



Response to ERGEG's Public consultation on its 2010 Work Programme

We first of all welcome the opportunity given by ERGEG to comment on its 2010 Work Programme. We believe such an upstream process is important as it provides visibility to the industry and helps focusing on the main issues in the wake of the creation of the new Agency for the Cooperation of Energy Regulators.

1. General comments

- The objective is clearly the quality of consultations conducted. This should not be confused with increased quantity. We therefore welcome setting up the seven priority areas which ERGEG will focus on but we believe some priorities should be enhanced for 2010.
- We strongly believe that the stakeholder consultation process should be regarded as one key practise to ensure the decision making process of the regulatory bodies remain in line with market expectations.
- Proper stakeholder involvement has already supported the speed and direction of market development and integration. It is therefore important to ensure that market stakeholders remain involved early and extensively in the process.
- We also believe that a clear understanding as to the roles and responsibilities of the stakeholders depending on the level or the nature of the issue is necessary.
- Concerning the work deriving from the Third Package, we believe that the development of Framework Guidelines and European network codes is essential to market integration.
- We would like to point out that we faced difficulties to answer to online consultations in 2009 and would appreciate improvement to the information system.

2. Comments on the priority areas in the 2010 Work Programme

As a preliminary comment, we believe the ERGEG Work Programme should primarily prepare the implementation of the third Energy Package in the perspective of the elaboration of the Framework Guidelines by the ACER. These Framework Guidelines are today necessary to support market integration at the EU level.

It is also important that the objectives of the ERGEG Work Programme be oriented towards reducing the distortions due to actual differences in market organisation and development in the different member states rather than seeking an extensive harmonization .

Implementation of the 3rd Package

- It is valuable to use this interim period before the Agency is operational, to go forward and prepare some input for the Agency. Setting right priorities for this interim period will facilitate

the implementation of the third Energy Package which transposition and application constitute an important priority. The electricity industry needs a stable legal framework in order to have visibility for the operation of the system but also for the huge amount of investments (both in generation and transmission) to be carried out in Europe if we want to be in a position to meet the challenge of security of supply.

- We believe that if properly designed, the development of Framework Guidelines and European network codes will play a key role in facilitating market integration. We see that in its 2010 Work Programme, ERGEG is tackling most of the priority subjects that have been underlined by the industry for Framework Guidelines.

Regional Market Integration

- The integration of regional electricity system should be a top priority of the ERGEG Work Programme even if it needs to be acknowledged that it cannot be developed everywhere in Europe at the same pace. The implication of the industry, primarily through its European associations and the National Regulation Authorities, is necessary to ensure the effectiveness and the efficiency of the integration process. We believe that the more the Regional initiatives focus on very concrete measures the better it will bring rapid progress. Henceforth, the work of the ERGEG Project Coordination Group should be taken into account for the definition of the target and its process.

Security of Supply

- Security of supply is one of the three key priorities of the EU in the field of energy and, of course, a major issue for the European electricity and gas market. Its significance has been highlighted by the new EU regulation on security of gas supply currently under discussion. The security of electricity supply should however not be forgotten. Taking into account the changes introduced by the third Energy Package, ERGEG could, with all institutions and stakeholders involved, help assess the application of the EU Directive 2005/89/EC concerning the security of electricity supply.
- ERGEG should contribute towards an improved security of supply position for Europe through the 10 years network development plans for electricity and gas, as it does through the initiatives raised in its 10 years development plan (e.g. facilitating reverse flow capacities, developing cross-border interconnections and harmonizing the regulatory frameworks).
- Furthermore, the development of a reliable, robust and representative European Gas Index (whose physical or virtual location is easily accessible by all European gas suppliers/buyers) is critical to improving Europe's security of supply by :
 - creating the conditions for producers to manage any unpredictability of physical supplies further encouraging the development of long term supplies for Europe,
 - reflecting the "real" value of gas in Europe to encourage timely upstream, midstream and downstream investments
 - allowing gas supply sources to freely flow around Europe to the consumers who are most in need of gas,
 - facilitating consumer lead demand side response to price signals - i.e. consumers across Europe can choose to consume gas or reduce / stop consumption & resell gas resulting for a more efficient demand side response to high prices.

Affordability and Consumer Issues

- The customer issues are of rising importance for gas and electricity suppliers particularly on markets where competition introduction is in an early phase. We consider that the provisions of the Third Package in this field are already precise enough to be implemented rapidly and successfully. Moreover, the Commission has recently created a dedicated forum to enable

market players the sharing of good practices. We believe that these initiatives are a good means to tackle affordability and consumer issues since it allows the market players to share analysis, to identify the most important issues and to share good practices within a subsidiarity framework.

Climate Change and Energy Issues

- The European objectives regarding the reduction of greenhouse gas emissions is a founding priority for the EU energy policy. Within the implementation of both the third Energy Package and the Climate Package, this topic should therefore be given a high priority and be one of the main ERGEG focus.
 - The evolution of the rules should need to concentrate on the economic incentives for new investments, recognizing the value of generation technologies that do not emit CO₂ or that emit less CO₂ while avoiding distortions.
 - Keeping in mind the major expansion of renewables with the 2020 targets regulators should focus on the impact and integration of renewable generation on electricity markets and networks.

3. Relevance of the priority areas of work

All the areas mentioned in the Work Programme are of course relevant and it is EDF SA intent to contribute to most of the consultations and to participate to the public hearings and workshops.

However, we strongly recommend prioritising the various matters to ensure that it is primarily given a concrete orientation to the main issues which we see as being:

- **for electricity**
 - **guideline on transparency in electricity:** transparent information is a prerequisite to a satisfactory level playing field. Many subjects need to be covered by transparency guidelines, such as generation, but network issues, such as the two items below (grid connection and capacity allocation/congestion management), should not be ignored
 - **guideline on electricity grid connection:** it is essential that grid connection guidelines concur to the development of new generation means, without being prejudicial to existing plants, in order to meet the security of supply. A key challenge for this guideline is to take into account the new vast amount of renewables.
 - **guideline on capacity allocation and congestion management:** physical interconnection capacities being one of the main barriers to market integration, it is a necessity to facilitate and optimise their use
 - **intelligent energy networks (smart grid):** this is a topical subject which will impact the future business of all market actors (suppliers, DSO, generation, etc..) and consequently need to be debated at European level as soon as possible

- **for gas**
 - **capacity allocation mechanisms and congestion management for the network and the storages:** this is a key factor to achieve progress towards a sustainable and competitive gas market ;
 - **guideline on gas balancing rules:** NRA is today conducting works in order to define the target system for gas balancing rules in France ;
 - **infra and inter-regional coordination of open seasons:** there is a need to strengthen coordination and cooperation across borders between regulators and TSO's as well to harmonize the systems in order to secure the position of the bidders
 - **benchmark on storage tariffs:** this report may nourish the works of the NRA when implementing the third package on access to storage facilities.

- **for cross-sectorial**
 - **regulatory aspects of customers affairs and notably good practice on regulatory aspects of smart metering for electricity and gas:** As regards customers issues, we believe that these would differ from a country to another since the structure of the market and the customers behaviours are different. For these reasons, the ERGEG works should be limited on this field to good practices' sharing. As regards smart meters, they are under experimental phase in France and it would be important to share experience and best practices on this subject.
 - **Market supervision issues and transparency in energy trading:** Being a specific market, energy trading needs specific solutions for market supervision issues and transparency. In particular, the outcome on the subject could differ notably from transparency guidelines on energy.
 - **Advice on the modification and enforcement of network codes:** for electricity, it is essential to characterize the contributions from different types of power plants to services such as ancillary services, owing to the real time need of security of supply, and taking into account renewables actual development (wind, solar energy...).
 - **Strategy for delivering a more integrated European energy market through the regional Initiatives:** EDF supports any initiatives that contributes to regional integration. This is a priority to create more links between national markets whether through a better use of the existing infrastructure, the creation of new ones when and where necessary and a more consistent regulatory framework at European level.

Appendix

1. Electricity

Regulatory aspects of grid management	Very important	Important	not important
Pilot Framework Guideline on electricity grid connection		<input checked="" type="checkbox"/>	
Input to the Framework Guideline on capacity allocation and congestion management		<input checked="" type="checkbox"/>	
Input of the Framework Guideline on operational security			<input checked="" type="checkbox"/>
ERREG conclusions paper on long term allocation for electricity		<input checked="" type="checkbox"/>	
ERREG Status review on regional electricity interconnections management and use			<input checked="" type="checkbox"/>

Regulatory aspects of electricity infrastructure development	Very important	Important	not important
ERREG Advice on the 10-year electricity network development plan		<input checked="" type="checkbox"/>	
Guidelines of Good Practice on generation adequacy treatment		<input checked="" type="checkbox"/>	
ERREG Advice on intelligent energy networks (smart grid)		<input checked="" type="checkbox"/>	

Regulatory aspects of electricity wholesale market issues	Very important	Important	not important
Input to the Framework Guideline on the transparency in electricity	<input checked="" type="checkbox"/>		

Regulatory aspects of electricity quality of supply	Very important	Important	not important
CEER Guidelines of Good Practice on harmonized surveys on quality of electricity supply			<input checked="" type="checkbox"/>

Regulatory aspects of sustainable development issues	Very important	Important	not important
ERGEG Response on energy efficiency	x		
CERR Status Review of the implementation of the Climate and Energy Package	x		

2. Gas

Regulatory aspects of the grid management	Very important	Important	not important
Pilot Framework Guideline on capacity allocation mechanisms and congestion management and draft Comitology Guidelines		x	
ERGEG Guidelines of good practice on capacity allocation mechanisms and congestion management to storage facilities	x		
Input to the Framework Guideline on gas balancing rules	x		
ERGEG Advice on best practices applied in all types of LNG terminals regarding congestion management procedures, anti-hoarding measures and notices periods		x	

Regulatory aspects of gas infrastructure	Very important	Important	not important
ERGEG Response to GTE+'s 10-year network development plan based on CEER model-based analysis		x	
ERGEG Status Review of infra and inter-regional coordination of open seasons	x		

Regulatory aspects of tariffication	Very important	Important	not important
Input to the Framework Guideline on harmonized transmission tariff structures		x	
ERGEG benchmarking report on storage tariffs	x		

3. Cross-sectorial

Regulatory aspects of customer affairs	Very important	Important	not important
ERGEG Guidelines on retail market monitoring	x		
ERGEG Guidelines of good practice on regulatory aspects of smart metering for electricity and gas	x		
ERGEG Guidelines of Good Practice on customer complaint handling for service providers and third party bodies			x
ERGEG Status Review on end-user price regulation as of 1 January 2010		x	
ERGEG Compliance Monitoring Report on the implementation status of DSO unbundling		x	

Regulatory aspects of wholesale energy markets	Very important	Important	not important
ERGEG Advice on the regulatory oversight of energy exchanges		x	
ERGEG Response on market supervision issues	x		
ERGEG Response on transparency in energy trading		x	
CEER Response on interdependencies with other markets		x	
ERGEG Advice on wholesale trading licences		x	
Status Review on the ERGEG Regional Initiatives			x

Institutional issues of national regulatory authorities and the Agency	Very important	Important	not important
CEER Advice on the modification and enforcement of network codes	x		
ERGEG Status Review of the liberalisation and implementation of the energy regulatory framework			x
ERGEG Conclusion Paper on a strategy for delivering a more integrated European energy market through the Regional Initiatives	x		