Implementing Network Codes in the Energy Community

*Secretariat’s Concept*

Annex 32_14th MC
Overview

1. Re-cap: agreed EnC Network Code adoption procedure
2. Gas Network Codes
3. Electricity Network Codes
4. Open issues and proposed solutions
Re-cap: EnC NC adoption procedure

- **Legal basis**: Article 27 of MC Decision 2011/02/MC-EnC | Article 23 Gas Regulation (EC) No 715/2009 as adopted in the EnC
- **Standard adaptations** – replacing: EC → ECS | ACER → ECRB | MS → CP
- **Open issues**: implementation deadlines and “packages” | reciprocity | dispute resolution for CP-MS IPs
Gas Network Codes
... in a *meaningful way* that:

1. addresses the CPs’ ability to implement the NC provisions content and time wise → reflecting the development status of the CPs’ gas markets; and thus

2. bases on EU experience related to:
   - Pre-conditions (market reforms) that need to be in place in the CPs’ national gas markets for implementing NCs
   - Time allowed/needed for NC implementation

3. proposes a step-by-step implementation path that targets:
   - Possible implementation “packages” for each NC → which Articles are 1st, 2nd … priority and interlink

4. adds realistic implementation deadlines for the implementation “packages” for each NC; but
   - does not lose sight of the final scope of implementing the *entire* NCs; and
   - leads to implementation of the NCs *not only* at CP-CP IPs but also at CP-MS IPs
Geographic scope – gas

* IPs GR-Al and Al-IT will be relevant by the time of NCs implementation
Agreed work approach

1. **ECS** / **EC** to circulate meeting material well in advance
2. **Participants** to prepare for detailed discussion of content

**TARGETED WG MEETING\(^n\) RESULTS**

1\(^{st}\) meeting

- **DECISION ON WORK APPROACH FURTHER: WGs - NC by NC or PER A PACKAGE OF DIFFERENT NC PARTS COMBINED**

1\(^{st}\) and further meetings

- **DEFINITION OF IMPLEMENTATION DEADLINES, PACKAGE BY PACKAGE** \([date, sequence and reasoning]\)

**NEXT STEP**

EC to table stepwise NC implementation to PHLG for adoption

**IN ANY CASE**

1. without failing the "basic" steps (IAs etc.)
2. ensure that ultimately all provisions can and will be implemented
3. reciprocity: self-binding commitment of MS NRAs to apply NCs on IPs to EnC borders
## Proposed sequence of NC adoption

<table>
<thead>
<tr>
<th>Order</th>
<th>Topic</th>
<th>Legal act</th>
<th>Implementation steps</th>
<th>Implementation deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Interoperability (IO)</td>
<td>Regulation (EU) 703/2015 of 30.04.2015</td>
<td>sequenced</td>
<td>2017 - 2018</td>
</tr>
</tbody>
</table>
### In detail: implementation proposal

1st step end 2017

<table>
<thead>
<tr>
<th>Transparency</th>
<th>Interoperability</th>
<th>CAM</th>
<th>CMP</th>
<th>Balancing</th>
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</thead>
<tbody>
<tr>
<td>Entire act</td>
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<tr>
<td></td>
<td>Chapter II Units</td>
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<tr>
<td></td>
<td>Chapter III Units</td>
<td></td>
<td></td>
<td>Chapter IV Nominations (except re-nominations intraday)</td>
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<tr>
<td></td>
<td>Chapter VI Final provisions</td>
<td></td>
<td></td>
<td>Chapter VIII Information Provision (articles 32 (1)&amp;(2); 33; 37 (2)&amp;(3))</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>Chapter X Interim Measures (to be applied as default before the BAL NC fully implemented) or application of Article 52 (Chapter XI)-Transitional provisions</td>
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<td></td>
<td></td>
<td>Chapter XI- Transitional provisions</td>
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</table>

Chapter V Interruptible Capacity (with exception of within day interruptible capacity)

Chapter VI Tariffs and Capacity Booking Platforms (with exception of rules related to bundled products)

Chapter VII Transposition, implementation & monitoring responsibilities
<table>
<thead>
<tr>
<th>Interoperability</th>
<th>CAM</th>
<th>Balancing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter II Interconnection agreements - provisions related to gas quality and data exchange</td>
<td>Chapter II Principles of Cooperation (provisions related to data exchange and calculation of technical capacity with the purpose of offering bundled capacity)</td>
<td>Chapter III Operational Balancing</td>
</tr>
<tr>
<td></td>
<td>Chapter IV Bundling of Cross-Border Capacity</td>
<td>Chapter IV Nominations (re-nominations intraday)</td>
</tr>
<tr>
<td></td>
<td>Chapter IV Gas Quality and Odourisation</td>
<td>Chapter V Daily Imbalance Charges</td>
</tr>
<tr>
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<td>Chapter V Data Exchange</td>
<td>Chapter VI Within Day Obligations</td>
</tr>
<tr>
<td></td>
<td>Missing provisions related to within day capacity</td>
<td>Chapter VII Neutrality Arrangements</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chapter VIII Information Provision (articles 32 (3); 34-36; 37 (1); 38-44)</td>
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<tr>
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<td></td>
<td>Chapter IX Linepack Flexibility Service</td>
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</table>
In detail: proposed implementation timelines

<table>
<thead>
<tr>
<th>Chapter</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tr>
<td></td>
<td>Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec</td>
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</tr>
<tr>
<td>Transparency (TRA)</td>
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<td>0 PHLG Decision</td>
<td>0 PHLG Decision</td>
<td>0 PHLG Decision</td>
</tr>
<tr>
<td>Congestion Management Procedures (CMP)</td>
<td>0 PHLG Decision</td>
<td>0 PHLG Decision</td>
<td>0 PHLG Decision</td>
<td>0 PHLG Decision</td>
</tr>
</tbody>
</table>

- **Chapter I General provisions**
- **Chapter II Interconnection agreements**
- **Chapter III Units**
- **Chapter IV Gas quality and odourisation**
- **Chapter V Data exchange**
- **Chapter VI Final provisions**
- **Capacity Allocation Mechanisms (CAM)**
  - **Chapter I General provisions**
  - **Chapter II Principles of cooperation**
  - **Chapter III Allocation of firm capacity**
  - **Chapter IV Bundling of cross-border capacity**
  - **Chapter V Interim utilisable capacity**
  - **Chapter VI Tariffs and capacity booking platforms**
  - **Chapter VII Final provisions**
- **Balancing (BAL)**
  - **Chapter I General provisions**
  - **Chapter II Balancing system**
  - **Chapter III Operational Balancing**
  - **Chapter IV Nominations**
  - **Chapter V Daily imbalance charges**
  - **Chapter VI Within day obligations**
  - **Chapter VII Neutrality arrangements**
  - **Chapter VIII Information provision**
  - **Chapter IX Linepack flexibility service**
  - **Chapter X Interim measures**
  - **Chapter XI Final and transitional provisions**

**NATIONAL LEGISLATION**

- Time for discussions within WG
- Except provisions related to gas quality and data exchange
- Except provisions related to data exchange and calculation of technical capacity with the purpose to offer bundled capacity
- Except within day utilisable capacity
- Except rules related to bundled products

**TRANSPONTIAIN**

- Only Articles 22.1, 22.2, 28.1, 27.2, 27.3

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Energy Community Secretariat
Summarizing for gas NCs

- **implementation concept**
  - has been agreed between ECS and EC → exclusively targeting mutual *(voluntary)* agreement of EU NRAs / TSOs neighboring the CPs to apply gas NCs on MS-CP IPs (using existing NCs possibility to include IP to the third countries)
  - Has been presented to the PHLG in June 2016
  - Discussions with CP and MS NRAs and TSOs have started

- **Adoption of gas NCs**
  - Has been targeted by the 06/2016 PHLG for its 12/2016 meeting
  - is part of the agreed CESEC Roadmaps confirmed by the CESC High Level Group 09/2016 ref. Action Plan Annex II

- **BUT!** *formal* legal reciprocity remains *conditio qua non*
  - implementation of NCs on CP-CP IPs only (UA-MD and SR-BiH) will not justify the implementation effort and / or add value in terms of market integration
Electricity Network Codes
CACM Regulation 1222/2015 requires a common market coupling solution for the SEE Region WB6 + GR, ROM, BG, HR

- first discussions with related CP and EU NRAs and TSOs took place

- WB6 TSO | NRA MoU on market coupling has been signed on 27 April 2016

- WB6 07/2016 Paris Summit included market coupling between CPs and MS as obligation

- CESEC High Level meeting 09/2016 foresees expanding CESEC (WG structures) to electricity – but without concrete measures
Open issues - proposed solutions
Reciprocity is needed!

**Formal legal reciprocity is a *conditio sine qua non* – why?**

- **For gas NCs:** implementation of NCs on CP-CP IPs only (UA-MD and SR-BiH) will not justify the implementation effort and / or add value in terms of market integration

- **For el NCs:**
  - *CACM Regulation* requires a common market coupling solution for the SEE Region *WB6 + GR, ROM, BG, HR*
  - Duplication of established *WB6 + Italy WG* structures is to be avoided
  - *Balancing Regulation:* splitting of existing control block (LFC block) Slovenia – Bosnia and Herzegovina – Croatia will put operational risks → requirement for introducing new procedures on: load-frequency control, reserves dimensioning, metering and accounting instead of the ones currently applied to ensure security of supply → disintegration of the block will undo economies of scale generated through cross-border cooperation in place
ECS solution proposals

- *ref.* ECS Treaty reform proposal for automatic reciprocity
- NC adoption under Title III of the Treaty