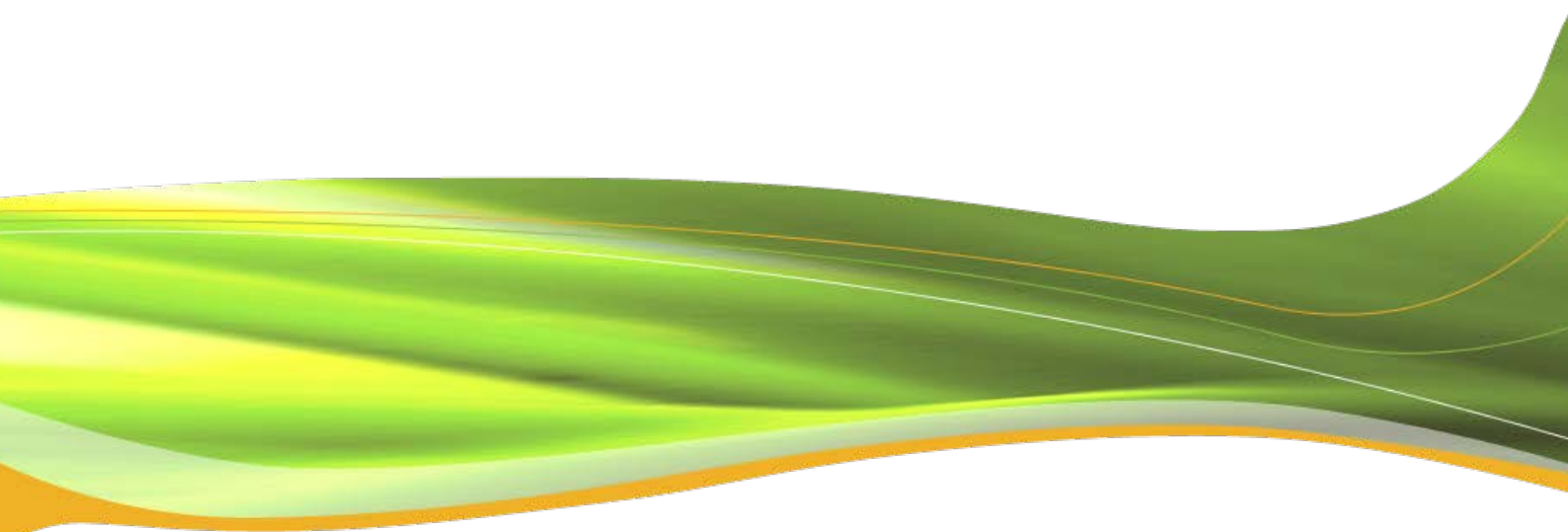


European Distribution System Operators for Smart Grids

Response to the European Commission's
Public consultation on priorities for Network
Codes and Guidelines for 2018

20 December 2017



Introduction

European Distribution System Operators for Smart Grids (EDSO) **welcomes the 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 2018. Considering the lack of new substance in the consultation document, EDSO would also like to take this opportunity to **formulate some general remarks on the way forward in the development of network codes.**

Over the last years, EDSO has deployed considerable efforts to contribute to the development of the network codes & guidelines (NC/GL). By providing continuous input & feedback on documents or consultations, participating in meetings & workshops, and contributing to the activities of European Stakeholder Committees (ESC), **EDSO has taken an active part in this process.**

EDSO recognises the progress achieved in the last years that led to the adoption of the remaining NC/GL and the publication of the Guideline on Electricity Balancing and Network Code on Emergency and Restoration on 28 November 2017. However, it is quite likely that **the implementation of NC/GL will represent the most critical part of this process.**

Efficient & inclusive implementation

With the adoption of all Network Codes and Guidelines, EDSO considers that a **stronger attention should be paid to the implementation at national level**, taking into account local specificities. In EDSO's opinion, national regulators should together with the competent regional authorities lead this process while **ensuring continuous consultation of stakeholders.**

In this perspective, EDSO has welcomed the establishment of the three ESCs but considers that **their activities could be largely enhanced.** While gathering a wide array of stakeholders, they have not delivered concrete support to or monitoring of the implementation at national level.

Moreover, some substantial clarifications asked for in these fora have remained unanswered and the inputs provided by stakeholders have not been sufficiently taken into consideration in the drafting of the secondary documents such as Implementation Guidance Documents (IGDs).

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 likely that the DSO will experience disproportionate difficulties to comply with the provisions. Therefore, European Stakeholder Committees should **support the stakeholders**, and at national level relevant system operators and competent authorities should be consulted in order to make sure that these future provisions do not lead to unreasonable burden.

EDSO considers also 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, as large amounts 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. Now that its adoption is completed, it will 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 proven added value**. Therefore, the conduct of a CBA should be made a prerequisite to drafting new NC/GL.

The CBA on GL EB is the only one that has been conducted so far, which shows that this tool has been underused, especially considering that each code contains dozens of requirements that could 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 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 complex, 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

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, representing 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** that better takes into account the voice of the DSO.

In the recent years, **DSO representatives at European level have proved their capacity to deliver**, with one voice, concrete and valuable technical inputs, particularly in consultations related to network codes' impact on distribution grids. EDSO therefore believes that DSOs, to fulfil their key roles of active system managers and neutral market facilitators, should take a prominent part in the drafting process of future network codes.

The most suitable manner will be **through the EU DSO Entity**, whose creation is currently being envisaged in the Clean Energy Package. As a technical body with a strong industry focus, the EU DSO Entity should be given an **equal mandate on network codes for distribution networks as ENTSO-E's affecting transmission networks**. Where areas overlap i.e. network codes related to both distribution and transmission, DSO entity and ENTSO-e should jointly coordinate.

EDSO expects that these responsibilities are **reflected in an adequate manner in the ongoing negotiations on the recast Electricity Regulation**, and will be based on the **principle of mutual governance and reciprocity**.

No need for new network codes & guidelines in the short term

EDSO considers that the EC, ACER, ENTSO-E, and all parties involved in the network code development process should **now focus on ensuring an efficient and inclusive implementation of network codes at national level**. The EC could also review more substantially the adopted NC/GL in light of the experience drawn from their implementation.

Furthermore, EDSO reminds that new rules should “be developed for cross-border network issues and market integration issues”ⁱ. The initiatives from the European as part of the Clean Energy Package, extensively address such issues and **will 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 2018 or in the coming years**.

ⁱ 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.

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