

DECC-Ofgem European Stakeholder Group for Electricity
11th July 2014 13:30 – 16:00
Chair: Mark Copley (Ofgem)

Minutes

Housekeeping

Approval of minutes

The minutes from the last meeting were approved.

Actions from the last meeting

Mark Copley and Sue Harrison circulated notes from the Florence Forum.

Network Codes

Network Codes vs Guidelines DECC

- Will Francis (DECC) informed the group that the issue of Network Codes vs Guidelines is an ongoing one. It was spoken about at length at the Florence Forum.
- Capacity Allocation and Congestion Management (CACM) is to be reclassified as a guideline. It will still be a binding Commission regulation with direct effect, but the main difference lies in the fact that ACER's dedicated Network Code amendment process will not apply.
- The change has come about as the Commission's legal service feel that CACM will have stronger legal standing as a guideline. The same change could occur with a number of the current draft Network Codes.
- Stakeholders voiced concern that the consultation process could become weakened, and that the European Network for Transmission System Operators (ENTSOE) would be relied upon more heavily for writing amendments. There was also concern over how the governance arrangements will be formulated in a guideline. It was suggested that this may be an opportunity for a more open process.
- It was suggested that a more structured discussion around the amendment process could be had at a Joint European Standing Group (JESG) meeting.
- DECC will keep stakeholders informed of any developments in this area.

Transparency Regulation update

- Paul Wakeley (on behalf of Alex Haffner, both National Grid) presented [slides](#) to the group on the Transparency Regulation (TR) – a regulation that sets out requirements for publication of market data to a Central European Transparency Platform.
- Stakeholders were keen to ensure that all those who the TR will apply to have been informed of the regulation, especially small market players who may not realise it is applicable to them. National Grid agreed this is important, and although they have already messaged a large number of people, they will check that everyone has been captured.
- Feodora von Franz (Ofgem) added that a workstream has been established to evaluate whether Ofgem currently has the necessary powers to fulfil National Regulatory Authority monitoring obligations under the TR.
- If stakeholders have any questions they should get in touch with Alex.Haffner@nationalgrid.com or Feodora.VonFranz@ofgem.gov.uk.

European Commission / ACER developments

Commission Security of Supply Strategy

- Will Francis (DECC) informed the group that the Commission's [Security of Supply Strategy](#), prepared as a result of the Russia-Ukraine tensions, is mostly focused on security of gas supply. However there is some consideration of securing electricity supply from the Baltic states, and a general focus on the importance of Projects of Common Interest to energy security.

State-aid update

- Will Francis (DECC) told the group that DECC is working with the Commission on state-aid investigations into i) the capacity market ii) Contracts for Difference under Electricity Market Reform iii) the Final Investment Decision enabling regime for renewables and iv) Hinkley Point nuclear power station.
- As these investigations are still underway, no information can be released about them and decision timelines are currently unknown.

Bridge to 2025 responses and update

- Gwyn Dolben (EnergyUK) [presented](#) EnergyUK's response to [ACER's Bridge to 2025 public consultation](#).
- Grendon Thompson (Ofgem) [presented](#) an overview of all the responses to the consultation, focussing on the wholesale electricity and electricity infrastructure elements, as well as laying out the next steps for the Bridge.
- Mark Copley (Ofgem) mentioned that on the wholesale electricity side, responses suggested there should be a focus on delivering the target model, an attempt to harmonise approaches to assessing generation adequacy and a greater focus on DSR. Mark also explained that the governance proposals for the ENTSOs, power exchanges etc had generated significant debate.
- Zoltan Zavody (RenewableUK) reminded the group that ENTSOE have opened a [public consultation](#) on their draft work programme 2014-15, which closes on 29th August.
- Mark Copley (Ofgem) added that ENTSOE have also opened [consultation](#) on their Ten-Year Network Development Plan 2014, which closes on 20th September.

Infrastructure update – Projects of Common Interest & Cross-Border Cost Allocation

- Paul Wakeley's (National Grid) [presentation](#) explained the benefits of projects of common interest (PCIs), and the way the cross-border cost allocation (CBCA) methodologies tie into this.
- PCIs are selected from a list of identified projects published in ENTOEs Ten Year Network Development Plan (TYNDP). **Mark Copley (Ofgem) agreed to take an action to ask ENTSO-E what proportion of third party projects which applied for inclusion in the TYNDP were successful.**
- It emerged from the discussions that the mechanics of the CBCA need explaining better. **Action on Ofgem to produce a note on this.**

Interconnectors and Capacity Market

- Will Francis (DECC) explained that the government has produced a response to consultation proposals for Electricity Market Reform (EMR)
- Zoltan Zavody (RenewableUK) highlighted the difference between a generator abroad and an interconnector signing up to the capacity market in terms of foreign generators not having to pay Transmission Network Use of System (TNUOS) and Balancing Services Use of System (BSUOS) charges.

- Garth Graham (SSE) questioned how the capacity market fits with the PCIs, and whether there is a risk of providing double incentive to market participants, and also whether the cap and floor interconnector mechanism risks double incentivising by providing a guaranteed rate of return.

Ofgem cap and floor mechanism

- Stuart Borland (Ofgem) [presented](#) Ofgem's consultation on the cap and floor mechanism for interconnectors, which closes on 18th July. The consultation is designed to gather stakeholder views on rolling out the cap and floor regime to near-term projects – building on the model developed for Nemo, the GB-Belgium interconnector.
- The cap and floor regime is designed to encourage investment in interconnection by providing a guaranteed minimum rate of return from interconnection usage revenues.
- John Costa (EDF) asked whether there is an optimal amount of interconnection in Ofgem's view. Ofgem replied that there isn't. However it was noted that infrastructure targets are an issue which are currently under consideration by the European Commission.

SEM redesign paper Ofgem

- Michelle Murdoch (Ofgem) [presented](#) the consultation on which method should be used for the Single Electricity Market (SEM) design to integrate the electricity markets of Northern Ireland and the Republic of Ireland.
- The date that the Capacity Remuneration Mechanism gets put into place will be decided after the consultation closes, on the 25th July
- Natalie McCurry (Uregni) reminded the group that Ireland has a two-year derogation on the implementation of CACM NC, and that making these changes will be a huge departure from current arrangements.

AOB

- The **incident classification scale methodology** has been submitted to ACER, but there may still be opportunity to make alterations. If stakeholders have concerns they should get in touch with david.freed@ofgem.gov.uk
- An early draft of the **Emergency and Restoration Network Code** has been released, and there was a public stakeholder workshop held on 9th July. There were stakeholder concerns that there is no consideration of the commercial aspects in the code, and does not address the issue of who will pay for services for essentially restoring the system to a normal state.
- The **high-voltage direct current (HVDC) Network Code** will be published by the end of the month, within timelines set by the European Commission.
- The other **system operation codes** were discussed at an ACER/Commission/ENTSOE meeting. Stakeholders were keen to ensure that if the codes were redrafted so they can remain as Network Codes rather than changing to guidelines, the previous work through public consultations should not be undone.
- The **requirements for generators (RfG) Network Code** will likely remain as a Network Code rather than be changed to a guideline.
- After asking members of this group, DECC, Ofgem and National Grid propose to **coordinate the DECC-Ofgem European Stakeholder Group for Electricity and the JESG**. The proposal is for the two meetings to take place at the same venue, on the same day. This should allow for easier

stakeholder participation and better coordination of the agendas. It proposed to do this for the first time on the 15th October. This will be confirmed with stakeholders.

Attendance List

Zoltan Zavody	RenewableUK
Paul Wakeley	National Grid
Gwyn Dolben	EnergyUK
Olaf Islei	APX Group
Chuan Zhang	The Crown Estate
David Spillett (dial-in)	Energy Networks
Garth Graham	SSE
Lesley Rudd (dial-in)	ecuity
Esther Sutton (dial-in)	E.ON
Richard Sarti	Nord Pool Spot
Steve Wilkin	Elexon
Maximillion Weaver	CMS Cameron McKenna
Brian Galloway	Scottish Power
Lorcan Murray	BritNed
Colin Prestwich	Smartest Energy
Will Francis	DECC
Heidi Ransombe	Consumer Futures
Natalie McCurry (dial-in)	Uregni
Mark Copley	Ofgem
Feodora von Franz	Ofgem
Daniel Tattersall	Ofgem
Stuart Borland	Ofgem
Grendon Thompson	Ofgem
David Freed	Ofgem
Andrius Cialka	Ofgem
Thomas Johns	Ofgem
Michelle Murdoch	Ofgem