

DECC-Ofgem European Stakeholder Group for Electricity

Thursday May 1st, 14:30-17:00, 9 Millbank SW1P 3GE

Chair: Mark Copley (Ofgem)

Minutes

1) Follow up from last meeting

- a. There was an action taken at the previous meeting to have a discussion of the Bridge to 2025 on the agenda of this meeting. It is on the agenda, in the *European Developments* section.
- b. At the last meeting, there was an action on Barbara Vest (EnergyUK) to gather views from EnergyUK members regarding generator transmission charges and relay these to Ofgem, and to coordinate with Zoltan Zavody (RenewableUK) to gain the views of RenewableUK members. Neither Zoltan nor Barbara were able to attend this meeting, so the matter is to be taken offline by Mark Copley (Ofgem).

2) European Network Code update

- a. Sue Harrison (DECC) offered some insights into the Commission and the comitology procedure.
 - i. Recent Commission led Member State meetings have largely been an information sharing exercise, and not very productive, and the frequency of meetings has dropped over the last few months.
 - ii. The Commission has voiced a desire to begin formal consultations on the codes in comitology, but it is difficult to see how these will be fruitful given the lack of preparatory meetings.
 - iii. There was stakeholder concern over alterations to the codes that have taken place during previous comitology procedures. Sue explained that this is because Member States do not see a finalised version of the text until after industry and stakeholders have engaged on the text, so their opportunity for input only occurs at this stage in the process.
 - iv. There was another stakeholder concern that the Commission has not been responding to letters.
- b. Mark Copley quickly rounded up the status of the 6 Network Codes currently with the European Commission and recommended for adoption:
 - i. Capacity Allocation and Congestion Management (CACM) is the most advanced, followed by Requirements for Generators (RfG).
 - ii. The Demand Connection Code (DCC) has had a large number of its more controversial elements, particularly related to demand side response, removed.
 - iii. The three operational codes are moving through the Commission process quite slowly. Operational Security (OS) is expected later this year, Operational Planning and Scheduling (OPS) and Load Frequency Control and Reserves (LFCR) are not expected until 2015.
 - iv. Sue Harrison added that the Commission is stretched at the moment given developments including the Ukrainian situation.

- v. Will Francis (DECC) pointed out the Commission's consultation on the development of its annual priority lists for 2015, available [here](#).
- c. David Freed (Ofgem) provided an [update](#) on the development of the Emergency and Restoration (ER) Network Code. Currently, it is being decided what should be covered in the code, and ensuring that it is complementary to, and not repeating, the other Network Codes.
 - i. Garth Graham (SSE) commented that there was no ENTSO-E post consultation workshop – a stage included in the development of all other Network Codes except HVDC. It was pointed out the attendees at the 2nd HVDC ENTSO-E workshop suggested there wasn't an appetite for a third workshop. Garth also noted that ER had the potential to conflict with Member States' own energy emergency powers. Sue Harrison answered that she believes that this shouldn't be an issue due to the emergency powers granted by the parent legislation – The Third Package.
 - ii. It was queried whether this would be the last Network Code, and whether an 11th code on staff training may come to fruition. David Freed said that although the Framework Guidelines do point to covering issues on training and certification, it's currently being decided how this should be approached.
- d. David Freed also provided a brief [update](#) on the High Voltage Direct Current (HVDC) code, with the final version of the code submitted by ENTSO-E to ACER on May 1st 2014. David recommended that stakeholders should feed concerns and comments through their representative industry body, although Ofgem is also happy to meet stakeholders bilaterally.
 - i. Garth Graham asked whether it would be possible for Ofgem to organise a room where GB stakeholders could video call through to ACER's HVDC workshop in Ljubljana on 19th May. **Action on David Freed to look into this option.** [An email regarding this was sent to all stakeholders from David's colleague, Adam Young, on 12/05]
 - ii. Garth also asked whether National Grid could circulate a marked-up version of the HVDC code to show where changes have occurred. Ian Pashley (National Grid) replied that they are in the process of doing this.
 - iii. Chuan Zhang (The Crown Estate) queried whether issues over voltage and frequency, which were both recorded in ENTSO-E meetings in March, had been resolved in the latest version of the code. As the code had only been released a few hours before this meeting began, participants had not had chance to read the code – however Mark Copley noted that the sort of concern raised by Chuan would have to be backed up by figures to show the cost of detriment if it were to be seriously considered by ACER.

3) Implementation Approach and Challenges, and Stakeholder Role and Awareness Raising

- a. Ofgem have begun some initial thinking on how all Network Codes are to be delivered consistently as a package, and all implemented in time so as to avoid infraction.
- b. Peter Hicks (Ofgem) used a [slide](#) to illustrate the 5 high-level stages to the implementation process. These stages could form the basic structure of an

'implementation handbook' that could serve as a standard template to coordinate implementation.

- c. A query was raised [by Colin Prestwich] over whether a Significant Code Review could be used. Abid Sheikh (Ofgem) noted that the SCR process would allow Ofgem to identify changes but that those changes would still need to go through the standard network code processes. Mark Copley mentioned the importance of using the considerable amount of industry knowledge and to work collaboratively.
- d. Stakeholders noted 1) that some ENCs require the subsequent development, approval and verification of terms, conditions and methodologies and this will need to be managed appropriately and 2) that a choice of implementation instruments (e.g. licence mods, significant code review etc) will need careful consideration. Mark Copley welcomed stakeholders to get in touch with respect to what Ofgem's next set of considerations should be on implementation.

4) Florence Forum – 20th & 21st May

- a. The Florence Forum is a high-level meeting, but it can be influential. This year, in an effort to make the meeting more strategic, questions for consideration have been asked throughout the agenda.
- b. Although the Forum does not provide any binding decisions, the discussions that take place can aid prediction of what is to come out of the Commission in the coming years.
- c. Both Mark Copley and Sue Harrison are happy to receive industry opinions on the questions asked in the [agenda](#).
- d. **Action on Mark Copley to send a conclusions note around the stakeholder group distribution list after he has attended the Florence Forum.**

5) The Bridge to 2025

- a. ACER's Bridge to 2025 (ACER launch slides [here](#) for reference) identifies the challenges Europe's energy markets will face in the coming decade and regulatory responses for the period 2014-2025 (including aspects covered by CEER). It is based around five key 'pillars' in the European energy market: electricity wholesale markets; gas wholesale markets; infrastructure investment; retail markets; and demand side and DSOs.
- b. The [public consultation](#) on the Bridge to 2025 opened on the 29th April, and will run until the 16th June.
- c. Stakeholders are encouraged to read the consultation document, consider the possible regulatory actions identified by ACER (for example, in terms of those which would add the most value to GB), and respond directly to ACER's consultation.

6) State aid guidelines

- a. Will Francis (DECC) gave an update on The Commission's state-aid guidelines, which were adopted last month. The final text was significantly amended in comparison to the original proposal, and DECC are particularly pleased with some of the changes surrounding capacity mechanisms, carbon capture and storage, and energy infrastructure.

- b. The commission is currently assessing whether government support for Hinkley Point C power station breaches state-aid guidelines, and the investigation will prove an important test case for the treatment of nuclear plants under state-aid.
- c. The Commission is aiming to release a decision before the end of 2014.

7) Retail Market Consultation

- a. Will Francis informed the group that the Commission's Retail Market Consultation closed on the 17th April. It focused on demand-side response, distribution system operators and consumer engagement and protection. The Commission also asked Member States and National Regulatory Authorities about how national schemes operate.
- b. More is expected from the Commission in the field of retail, including a communication in June on the state of play in the internal energy market, which this consultation may feed into.

8) AOB

- a. On the subject of the use of this group, several members voiced a desire to ensure that it remains distinct from the ENC focussed JESG, and maintains a strategic and implementation orientation.
- b. Mark Copley suggested that this stakeholder meeting could be timed to coincide with JESG meetings, as the attendees are quite similar, and that this may also ensure greater coordination of agendas. Stakeholders are invited to send their thoughts on this to daniel.tattersall@ofgem.gov.uk.

Attendance list

Garth Graham	Scottish & Southern Electric
Lorcan Murray	BritNed
David Jones	Elexon
Esther Sutton	e-on
Colin Prestwich	Smartest Energy
Hazel Gulliver	Scottish Power
Carole Hook	National Grid
Chuan Zhang	The Crown Estate
John Prime	National Grid
Gwyn Dolben	Energy-UK
David Spillet	Energy Networks Association
Bill Stevenson	DETINI
Charlotte Higgins	CMS Cameron McKenna LLP
Richard Sarti	Nord Pool Spot
Felicity Bush	ESB
Will Francis	DECC
Sue Harrison	DECC
Ian Pashley	National Grid
Adam Young	Ofgem
David Freed	Ofgem
Peter Hicks	Ofgem
Mark Copley	Ofgem
Daniel Tattersall	Ofgem
Michelle Murdoch	Ofgem
Clothilde Cantegreil	Ofgem
Rupika Madhura	Ofgem