

DECC-Ofgem European Stakeholder Group for Electricity

Thursday 19th February 2015, 11:20 – 12:40
Elexon – 4th Floor, 350 Euston Road, London NW1 3AW
Minutes
Chair: Sue Harrison (DECC)

10. Energy Union Update – Sue Harrison – DECC:

The Commission are due to release a Communication on the Energy Union on the 25th of February. This will set out the Commission's plans for both Energy and Climate Change. Some leaked copies have been seen, and the descriptions of the new legislation planned are vague. Sue said that, following publication, she would welcome stakeholders' views. Key areas in the document include:

Security of Supply (SoS): A number of areas for action are identified:

- More infrastructure projects are needed
- There should be a push to develop the Southern Gas Corridor
- Commission will publish an LNG strategy
- A focus on liquid gas hubs to help especially Eastern Member States
- Revision of Gas SoS regulation required. The Commission is currently consulting on this. Not yet known how substantial any revision will be.
- Collective gas purchasing as an idea. This is still thought to be voluntary, involving aggregating demand among a number of countries. However any mechanism would have to be compliant with WTO and competition rules.
- Revision of the Electricity SoS Regulation, with a focus on SoS assessments.

Progress with the internal Energy Market (IEM): Again a number of actions are expected:

- Achieving 10% interconnection target. This will be discussed in a separate document published simultaneously with the Energy Union communication. The UK has not met its 10% target but if all our PCIs are built by 2020 we should achieve it.
- Strengthening EU bodies – particularly the ENTSOs and ACER. We need to be wary of developments like this, but there are legal issues that limit power transfer to bodies like ACER.
- Electricity market design communication: This is expected to recognise that capacity mechanisms are here to stay. In order to minimise distortion we need cooperation. Suggestion to phase out regulated tariffs where not justified.
- Focus on completing the development and implementation of ENCs

New legislation is expected on some of the above topics by the end of the year or start of 2016.

Stakeholders commented that implementing existing legislation should be made a priority before thinking about new policy developments.

11. Requirements for Generators – Elena Mylona (DECC)

Elena updated stakeholders on the first Comitology meeting, held on the 4th of February 2015 and thanked everyone for their comments on the Commission's first draft. The Code text seems relatively uncontentious now, due to good comments and agreement at the meeting. A final agreement is expected to be reached by June 2015. In discussion:

- Member States' (MS) concerns were mostly on smaller generators, in particular with regards to Articles 27 and 10. Some MS complained the frequency and voltage requirements were too strict and did not align well with national arrangements, but there was push back, as the Code aims to bring appropriate harmonisation of the system and allow future systems to be able to accommodate a new mix.
- Most MS called for code to enter 3 years after publication rather than 2 yrs.
- With regards to creating derogations for manufactures (articles 58 and 59), there was push back, as derogations should be only for exceptional circumstances and manufacturers are out of scope of RfG. Article 59(10) could provide comfort.

The Commission finished the meeting by requesting written comments from MS. At the next Comitology meeting DCC is likely to be discussed. The Commission highlighted intentions for FCA discussions to begin in May and HVDC before the summer. Operational codes could potentially be merged in to one 'super code' – this autumn. Sue mentioned it was a very constructive meeting with a new chair from the Commission called Florian Ermacora. He was keen to take comments on board and was very receptive. Sue emphasised how grateful DECC was for the comments that stakeholders provided. There was also a discussion on how the Commission can reach out to smaller players.

It was asked if stakeholders would be provided with the opportunity to comment on the draft texts of ENCs following RfG. Sue confirmed the existing process for gathering stakeholder comments will continue for subsequent ENCs.

There was also a question regarding the wording of the 'emerging technology category', and whether it could be changed to 'commercially available'. The Commission is considering this.

12. ACER 2015 priorities – Mark Copley - Ofgem

ACER's work priorities stem mostly from two documents – the Work Programme, and the Bridge to 2025. However, the Energy Union and other Commission Communications could shift some of the resources.

With regards to Electricity markets, the priority in the short term is to get the ENCs in place then assess whether the markets are working more effectively after they are in place. Additionally, there will likely be some work on scoping the need for an Electricity tariffs Network Code. Longer term, the focus is more on improving infrastructure in order to create a fully functioning Internal Energy Market and then an 'Energy Union'. Within that there is work to be done on the 2nd list of PCIs and improving the Cross Border Cost Benefit Analyses (CBCA).

On the Gas side, priorities include developing the Gas Target Model, which was adopted at end of last year. It is a method of assessing health and competitiveness of markets. Additionally they are likely to continue looking at Security of Supply.

In Retail ACER have a priority of looking in to and understanding flexibility and Demand Side Response, including the future role of DSO.

13. Update on stakeholder group and format – Natasha Smith- Ofgem

Ofgem and DECC undertook a review of stakeholder groups considering European Issues. We noted there was no single touch point for Stakeholders to engage on European issues.

The timely and appropriate engagement of GB stakeholders is important for the future development of European energy policy as well as the implementation of the European Network Codes.

Ofgem and DECC circulated a joint proposal on 30 January 2015 to merge the existing groups and forums into a cross-industry stakeholder group called the Joint European Stakeholder Group with appropriate subgroups to cover all aspects of European Issues¹.

The proposal is available online².

We received eight responses to our call for comments. Responses broadly supported the move to a single cross-industry stakeholder group. Responses resulted in some minor tweaks to the ToR.

Mark Copley emphasised the need for getting good representation at the GB level. This new group is designed to act as a 'one-stop-shop' for European issues including but not limited to European Network Code development and implementation. Content of the new group will evolve and it will be industry chaired but demand led. Stakeholders are welcomed to input for agenda items and we encourage stakeholders to engage in this process.

The revised ToR will be circulated next week. The first meeting under the new structure will be held on 17 March 2015. Members at this meeting will be asked to approve the ToR for the new group. The same dates will be used as those planned for the Joint European Standing Group which are available online³.

Attendees

Barbara	Vest	Energy UK
Sara-Lee	Kenney	NGET
Paul	Wakeley	NGET
Rob	Selbie	NGET
Sue	Harrison	DECC
Jack	Robinson	Ofgem
Mark	Copley	Ofgem
Natasha	Smith	Ofgem
Elena	Mylona	DECC
Jon	Robinson	DECC
Olaf	Islei	Apx
Paul	Neilson	SSE
Steve	Wilkin	Ellexon
James	Anderson	SP
Cem	Suleyman	Drax
Joesph	Underwood	Drax
Alice	Barrs	RWE
Mike	Kay	ENWL
Helen	Stack	Centrica
Garth	Graham	SSE

¹ The new structure will merge the Joint European Standing Group, the DECC-Ofgem European Stakeholder Group for Electricity and the European Code Coordination Application forum into a single cross-industry group.

² <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Standing-groups/Joint-European-standing-group/>

³ <http://www2.nationalgrid.com/UK/Industry-information/Electricity-codes/Standing-groups/Joint-European-standing-group/>

David	Spillet	ENA
Stephen	Powell	CER
Miles	Macallister	Smartest Energy
Zoltan	Zavody	RUK
Marta	Krajewska	Energy UK
Lorcan	Murray	NGIL (Britned)
Hazel	Gulliver	SP
Sarah	Owen	Centrica
Bill	Stevenson	Detini
Lesley	Rudd	Ecuity Consulting
Jonathan	Graham	The Association for Decentralised Energy
Martin	Moran	NGIL
Andrew	Colley	SSE