JESG Meeting: June 2014







Elexon, London 17 June 2014 **Elexon Wi-Fi Details**

2. Review of Action Log







Tom Selby – National Grid JESG | 17 June 2014

JESG Action Log: Standing Actions

Action No	Action	Lead Party
S1	Prepare a commentary / comparison document between the Network Code and the existing GB arrangements at appropriate stages in the Code development for each Network Code.	NGET
S2	Engage with DECC and Ofgem to ensure appropriate and timely input can be provided from GB Stakeholders in to the Comitology process.	JESG Chair
S3	Continue to review the membership of the JESG and engage additional industry parties where appropriate.	JESG Chair
S4	Provide update on future Network Codes and incentives being developed as and when appropriate.	NGET/Ofgem/DECC
S5	If required by the Commission, facilitate an industry-wide read-through of the Network Codes once they are released by the Commission . (formerly Open Action 135)	JESG Chair/Ofgem/DECC
S6	Stakeholders are requested to provide specific example of inconsistent or problematic definitions in the Network Codes to Ofgem (reuben.aitken@ofgem.gov.uk) and DECC (will.francis@decc.gsi.gov.uk). (formerly Open Action 140)	
S7	Consider the need for how to best capture stakeholders' most recent priority issues before and during the Comitology process, in particular for the RFG, DCC and CACM Network Codes as the codes develop in the pre-comitology phase.	

JESG Action Log: New and Open Actions

Action No	Action	Lead Party	Status	Update
149	Circulate to JESG the invitation for nominations to the ENTSO-E Balancing Pilot Stakeholder Group.	NGET	Complete	Circulated 15 April and 17 April.
150	Circulate to JESG the paper written by the French Government on proposed amendments to the RfG Code	NGET	Complete	Circulated 17 April
151	Circulate to JESG the expected timelines for CACM Network Code consideration through comitology.	DECC	Open	
152	Arrange another stakeholder group workshop on RfG Network Code following publication of the next draft.	NGET / DECC / Ofgem	Open	14 and 28 May are being held for this.
153	Circulate to JESG the provisional dates for the ER Network Code stakeholder events.	NGET	Open	17 April, 9 July, 22 October 2014, January 2015
154	Consider the level of engagement undertaken with market participants on their future data submission requirements under the Transparency Regulation; review to try to identify any parties who may need to be contacted directly.	NGET	Open	
155	REMIT: consider presenting an item at the next JESG on REMIT and the interactions with the Transparency Regulation in reporting fundamental data.	NGET	Open	

3. Summary Update of Network Codes



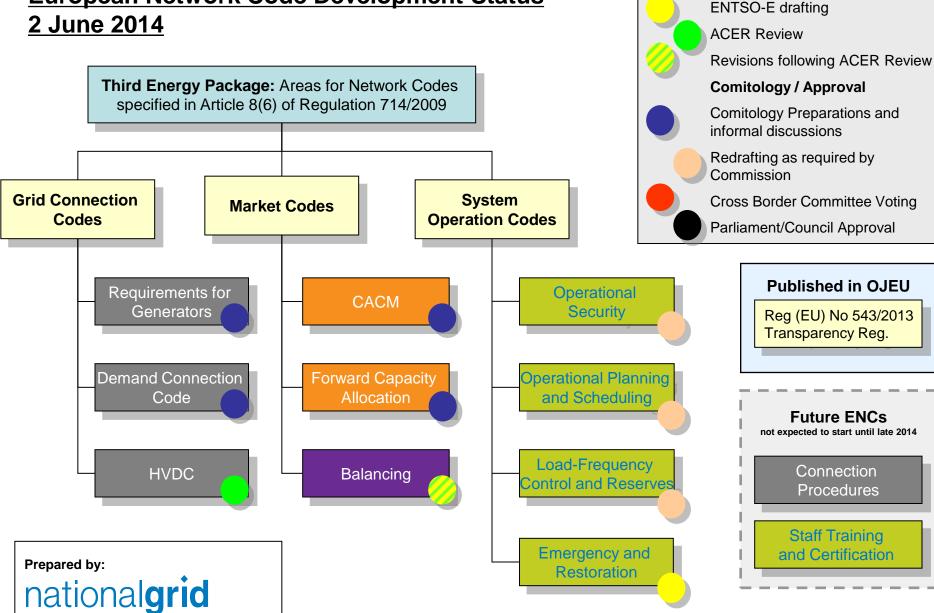




Tom Selby – National Grid JESG | 17 June 2014

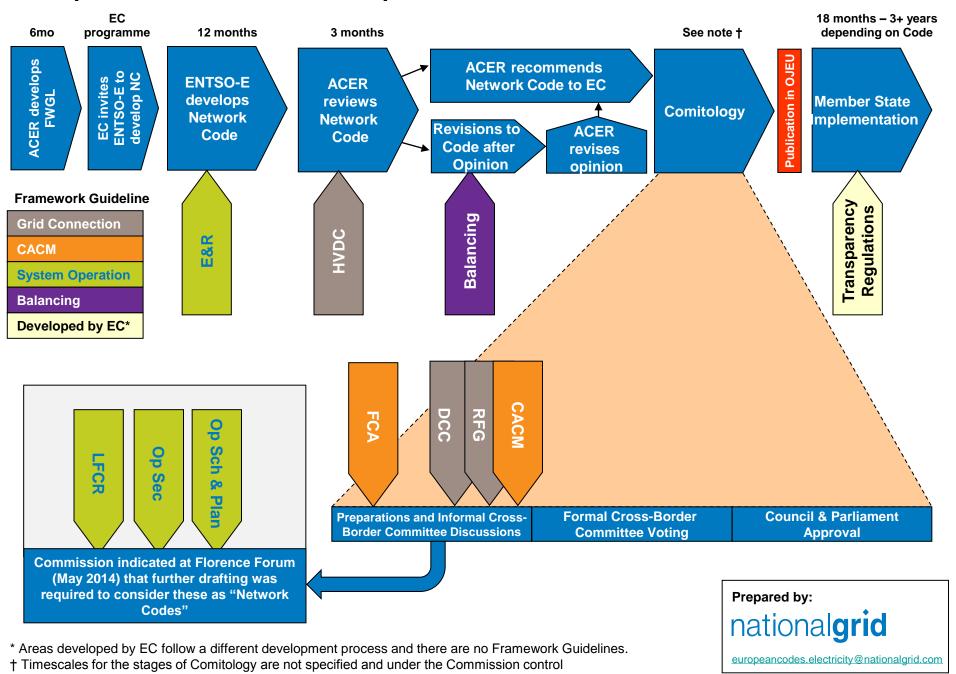
European Network Code Development Status 2 June 2014

europeancodes.electricity@nationalgrid.com



Drafting / Revisions

European Network Code Development Status: 2 June 2014



4. Project Terre Update







Steve Miller – National Grid JESG | 17 June 2014

Discussion Items

- TERRE Reminder
- Current Project Status
- Design Considerations
- TERRE Product vs Standard Products
- Communications

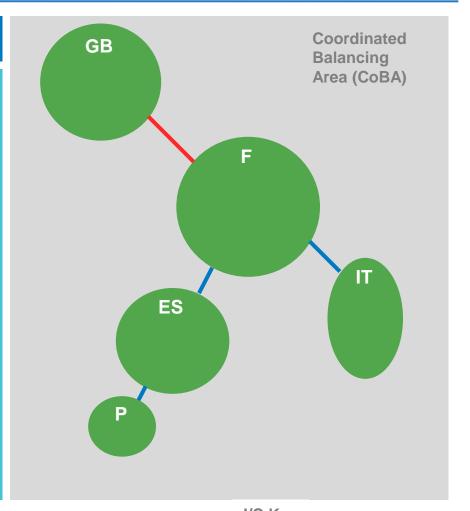


Balancing Energy for RR (Future)

Project TERRE

Current proposal assumes involvement from: GB, France, Italy, Spain and Portugal

Transfer of Balancing Energy on a TSO-TSO basis for RR





TERRE – Key Points

- The project will re-engineer the existing cross border balancing energy service (CBB) for (a) compliance with Balancing and other codes and (b) greater liquidity by extension to other regions.
- The service will be based on Replacement Reserves and will operate on a probabilistic basis. This will be after gate-closure of the Intra-Day market in the last hour ahead of real-time on a rolling hourly (or other to be defined) basis.
- A common gate closure will be agreed on a multi-lateral basis and the TSOs will form a Coordinated Balancing Area within the provisions of the Balancing code (NC EB), operating a multi-lateral Common Merit Order.

Current Status

- MoU and NDA
 - Still to be signed
 - REE and Swissgrid to join
 - Sign letter binding to MoU & NDA and any past decision/choices made
- Design Phase commenced
- Network Code on Balancing
 - With drafting team

Design Considerations

Imperatives:

- No negative impact on GB and European System Security
- Seek to minimise change, cost or impact to GB SO activities or GB industry;
- Align with Balancing, LFCR and other target models;

Goals:

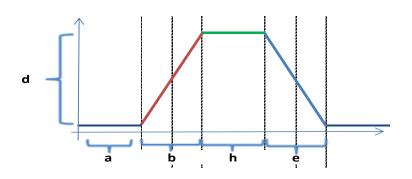
- Develop one or more strategic balancing / reserve products in the RR and beyond timescales;
- Improve flexibility and reduce costs of Balancing;

'Standard Products' Timescales

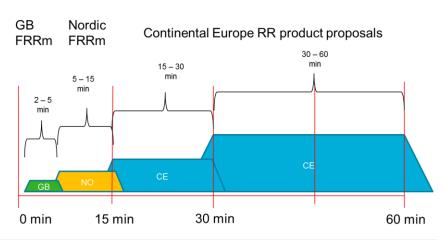
- TERRE timescales merging with the Network Codes for Balancing
 - June ENTSO-E internal discussions
 - July WG AS improvements including isolated networks.
 - Sept MC approval
 - Oct Stakeholder workshops
 - Nov Public consultation
 - Jan 2015 MC approval
 - Feb Assembly approval
 - March Proposal to ACER

Standard Products vs TERRE product

- Work on standard products in both TERRE and WGAS is based on explicit offers (that is divorced from plant and network – pure market product)
- Discussion ongoing around the various notice, ramping and delivery timescales of products.
- Differences between TERRE and WGAS:
 - WGpropose rigid products with no flexibility in the time-elements only flexibility in offered MWs
 - TERRE considering more flexibility around a, b, h, e
- Meetings held with France, Nordics, Danes and Irish in coming weeks to discuss needs of Smaller Synchronous Areas and transfer via congested HVDC (with ramp-rate limits).



European Standard Products



CE: The largest system operator does almost all sub-15 min balancing with FRR-a (AGC algorithm) and hence only 2 standard products are proposed

GB: The GB system operator with a smaller system and no AGC has a requirement for Faster FRR services from 2 minutes

NO: The Nordic region being smaller than the Continental European one requires faster reserves and although it has implemented AGC, can also see a place for 5 – 15 min reserves



Balancing Code Dates

Next Steps in NC EB drafting:

■ Send "final" version to ACER

Feedback from ACER

DT Meeting

Submit to LRG

Feedback from LRG

WGAS/DT joint meeting

■ Bi lateral meeting with EC

MC Session File (including NC EB for approval)

MC approval of updated NC EB

Assembly Approval

■ Re-submission of the NC EB to ACER

28 May

10 June

12/13 June (Brussels)

13 June (EOB)

16/17 June

17/18 June (Stockholm)

(TBC)

26 June

3 July

July

September



Communications

SPOC Meetings with leads from each Pilot Project

- Sharing of information
- Possible merging of pilot projects

ENTSO-E Stakeholder Group

- ACER group first meeting May 2014
- Discuss progress and sharing of information on balancing pilot projects
- Highlight any regulatory issues or other potential threats to the projects
- Propose next steps for project co-ordination
- Deliver recommendations for the future implementation of the NC EB

nationalgrid Summary update on Pilot Projects 4 (NG, RTE, TERNA, REN,NGIL)

Recent achievements

- 1. Consolidated view of the TERRE Product in line with the NC EB Standard Product
- 2. Review of the Matching Process (FCFS vs Implicit Auctions)
- 3. Review of the Data Collection Requirements for the Financial Benefit Analysis and Matching Process

Risks or legal/regulatory issue

- 1. Changing in the NC EB (Currently under Revision)
- 2. Possible involvement of other TSOs

Project co-operation and merging

- 1. Steering Committee Mtg on 12th May to discuss involvement of other TSOs
- 2. RTE/NG Bilateral Mtg 23rd May to discuss data capture, financial simulation and IFA Constraints.

Timescales

- Timescales for the project are expected to be:
 - Jan 14 to Sept 14: MOU, design of the solution, selection and negotiation of policy options, functional and non functional specs.
 - 2014: Approval (NGET, ENTSO-E, ACER, EU), tech specs, call for tenders, appointment of IT provider, PMO)
 - 2015: Build TERRE IT solution, integration with TSOs Operational Systems
 - 2017 onwards: TERRE Go-Live



Questions?

5. ACER Opinion on the FCA Network Code







Clémence Marcelis – Ofgem JESG | 17 June 2014



European Network Code on Forward Capacity Allocation

Update to the Joint European Standing Group





Timelines

October 2013 - ENTSO-E submitted FCA NC

December 2013 - ACER issued its reasoned opinion, which requested ENTSO-E to make amendments so that the FCA NC meets the Framework Guidelines

April 2014 - ENTSO-E resubmitted a revised NC

May 2014 - ACER issues its recommendation to the Commission

Comitology to start - date uncertain



ACER recommendation

FCA NC broadly in line with the FWGL. However, in some aspects the code is not in line with the FWGL and the objectives stated therein, and lacks ambition in particular regarding the implementation horizon.

In its opinion, ACER had requested several amendments to the code to ensure full alignment with FWGL and consistency with the other electricity network codes.

ENTSO-E has introduced minimal changes but some key issues remain – they were flagged in ACER's recommendation to the EC:

- i. Timelines set to implement terms and conditions or methodologies
- ii. Firmness provisions
- iii. Principles for long-term transmission rights remuneration



Timelines to implement

ACER concerned about lack of ambition in FCA NC when setting binding deadlines to implement the main features of the European target model for the long-term timeframe.

Recommendation includes shortened deadlines compared to previous opinion assuming early implementation beforehand:

- Type of Transmission Rights to be allocated on cross border Bidding Zone
 Borders* and Harmonised Access Rules: 6 months after EIF
- Single Platform: 3 months after EIF + regulators' approval + 12 months for implementation
- Nomination Rules: 27 months after EIF

^{*}To note that NRAs have possibility to derogate from provisions on Long Term hedging rules . This decision should be taken at Capacity Calculation Region level.



Firmness provisions

Firmness still not in line with FG. ACER recommends:

After long term firmness deadline, Transmission Rights (TR) should be fully firm and uncapped

Before deadline, possible cap on yearly (monthly allowed for DC cables) revenues from congestion incomes at all timeframes (taking into account TR payouts and firmness after Long term firmness deadline)



Long Term Transmission Rights (TR) Remuneration

 NC now ensures that TSOs return the total financial resale value of capacity to the market participants who owned the FTR and of the non-nominated physical transmission rights subject to UIOSI for owner of PTR

Principles for LT TR remuneration

Regional coordination to develop a proposal for TR payouts:

- When implicit allocation TR payout based on market spread
- When explicit auction TR payout equal to clearing price of the daily auction in DA
- Transmission losses are the only allocation constraints to be taken into account in calculation of LT TR remuneration



Ofgem is the Office of Gas and Electricity Markets.

Our priority is to protect and to make a positive difference for all energy consumers. We work to promote value for money, security of supply and sustainability for present and future generations. We do this through the supervision and development of markets, regulation and the delivery of government schemes.

We work effectively with, but independently of, government, the energy industry and other stakeholders. We do so within a legal framework determined by the UK government and the European Union.

6. REMIT: An Update







Alasdair Yuille – Ofgem JESG | 17 June 2014 (Discussion)

7. "A Bridge to 2025": a Personal View ACER's European Energy Policy Consultation







Tom Ireland – National Grid JESG | 17 June 2014

A Bridge To Where?

- An interesting snapshot
- ACER/ BoR Consultation
 - **2025**
 - Stage 2 of 3
 - Gas and <u>Electricity</u>
- Energy Sector Challenges
- Future Regulatory Actions

Markets and Interventions

- Greater interconnection and cross border trade
- Greater RES, DSO & TSO coordination
 - Capacity and Flexibility to be (carefully) valued
- Target Model+ is urgent & paramount
- Balancing markets are critical
- RES subsidies and Capacity Markets are a major market distortion but necessary in medium term?
- Inter-TSO Coordination should increase

Infrastructure Investment

- Investment challenges only likely to increase
- Coordination must/ should be pan-European
- Output based regulation for DSOs and TSOs
- Markets should drive investments but also pan EU coordinated
- Riskier cross border projects may require further incentive
- Regulation should reward efficient operation and investment by DSOs/TSOs

Consumers, Retail Markets & DSOs

- Consumers costs rises are a worry
- Demand response must be enabled technology/ info
- DSOs will become more active
- Tariff transparency, switching, trust, protection, 'smart', service levels & consumer behavior.
 - Benefits pass through.
- New Services. New service providers?
- Principles outlining the DSO role
- Ownership unbundling
- Coordination TSOs and DSOs

Future Governance

- Quick Implementation of Codes & Methodologies
 - Change process
- Further coordination and definition of generic roles across EU
- More TSO tasks centralised?
- Direct Regulatory oversight for new players?
 - Markets, exchanges, ENTSOs, Regional Security Coordination Centres (single centre?)

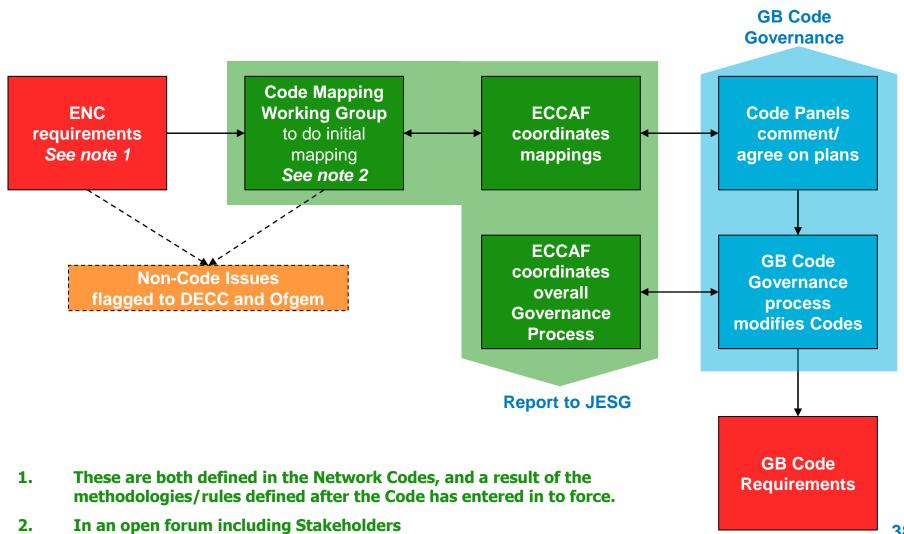
National Grid view

- Generally Supportive
- ENC implementation should be of the highest priority
 - Time to assess needed before further additions
- Options should be developed for more effective ways of amending and modifying ENCs.
 - Industry could be permitted to propose ENC modifications
- Currently ENTSO's scope does not need to deepen or widen
- ACER can potentially add value by coordinating differences of opinion over cross-border investment and cost allocation

8. ECCAF Update – from 29 April 2014

ECCAF Chair JESG | 17 June 2014

ECCAF Work Process



Mapping of RFG to GB Codes

- Mapping of the RFG to GB Codes has now been completed based on 14 January 2014 draft version of the Network Code
- Key findings
 - Majority of technical requirements map to either Grid Code or D-Code
 - Some consequential changes to CUSC if requirements are specified in Bilateral Contracts
- Three categories of outstanding issues which are being addressed.
 - To be considered by DCRP/GCRP Workgroup
 - To be considered by ECCAF
 - To be flagged to DECC/Ofgem

Mapping of CACM to the GB Codes

- The Code Mapping for CACM identified three types of requirements in CACM based on the 14 January 2014 version of the Network Code:
 - Articles with direct effect, which may require changes to the GB Codes;
 - Articles with direct effect, some of which may require consequential changes to aspects of the GB framework other than Codes;
 - Articles where the state of the present drafting limits meaningful analysis.

Slides from ECCAF from Peter Hicks, Ofgem





1) What does Direct Effect mean?

- Direct Effect is a principle of EU law which allows EU legislation to be enforced by an individual in a court of a Member State without further action by a Member State
- Direct Effect can be vertical or horizontal
- Principle of "Indirect Effect"



2) For a provision of EU law to have direct effect it must:

To have direct effect a provision must satisfy all of the below criteria:

- Be clear and precise; and
- It must be unconditional; and
- It must not give the MS discretion as to application; and
- Time limit for implementation must have expired



3) Direct Effect and ENC implementation

- Regulations are normally directive effective but ENCs are slightly different – unhelpfully!
- Ofgem will still need enforcement powers even where provisions of an ENC have direct effect

Outputs

- Outputs from ECCAF Meetings including:
 - Code Mapping documents
 - Headline Reports

- Published on the ECCAF website:
 - http://www2.nationalgrid.com/UK/Industryinformation/Electricity-codes/Standing-groups/ECCAF/

Next ECCAF Meeting

- 26 June
- Will discuss future ECCAF workplan driven by Commission's timescales

Details are circulated in JESG weekly update

- Any queries, please contact
 - <u>europeancodes.electricity@nationalgrid.com</u>

9. Forthcoming Events







Tom Selby JESG | 17 June 2014

Forthcoming Events

- ECCAF Subgroup Teleconference
 - Thursday 26 June, 10:00
- ENTSO-E Stakeholder workshop on the Emergency & Restoration Network Code
 - Wednesday 9 July, 12:30 17:00 (CEST), ENTSO-E, Brussels
- European Transparency Regulation & REMIT Briefing
 - Monday 14 July, 10:00 15:30, National Grid House, Warwick
 - http://www2.nationalgrid.com/UK/Industry-information/Europe/Transparency-Regulation-Electricity/

Forthcoming Events (continued)

- ACER's 8th Public Workshop on REMIT
 - Wednesday 16 July, ACER's office, Ljubljana

10. Review of Stakeholder Representation







Barbara Vest – Energy UK JESG | 17 June 2014

11. A.O.B and Close





