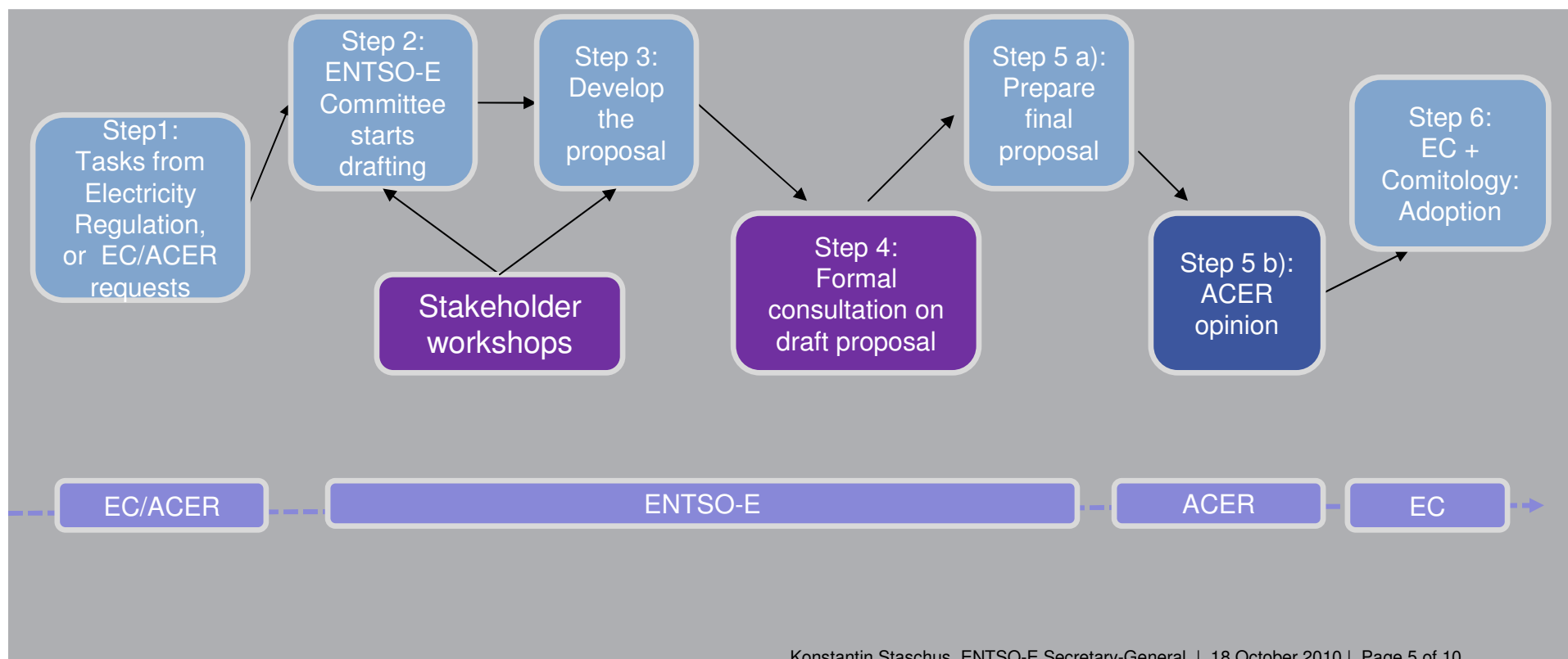
Network codes complement the governance Guideline being developed by EC

Network Code Development: A Collaborative Process

Network code development is a coordinated process including ENTSO-E, ERGEG/ACER, EC and stakeholders; ENTSO-E responsibility for detailed code drafting.

Regulation 714 lists 12 very diverse NC areas incl. balancing, CACM, rules for trading.

One FG can correspond to several NCs



The importance of the FG on CACM

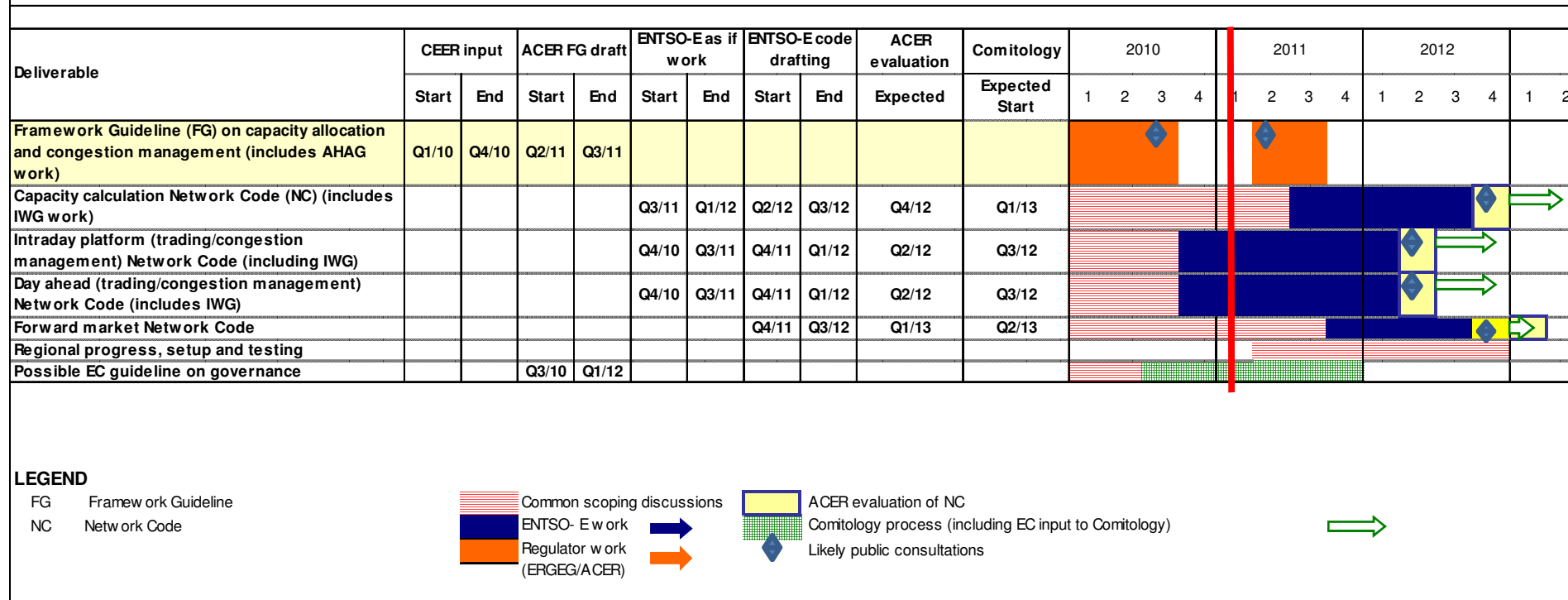
- The ultimate goal of FG & NC on CACM is:
 - To allow the development of network codes which can establish a truly integrated, competitive and efficient European Internal Electricity Market by ensuring an optimal utilization of the transmission grid and of cross border interconnections.
- This should:
 - Result in the maximisation of social welfare; and
 - Deliver benefits for European electricity customers.
- As the first FG which will lead to market codes, the CACM guideline is very important. It will need to:
 - Clearly define principles which can guide the development of 4 network codes; and
 - Provide an unambiguous benchmark against which code drafting can be assessed.
- The FG has a direct influence on the Target Model for harmonisation.

ENTSO-E's contribution to the FG

- **ENTSO-E has been informing the development of the FG since March 2010**
 - Co-ordinated member views to deliver comprehensive inputs.
- **ENTSO-E now gearing up to scope and draft the first market network codes (but has been developing a pilot code on grid connection for over a year):**
 - Day-Ahead and Intraday (trading/CM) will be the first priority; and
 - Forward market and Capacity calculation codes are also foreseen.
- **Internal discussions to confirm ENTSO-E's approach to code drafting, including ensuring co-ordination and consistency, are ongoing**
 - Stakeholder views will be sought via the AHAG forum.

EC/ACER/ENTSOs work plan

EC / ACER / ENTSOs 3-year work plan



- Very significant work on network codes required during 2011

Network codes: lessons learned so far

- **Working on pilot code for over a year, learning important lessons:**
 - **Clear and unambiguous framework guidelines that set clear principles are particularly important.**
 - **Framework guidelines should enable compliance to be easily assessed once a code has been drafted.**
 - **Transparency and extensive consultation are vital.**
 - **Code making is a resource intensive task. The scoping phase needs to be fully used to start work, as timescales are challenging.**
 - **Simple language and clarity is key (as Regulations will need to be translated into all EU languages).**

Concluding Remarks

- The tools created by the 3rd Package create a regulatory framework which can deliver a co-ordinated, top-down approach to market integration.
- The FG on CACM is an important first step in this process.
- The subsequent network codes on Day-Ahead, Intra-Day, Forwards and Capacity Calculation represent significant steps towards creating the required cross-border regulatory framework.
- These codes will need to be complemented by an appropriate governance regime for day-ahead and intraday and a binding European Guideline complemented with a multilateral agreement between TSOs and PXs.
- Timescales are tight and the challenge is significant. Input from stakeholders will be vital and the importance of clarity in FGs must not be underestimated.