

# RESPONSE TO THE EUROPEAN COMMISSION'S PUBLIC CONSULTATION TO ESTABLISH THE PRIORITY LIST OF NETWORK CODES

Final | 12 May 2020

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## EXECUTIVE SUMMARY

ENTSO-E, the European association of 42 TSOs, is pleased to provide a response to the European Commission's public consultation on establishing a priority list of possible new networks codes while highlighting the possibility to further develop the existing Network Codes and Guidelines (NCs/GLs). ENTSO-E has played a key role in drafting the eight electricity NCs/GLs and is now ensuring these are implemented according to the rules. ENTSO-E has thus valuable insight into how the NCs/GLs should evolve to achieve carbon neutrality, integrating renewable energy sources while securing energy supply and keeping costs affordable. ENTSO-E is fully committed to collaborating with stakeholders in the delivery of its legal mandates. ENTSO-E has notably always valued including stakeholders and interested parties in the implementation and developments of NCs/GLs through the European Stakeholder Committees.

ENTSO-E finds it important to monitor the implementation of the technical, operational and market rules governing the electricity system, and to register and discuss suggestions to improve them, where necessary. Potential improvements should be considered against their importance for allowing the maximum level of integration of renewable energy sources while ensuring operational security of the system and efficiency of the market. For ENTSO-E, the framework created through NCs/GLs, and enhanced by the Clean Energy for All Europeans Package (CEP), is effective in pursuing the objectives above. ENTSO-E is thus focusing on the implementation of the existing NCs/GLs, while considering their improvements, and on the development of new methodologies under the CEP. The implementation of existing NCs/GLs and of the tasks stemming from the CEP are challenging and require significant resources as well as technical expertise to successfully contribute to the European energy policy objectives.

**ENTSO-E believes that the priority list for Network Codes for the next three years should focus on a new Network Code on Cybersecurity.** ENTSO-E recommends to first clarify the framework for drafting and submitting new Network Codes in cooperation between ENTSO-E and the future EU DSO Entity introduced by the CEP before moving forward with new regulation. Furthermore, ENTSO-E suggests starting the process to amend the Connection Network Codes taking into consideration the corresponding impact on other NCs/GLs. Even if ENTSO-E agrees that the current legal framework, spanned by the NC/GLs, should be expanded to include topics such as demand side flexibility, it does not recommend the drafting of new

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Network Codes in this field, at least not until the existing NCs/GLs are completely implemented and a need for additional regulation has been identified and assessed in a transparent manner.

ENTSO-E remains committed to transparency, collaboration and consultation with all stakeholders. With this engagement, ENTSO-E considers the opportunities and challenges of the power system, monitors the alignment of the rules with the needs of the system and is ready to play its part in supporting future developments of legislation for the Energy Union.

## **ENTSO-E's responses on priorities regarding electricity networks rules for the period 2020-2023 and beyond**

ENTSO-E is fully engaged in implementing the existing NCs/GLs under the Third Energy Package and the new tasks stemming from the Clean Energy Package. This demonstrates ENTSO-E's commitment to the harmonization of rules on electricity markets, grid connection and system operation.

On top of this implementation effort, ENTSO-E has initiated preparatory work for the development of amendment proposals for all NCs/GLs where a critical need for further harmonization of electrical system rules has been identified. ENTSO-E has started discussing these proposals in the European Stakeholder Committees (ESCs). In particular, based on its monitoring reports, on the new tasks from the CEP, on experiences from national implementation and on issues brought to the attention of and discussed in the ESCs, ENTSO-E is preparing detailed amendment proposals on the Connection Network Codes as agreed and discussed in the NC Implementation and Monitoring Group meeting of July 2019.

ENTSO-E suggests starting the amendment process for the Connection Network Codes, while duly considering and explicitly highlighting the corresponding implications of the evolution of Connection Network Codes on other NCs/GLs, especially the System Operation Guideline.

### **Need and adequate scope of new electricity network codes on cybersecurity**

The EC has begun an informal Cybersecurity NC drafting process starting with initial recommendations. ENTSO-E supports the early work begun by the European Commission. Digitalization of the electricity system is paramount to the achievement of Europe's energy policy objectives and it is therefore of increasing importance to define rules on cybersecurity. Moreover, the growing number of electric devices, the level of interconnection among the Member States and interaction between the voltage levels of the system require more coordination between TSOs and DSOs against cyber threats. ENTSO-E supports the alignment of the monitoring procedures, prevention protocols and countermeasures among all relevant stakeholders.

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The first steps have been taken to implement the collaboration with the relevant stakeholders in order to define the requirements for the Cybersecurity Code. ENTSO-E however underlines that its formal role pursuant to Article 59(9) of the Electricity Regulation is to develop the Network Codes, and that this formal process did not start yet.

## Need and adequate scope of new electricity network codes on Demand Side Flexibility

Demand side flexibility is needed to achieve the European Green Deal and TSOs and DSOs are working actively to develop solutions and activate the potential. ENTSO-E co-drafted the Active System Management (ASM) report and the EG3 report on Demand Side Flexibility, which both bring valuable contribution to the debate. This contribution can also be seen in many national demand side initiatives between TSOs and DSOs or in Horizon 2020 pilot projects across multiple Member States. ENTSO-E is also directly involved in projects such as Interrface which tests market models identified in the ASM report. Many of these projects are still ongoing while completed projects conclude for more research in this area (cf. Bridge report on TSO-DSO coordination). This is one of the reasons why ENTSO-E considers it premature to propose a new NC even if ENTSO-E continues the discussion with DSOs associations, market players and the European Commission.

Another reason is that the Electricity Directive 944/2019 (Art. 14-17) already establishes requirements for Member States to ensure demand side participation in the electricity markets. Aggregation, retail markets and the obligation for Member States to ensure effective competition and protection of consumers are specifically addressed in the text. When coming to the integration of demand side flexibilities in the wholesale, congestion, balancing and ancillary services markets, Directive 944/2019 is clear on applying level playing field market rules and transparency.

To ensure operational security and efficiency, it is essential that the new flexibility providers are consistently integrated in the markets and operational processes. This could be best ensured by assessing how the existing NCs/GLs could address the integration of demand side flexibility. In case legislation is needed to align the options taken at Member State level, ENTSO-E advises to use the existing Demand Connection Network Code, the System Operation Guideline and the Electricity Balancing Guideline as basis rather than introducing a new piece of legislation that could potentially be contradicting the existing NCs/GLs. The Electricity Balancing Guideline would for example need to be expanded to cover the retail level of supply and congestion management, and the Connection Network Codes would also need to unconditionally

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consider or reconsider all demand and generation connected at all voltage levels. This is necessary for system operators to notably cope with the integration of small variable resources, storage and electrical vehicle charging for which currently no connection requirements (generation or demand) exist. In any case, TSOs' existing services need to be aligned with developments at the level of DSOs and other stakeholders.

The ENTSO-E Steering Group TSO-DSO Interface is performing a gap analysis to assess the inclusion of new technical requirements in the existing NCs/GLs. The results will be reported to the European Commission as part of the TSO-DSO platform already this year. Furthermore, an Expert Group under the Grid Connection European Stakeholder Committee is assessing additions to the Connection Network Codes with regards to storage devices. This is to ensure power system security, proper functioning of the critical system services (e.g. availability of the service) and harmonization of the market rules guaranteeing the maximum participation of system users. Furthermore, additional work is needed on data exchange notably for TSO-DSO cooperation, as it is crucial to ensure that the current Network Codes are fully implemented.

In case a new Network Code on Demand Side Flexibility would be required, ENTSO-E deems it essential that the EU DSO Entity is in place as well as the co-development process for Network Codes by ENTSO-E and this EU DSO Entity. Work is ongoing in the ENTSO-E Steering Group TSO-DSO Interface, together with DSOs' associations, to establish a Memorandum of Understanding between ENTSO-E and the future EU DSO Entity this year. The progress is reported to the TSO-DSO platform. Furthermore, additional work is needed on data exchange notably between TSOs and DSOs as it is crucial to ensure that the current Network Codes are fully implemented.

ENTSO-E remains available to discuss its assessment of the requirements for Demand Side Flexibility and how to ensure that the integration of demand services is achieved in alignment with the existing legal framework.

## Need and possible scope of new electricity network codes and guidelines that could be envisaged beyond 2023

For the moment, ENTSO-E considers the existing framework sufficient and suggests closely monitoring the implementation of the existing NC/GLs and of the Clean Energy Package, with stakeholders, regulators and the European Commission, to identify a potential need for further legislation.