

**DECC-OFGEM STAKEHOLDER STRATEGY GROUP ON EU ELECTRICITY
NETWORK AND MARKET CODES AND FRAMEWORK GUIDELINES**

7th Meeting – Monday 29 April 2013

Ofgem, 9 Millbank, London, SW1P 3GE

Chair: Rachel Fletcher (Ofgem)

MINUTES

1. Actions from last meeting

- 1.1. DECC/Ofgem agreed to arrange an interim stakeholder group meeting on the ENTSO-E Grand Design paper. Given the timing of the paper's publication in March, discussion on the paper was included on the agenda for this meeting.
- 1.2. DECC/Ofgem agreed to consider improving engagement with Consumer Focus. A meeting was held on 11 March to agree a way forward. This will be kept under review to ensure appropriate engagement continues.

2. General Update on Network Code Development

- 2.1. Rachel Fletcher and Reuben Aitken (Ofgem) gave an update on each of the Network Codes. The **Requirements for Generators Connection Code (RfG)** is currently with the Commission following a qualified recommendation by ACER. The Commission has appointed DNV KEMA Consulting to produce a technical annex to the Commission's Impact Assessment. Due to the remit set out by the Commission for KEMA to engage with stakeholders on a European-wide basis, they will engage with stakeholders on a one to one basis only. JESG have organised a series of telephone conversations with KEMA on 30 April to give UK stakeholders the opportunity to feed in views on the impact of the RfG code as drafted. Any further interested parties should contact Energy UK. The code is scheduled to start comitology in Q4 of 2013.
- 2.2. Discussion on the **Demand Connection Code (DCC)** focussed on the Mail on Sunday article on 28th April which raised concerns about the powers of network operators to switch off domestic appliances to assist with demand side response. Several stakeholders including DECC, National Grid and Consumer Focus had been contacted by the Mail on Sunday before publication for comment and had worked to correct the inaccuracies in the article. Stakeholders were concerned that the media were able to write a story in the absence of a broader, coherent European narrative and felt that whilst there was limited appetite for "feeding" this story, there was a need to ensure that a clear message on the benefits of demand side response was put together at some point in the future. It was also noted that a similarly negative story had appeared in the German media several months ago.
- 2.3. Following the Commission's mandate, ENTSO-E will begin drafting the **HVDC Connection Code** in April.

- 2.4. The Commission is currently re-drafting the **Capacity Allocation and Congestion Management Code (CACM)** and merging it with the Governance Guideline. The combined code will be made public at the Florence Forum meeting in mid-May with an informal comitology meeting likely at the end of May. The first formal comitology meeting is scheduled for September. The Commission has expressed an ambition to push the CACM Code through comitology as quickly as possible given the stated September 2014 implementation date.
- 2.5. ENTSO-E has arranged a May workshop on the **Balancing Code** (and the Load Frequency Control and Reserves Code) with consultation on the draft code scheduled for June. Finally, the **Operational Security (OS)** and **Operational Planning and Scheduling (OPS)** Codes are currently with ACER which will give its opinions on the codes at end of May and end of June respectively.
- 2.6. Stakeholders raised a number of concerns about the inconsistency of definitions across the codes, in particular where definitions could be found and which took precedence where there were alternatives. Barbara Vest confirmed that JESG had lobbied ENTSO-E for a regularly updated list of definitions. **ACTION – Ofgem requested specific examples from stakeholders to inform discussion with ACER on the issue of consistency of definitions.**

3. ENTSO-E's Grand Design Paper

- 3.1. Rob Wilson (National Grid) gave stakeholders an overview of the Grand Design paper. Feedback on the paper had suggested it was a useful guide to the Network Codes and had helped to portray them as parts of a single package. It set out the benefits of the Third Energy Package and the pan-EU challenges that arose from it, particularly in terms of the changing roles for network users.
- 3.2. RW also explained some of the key benefits and challenges to GB. The benefits will include increased efficiency and competition from the single EU electricity market and the off-setting of issues arising from increased intermittent generation through, for example, the facilitation of demand side response services. The challenges included how to ensure consistency and interactions with the GB codes given the EU Network Codes took precedence. Concerns had previously been raised about the potential mandatory nature of demand side response services and in particular the lack of clarity on returns to providers of those services, including domestic users.
- 3.3. Barbara Vest (Energy UK) responded with a summary of stakeholder views on the paper. Some concerns focussed on the language used in the paper. For example it referred to the network codes complementing existing national rules rather than taking precedence over them. It did not include any reference to how ENTSO-E would mitigate against conflicts of interest, especially where obligations were placed on TSOs. The paper referred to a transparent and

collaborative development process for the network codes which did not reflect stakeholders' experience to date. There was also no mention of affordability.

- 3.4. Zoltan Zavody (Renewable UK) suggested the document could work well as a consultation document and asked whether there was scope to pass comments back to ENTSO-E. RW explained that there was no defined way to feedback views as the paper had no legal standing. National Grid agreed to collate stakeholder comments and pass them on to ENTSO-E and if appropriate propose either amending the paper or publishing an annex.

ACTION – Stakeholders to forward views to National Grid by 10 May. National Grid will circulate the comments round this group and send to ENTSO-E.

4. Operational Security (OS) and Operational Planning and Scheduling (OPS) Codes

- 4.1. Mike Kay (Electricity North West) and Garth Graham (SSE) reported on the recent DECC/Ofgem workshops on the OS and OPS codes respectively. The workshops were held to identify and prioritise the key issues for GB stakeholders arising from each code. Summaries of the workshops were sent round on the JESG circulation list on 29 April. The key issues arising from the OS code focussed on definitions, resynchronisation, data provision and regulatory oversight, particularly where methodologies and definitions were to be clarified by TSOs after the code was agreed. On the OPS code the key issues focussed on the definition, role and responsibilities of TSOs, the definition of “relevant user” and outage plans and consistency of reporting requirements with REMIT and the Transparency Guideline.
- 4.2. Both these codes were awaiting ACER opinion. Ofgem will be discussing these issues with other regulators. RA stressed the need for concerns to be precise and targeted where possible to support suggested improvements in the drafting.

5. Comitology Process Update

- 5.1. Steve Davies (DECC) described alternate processes for preparing DECC's EU team (Sue Harrison) for the comitology process. The first reflected the preferred approach and assumed comitology would take nine to twelve months. The second was a contingency to ensure DECC was prepared to react to any Commission drive to push codes through on curtailed three month process if needed to meet the overall 2014 deadline. The overall objective was to be as transparent as possible whilst recognising that circumstances may only leave time to consult a small group of stakeholders rather than clearing issues and priorities round the wider JESG membership. The process also recognised the need to agree “red lines” where DECC may need to defend the drafting against any changes proposed by other Member States. It would also need to take account of the potential for the Commission to make significant changes to codes following ACER opinion, but prior to comitology.

- 5.2. RF pointed to the recently announced timings for comitology on CACM as evidence that there was a need for a contingency to deal with a curtailed comitology process.
- 5.3. SH highlighted the contrasting approach taken with the gas network codes where the Commission had been very inclusive and the process generally much more collaborative. For example, where there had been concerns about definitions not being appropriate to reflect the actuality in the UK, the Commission had worked to ensure that appropriate legal wording was included. In contrast, the Commission had held no Member State meetings on the electricity codes. RF confirmed that Ofgem would continue to push for greater clarity on the code development process.
- 5.4. SH also stressed the importance of not agreeing to “politically” driven implementation dates. If there were real practical issues that would take time to resolve it was important to push the Commission to accept a later implementation date rather than risk infraction.
- 5.5. BV stressed the need for flexibility in DECC’s preparation process. The JESG circulation list was ideal to ensure the widest possible range of stakeholders were included. Gwyn Dolben (EnergyUK) also stressed the need to ensure DECC had lined up other Member States to support GB changes where possible. Garth Graham (SSE) volunteered to assist DECC with code-based teach-ins and covering off “red lines”.

ACTION – DECC to circulate a timetable of the proposed comitology preparation processes with dates specific to CACM. Stakeholders to consider who else would be best placed to assist DECC with teach-ins, red line development and to join a core team to consider priorities under a curtailed preparation process.

6. AOB

- 6.1. ZZ asked whether this group was appropriate to discuss the “What else is needed?” section in the Grand Design paper, in particular the reference to harmonising capacity mechanisms and renewable support across Member States. RF pointed to the Commission’s current consultation on its priority list for future network codes which included capacity mechanisms and the planned guideline on capacity mechanisms due out in July.

ACTION - Harmonisation of Capacity Mechanisms should be included on the agenda for the July meeting.

- 6.2. RW noted that the Transparency Guideline would formally conclude its comitology process in June having been agreed by Member States in December. The guideline has an 18 month implementation period. National Grid will be forming a working group to consider implementation under the Balancing Settlement and Grid Codes.

7. Next Meeting

7.1. The next meeting of the stakeholder strategy group is scheduled for Wednesday 31st July.

8. Participant List

Organisation	Participant
Ofgem	Rachel Fletcher
Ofgem	Reuben Aitken
Ofgem	Evridiki Kaliakatsou
Ofgem	Dipali Raniga
Ofgem	Arina Cosac
DECC	Steve Davies
DECC	Sue Harrison
DECC	Dawn Armstrong
DECC	Will Francis
BritNed	Lorcan Murray
CMS Cameron McKenna	Louise Dalton
Consumer Focus	Heidi Ranscombe (<i>dial in</i>)
Crown Estate	Chuan Zhang
EDF	Nigel Edwards
Electricity North West	Mike Kay
Elxon	Steve Wilkin
Energy Networks Association	David Spillet (<i>dial in</i>)
Energy UK	Barbara Vest
Energy UK	Gwyn Dolben
E-ON	Esther Sutton
ESBI	Felicity Bush
National Grid	Rob Wilson
National Grid	Ian Pashley
Renewable UK	Zoltan Zavody
Scottish Power	Brian Galloway
SSE	Garth Graham
UREGNI	Jean Pierre Miura